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SBTi Corporate Net-Zero Standard V2.0:

Readiness of Korean Companies and Key Challenges

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SBTi Corporate Net-Zero Standard V2.0:

Readiness of Korean Companies and Key Challenges

Executive Summary

In June 2026 the Science Based Targets initiative (SBTi) released Version 2.0 of its Corporate Net-Zero Standard (CNZS), the first major revision in about five years. Target validation under V2.0 opens in February 2027 and becomes mandatory in February 2028. Since many Korean companies set 2030 as their near-term target end year, target renewal submissions should cluster in 2028–2031. Of the 292 Korean companies answering the full 2025 CDP climate change questionnaire, an estimated 96% (281) would fall into Category A and be held to the strengthened requirements — yet only 47 have joined the SBTi, whether by commitment or validated target, so most have yet to begin.

The key weakness of Korean companies is not a lack of systems but the gap between systems and implementation — and V2.0 mostly tests the latter. The basics are in place: 91% have board-level climate oversight, 97% report location-based scope 2 emissions, and 93% and 94% have scope 1 and scope 2 emissions verified. But the figures fall to 64% for publicly disclosed transition plans, 55% for scope 3 verification and 8% for full assessment of significant Tier 1 suppliers. Companies should work back from their renewal dates to set their timelines, then review in turn the contractual structure of their market instruments (88% of renewable electricity procurement consists of unbundled REC purchases and the Green Premium), their visibility into scope 3 supply chains, whether transition plans sit with the board, and the scope of assurance.

1. Overview of the Corporate Net-Zero Standard V2.0 Revision

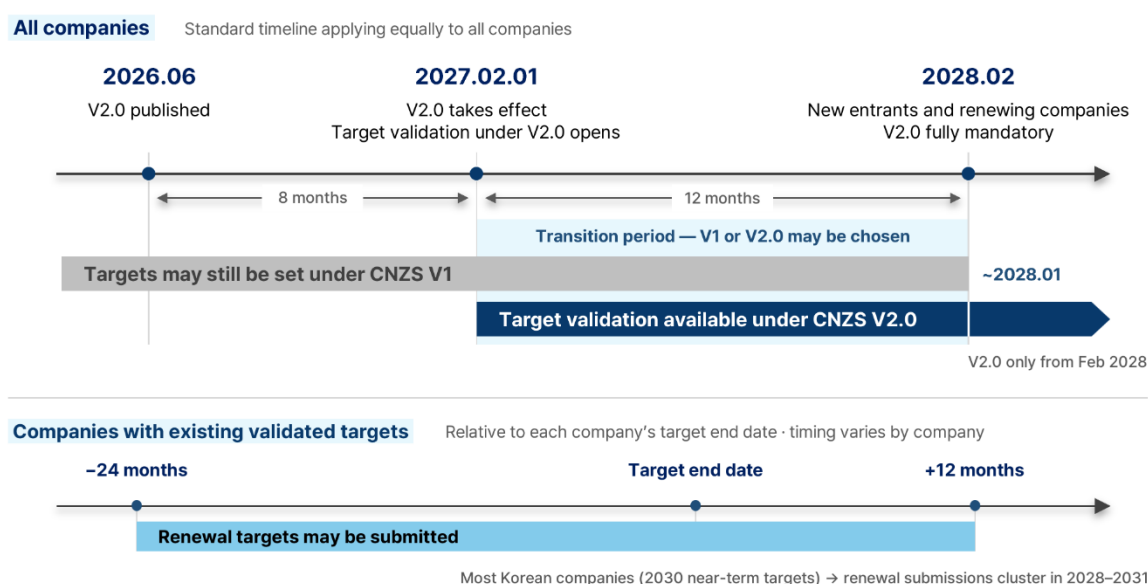
- In June 2026 the SBTi revised its Corporate Net-Zero Standard for the first time in about five years. The revision reshapes the Standard as a whole: a new Category A/B classification, the way scope 1, 2 and 3 targets are set, net-zero governance and transition plans, the implementation hierarchy, third-party assurance, and carbon credits and Ongoing Emissions Responsibility (OER). This brief examines **how capital markets read the key changes and, using 2025 CDP response data, how prepared Korean companies are.**

Key changes in the SBTi Corporate Net-Zero Standard V2.0

- ✓ **Category A/B classification** — companies are classified by revenue, geography, emissions and full-time equivalents (FTEs), with requirements differentiated accordingly
- ✓ **Scope 2** — target-setting is unified on the location-based inventory; stricter integrity criteria for the recognition of market instruments
- ✓ **Scope 3** — significant categories accounting for 5% or more of total scope 3 emissions (categories 1–14) must be included in targets
- ✓ **Net-zero governance** — targets approved and overseen at board level; governance structure disclosed
- ✓ **Transition plans** — all companies must develop a transition plan; Category A companies must disclose it at target validation (up to 15 months allowed)
- ✓ **Third-party assurance** — mandatory for Category A
- ✓ **Credits and OER** — credits still cannot count toward target achievement; credits and climate contributions are brought into a three-tier OER framework

- The analysis covers the **292 Korean companies** that answered the Full¹ CDP questionnaire and made their data public. Unless stated otherwise, all figures refer to these 292 companies.
- Target validation under V2.0 opens in February 2027. During a one-year transition period companies may submit targets under either the existing V1 criteria or V2.0. **From February 2028, V2.0 becomes mandatory for new entrants and companies renewing their targets alike.** Near-term targets must be renewed every five years, and target renewal submissions may be made from 24 months before the target end date and no later than 12 months after it. As most Korean companies set 2030 as their near-term target end year, **they will need to begin preparing their next target cycle (2030–2035) under V2.0 from 2028 and should plan their submission dates and response timelines accordingly** (Figure 1).

Figure 1. SBTi CNZS V2.0 implementation timeline and when companies need to act



¹ Companies with >1,000 employees, revenue >USD 250 million, or RE100 membership must respond to the CDP Full version. Companies responding to investor requests or seeking public score disclosure must also use the Full version. Others may choose Full or SME.

- * The Mandatory Five-Year Review (M5YR) is required at the five-year trigger date, and if a new target is required, it must be submitted within 12 months of the target end date.
- * Target renewal dates vary by company; an analysis of the target years of Korean companies with near-term targets shows an average target year of 2030.

2. In-depth Analysis of the Key Changes in V2.0

① New Category A/B Classification

Sec. B.3 (see Table 1 for the criteria by requirement)²

Classification and differentiated obligations

- CNZS V2.0 divides companies into Category A (large companies) and Category B (SMEs, and medium-sized companies in lower-income countries) by revenue, geography, emissions and full-time equivalents (FTEs), and applies requirements of differing stringency. **For Category A most of the key requirements below are mandatory (shall); for Category B many are optional or recommended (Table 1).**
- The framework is the same for both categories: governance, scope 1 and 2 targets, the implementation hierarchy and progress reporting are required of all. The differences are concentrated in **items involving external disclosure and third-party assurance, which produce information investors can directly access and cross-check**. Scope 3 inventories and targets, emissions intensive activities (EIAs) disclosure, transition plan disclosure and third-party assurance are mandatory for Category A but optional or recommended for Category B.

² "Sec." refers to the section number in the main text of the SBTi Corporate Net-Zero Standard (CNZS) V2.0, and "C" to the number of a criterion contained in that section. For example, C14 appears in the original as CNZS-C14.

Table 1. Key requirements compared: Category A vs. Category B

Criteria (CNZS V2.0)	Key requirement	Category A	Category B
C1 Net-zero governance	Approval of targets and oversight of implementation by the highest governing body; disclosure of the governance structure	Required	Required
C2 Transition plan	Develop and maintain a transition plan (approved by the highest governing body; reviewed at least every five years)	Required	Required
C2.4 Transition plan disclosure	Publicly disclose the transition plan (within 15 months of target validation)	Required	Recommended ¹
C5.2-C5.8-C5.9 Base-year inventory and LCE	GHG inventory for the target base year (scope 1 and 2); total electricity consumption and share of low-carbon electricity (LCE)	Required	Required
C5.2-C5.7 Scope 3 inventory	Report the scope 3 inventory; determine and report significant scope 3 categories (5% or more of categories 1–14)	Required	Optional
C7 Third-party assurance	Third-party assurance of the emissions inventory and target-setting metrics	Required	Optional ²
C12.3-C12.4 Scope 2 targets	Estimate projected growth in electricity consumption over the target period; set an absolute emissions reduction target where growth exceeds 20% per year	Required	Not applicable
C14-C15 Scope 3 targets	Set scope 3 targets (covering significant categories 1–14)	Required	Optional
C45 Ongoing Emissions Responsibility (OER)	From 2035, support eligible carbon removals equal to at least 1% of ongoing emissions (rising linearly to 100% by the net-zero target year, and no later than 2050)	Required	Optional

¹ C2.4 applies to Category A only; however, R2.2 recommends that all companies disclose their transition plan upon completion of target validation (recommendation).

² The official label is "Category B (optional)". However, the Intent of C7 states that assurance is "strongly encouraged" for Category B, and third-party assurance is also recommended for Category B at the End-of-cycle Assessment (five-year cycle).

* Source: SBTi Corporate Net-Zero Standard (CNZS) V2.0

How proxy advisors are responding

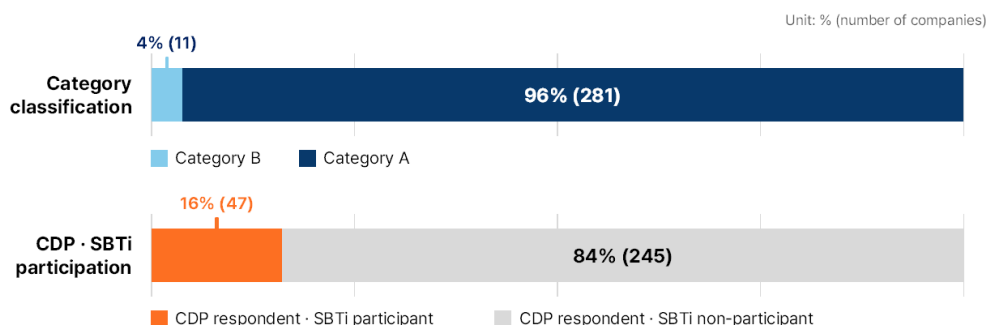
- On its face the split differentiates requirements by size; to capital markets it can also signal disclosure and assurance intensity. Capital markets already concentrate climate oversight on **large, high-emitting companies**: ISS applies its Climate Accountability policy only to significant greenhouse gas emitters through their operations or value chain, which it defines as the companies on the Climate Action 100+ Focus Group list, and Glass Lewis carefully examines the disclosures of S&P 500 companies with material exposure to climate risk stemming from their own operations against the TCFD recommendations, IFRS S2 or an equivalent framework (ISS 2026 US Benchmark Policy; Glass Lewis 2026 US Benchmark Policy Guidelines). Disclosure and assurance rules phase in the same way: the amended EU CSRD covers companies with more than 1,000 employees and net annual turnover above EUR 450 million. In Korea, mandatory sustainability disclosure will begin in 2028 with KOSPI-listed companies holding consolidated total assets of KRW 10 trillion or more, expanding to those with KRW 5 trillion or more in 2029, while a further expansion to KRW 2 trillion or more is under review
- Capital markets and regulators have thus established a selective logic: Large, high-emitting companies face stronger climate disclosure and oversight expectations. Category A/B split points the same way. Being Category A is not a choice; in practice it overlaps heavily with **the large, high-emitting companies from which markets have long-awaited stronger climate action**.

Category exposure of Korean companies

- Applying the V2.0 classification criteria to the 292 CDP respondents, **96% (281) fall into Category A** and only **4% (11)** into Category B. Category A requirements would therefore apply to almost all Korean CDP respondents, including near-term scope 1 and 2 targets, scope 3 inventories and targets, third-party assurance, EIA emissions and assurance of progress assessments.
- Readiness falls short of this. Of the 292 respondents, only 16% (47) participate in the SBTi and 84% (245) do not. Overlaying the categories, **at least 83% (234)** of the 281 Category A companies have not joined — so most of the companies that would be held squarely to V2.0 have not begun their response³ (Figure 2).

³ The analysis in this brief is based on the 292 Korean companies that answered the CDP 2025 Full questionnaire and made their emissions and target data public. Korean SBTi participants numbered 122 as of 12 July 2026 — 84 with targets set, 23 committed and 15 with commitments removed. The two groups are different populations and overlap in 47 companies. Of the 122 SBTi participants, 75 did not respond to CDP, so their emissions and target data could not be confirmed, and they are excluded from the analysis.

Figure 2. Category classification and SBTi participation of CDP respondents



* Categories were determined using 2025 CDP response data together with revenue, sector and headcount figures from 2025 annual reports and sustainability reports. "Headcount" here is calculated differently from the full-time equivalents (FTEs — the annual average number of employees adjusted to full-time working hours) defined in SBTi V2.0, so a company's actual category at target validation may differ.
* Source: SBTi Corporate Net-Zero Standard (CNZS) V2.0; 2025 CDP data; 2025 annual reports and sustainability reports

② Reform of How Market Instruments Are Used for Scope 2

Sec. 3.3 (C12) · Sec. 4.1 (C21) · Sec. 4.3 (C29–C31)

Where market instruments sit in the implementation hierarchy

- V2.0 places all scope 1, 2 and 3 mitigation actions under a single implementation hierarchy: (1) **Activity-level actions**, reducing emissions at source in operations and the value chain; (2) **Activity pool-level actions**⁴, using market instruments in systems many companies share, such as power grids or commodity supply chains; and (3) **Sector-level actions**, available only where structural constraints — technological immaturity, geography, regulation or supply structure — can be demonstrated, with cost or procurement preference not accepted as justification. This is a requirement, not a recommendation: **companies must document and demonstrate that higher-level actions have been assessed and implemented, where feasible, before relying on a lower level.**
- Scope 2 offers a choice of two target types: **an emissions reduction target**, or **a low-carbon electricity (LCE) alignment target** raising the share of LCE used or contracted. Companies whose electricity use grows fast (above 20% a year on average over the target period, such as large data centers) must set an emissions reduction target, with an alignment target optional⁵. Ambition must be set on **the location-based inventory, which reflects grid-average emissions**, not the market-based one. This does not make renewable contracts and certificates (PPAs, RECs)

⁴ **Activity pool** is infrastructure or a supply and logistics network used jointly by several companies or actors. The clearest example is the power grid: because many companies and households share a single grid, the physical origin of the electricity any one company uses cannot be separated out. In such cases V2.0 recognizes a company's contribution to decarbonizing the shared system through contracting and matching with market instruments such as PPAs (power purchase agreements) and RECs (renewable energy certificates). Besides power grids, shared systems may include gas grids, supply sheds and logistics networks.

⁵ This provision applies to Category A companies only.

meaningless — they remain valid for implementing targets and showing progress — but actions and market instruments absent from the physical GHG inventory must be quantified and reported separately from it⁶.

- Because market instruments applied to electricity consumption are activity pool-level actions, they count only for companies that have documented assessing and implementing feasible activity-level actions first. A market instrument then counts as target progress only if it meets three criteria, which the SBTi frames as near, new and now: (1) **deliverability (near)** — the electricity must be capable of reaching the grid the company uses (long-term contracts signed before V2.0 takes effect are exempt)⁷; (2) **generator age limit (new)** — only LCE from generators commissioned or re-powered within fifteen years before the period of electricity consumption, a requirement with the same intent as additionality in renewable procurement (PPAs with generators under 36 months old are exempt)⁸; and (3) **hourly matching (now)** — matching consumption to generation, with annual matching the default. Hourly matching is not mandatory but is eligible for recognition; Category A companies must, however, calculate and report the hourly matched share of scope 2 electricity for activity pools whose total annual electricity consuming is 10 GWh or more⁹.
- Unbundled RECs — certificates not tied to a specific generator — remain recognized, but **must now meet the deliverability and age-limit (additionality) conditions** like any other instrument. V2.0 did not invent these conditions; the SBTi has codified concepts already common in the market, such as the RE100 technical criteria. Even so, **it makes them a precondition for recognizing progress, requires hourly matching shares to be calculated and reported, and for Category A requires third-party assurance — so the practical burden may grow.**

⁶ V1.3.1 required scope 2 emissions to be reported on both a location-based and a market-based basis (dual reporting). V2.0 keeps the emissions inventory as a single physical inventory and has market instruments reported separately, as the LCE share and the actions taken. Information is disclosed in two ways under both versions; what differs is that V2.0 unifies the basis for target-setting and for judging progress on the physical inventory.

⁷ Existing long-term contracts are recognized as deliverable in the region previously applied for the term of the contract, and that recognition does not carry over when the contract is renewed. Cross-regional supply is also recognized where transmission rights are demonstrated, or where a company has sites in two or more interconnected regions within a wide-area synchronous grid and covers their combined load with a PPA whose offtake begins within 36 months of commercial operation.

⁸ "Additionality" asks whether the procurement added new capacity that would not have existed otherwise. As an exception to the fifteen-year rule, PPAs signed with generators less than 36 months past commercial operation may run longer than fifteen years. The precise scope of the exceptions — PPAs for new low-carbon electricity projects, and how the rule applies by region — is to be addressed in the interim guidance on market instruments that the SBTi has said it will release for consultation in the fourth quarter of 2026.

⁹ Calculating and reporting hourly matching is optional for Category B, while Category A, to which it applies as a requirement, must obtain third-party assurance of the share. Category B companies that take part voluntarily in the Scope 2 Hourly Matching recognition program also assume the assurance obligation, and that assurance is carried out at the End-of-cycle Assessment. All companies must state at target validation whether they participate in the program, and submit reasons if they do not. The recognition thresholds rise in stages: 50% by 2030, 75% by 2035 and 90% from 2035.

How this reads in capital markets

- V2.0 is designed so that target ambition and actual implementation are managed separately. **In capital markets, this reads as a mechanism for separating on-paper reductions from physical ones.** Analyzing 206 companies that responded to CDP in 2023, Bjørn et al. (2025) found that applying all three restrictions proposed in the GHG Protocol revision debate — geographical proximity, facility age and PPA linkage, which correspond to the deliverability and age-limit conditions above — would cut the share of companies ahead of their scope 2 reduction pathway from 72% to 50%, and the combined reported reduction from 21% to 17%¹⁰. The age criterion weighed heaviest: under all three restrictions, the RECs held by most companies (58%) would not qualify as valid. This suggests that market-based accounting overstates actual reduction progress.
- The SBTi has said it will adjust the CNZS accounting provisions once the GHG Protocol revision concludes. Even before then, the direction of travel — tightening procurement quality criteria — is common across international accounting standards, so companies should prepare in advance.

Procurement structure of Korean companies

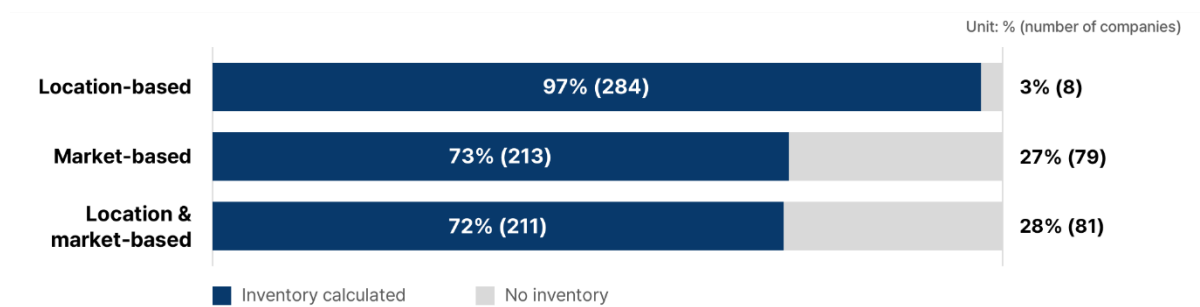
- 97% (284) report scope 2 emissions on a location-based basis and 72% (211) report both location- and market-based figures, so the accounting systems are largely in place. What V2.0 requires, however, is not location-based "reporting" but the use of the location-based inventory as the "basis" for calculating target ambition, so the inventory must be fit for that purpose. Companies that set reduction targets on market-based emissions must recalculate ambition on the location-based inventory at renewal.
- **The target base year**¹¹ requirements must also be met. V2.0 separates the target base year from the inventory base year and requires it **to be reset each cycle to the most recent year with comprehensive data**. Ambition is calculated on the updated base year, not a historical one. Targets may be communicated against an earlier year (for example the inventory base year) only where validation confirms the ambition relative to that year is the same — so the basis for setting and validating targets is the updated target base year, with any earlier year shown alongside for reference.
- In sum, an inventory must meet two conditions to serve as the basis for V2.0 target-setting: ambition calculated on **location-based** rather than market-based emissions, and **a target base**

¹⁰ Ahead or behind is determined by comparing actual reported 2022 emissions with the 2022 target emissions derived from a linear reduction pathway from the base year (mostly 2019) to the target year (mostly 2030). It is a judgment of interim progress, not of whether the target was met.

¹¹ The reference year chosen when a target is set. It is distinct from the inventory base year — the historical reference point for tracking emissions over time — and the two need not be the same. V1 fixed a historical base year and set targets against it, whereas V2.0 uses the most recent data each target cycle to determine ambition from the company's current emissions profile. Where the most recent year does not accurately reflect a company's structure and activities, another representative year may be selected, but the reasons must be reported in the reporting cycle following target validation.

year reset to the most recent year each cycle. Companies already holding targets must also assess at cycle end whether boundary changes (mergers, acquisitions, divestments), methodology changes or data-quality improvements (updated emission factors) have occurred, and **recalculate the target base year** where their cumulative effect shifts total emissions in any individual scope by 5% or more. Target base year emissions and LCE calculations are subject to third-party assurance for Category A, so they must be prepared to pass external assurance, not internal checks alone (Figure 3).

Figure 3. Scope 2 inventory accounting status



- Of Korean companies' renewable electricity procurement (29,623 GWh), **REC purchases are the largest at 55%**, followed by **the Green Premium at 33%**, **self-generation at 8%** and **PPAs at 4%**. REC purchases and the Green Premium are not tied to specific generation projects through long-term contracts and are generally seen as lower in additionality, making them the likely focus of the tightening procurement quality criteria — and together they are **about 88%** of Korean procurement. PPAs, structurally better placed to meet deliverability and additionality through direct contracts with new generators, account for just 4%, and that figure includes volumes reported by foreign companies, so the Korean share is likely lower still. Companies facing new targets or target renewal should review the contractual structure of the instruments they use (Table 2).

Table 2. Renewable electricity procurement of Korean companies by type

Procurement type	Total (GWh)	Share (%)
REC purchases (unbundled EACs)	16,306	55%
Green Premium (retail green electricity)	9,845	33%
Self-generation¹	2,357	8%
PPAs²	1,115	4%

¹ Self-generation is the total as reported to CDP. Because RE100 companies cannot separate self-generation by overseas site, only figures from RE100 companies for which this could be distinguished were analyzed.

² Volumes reported as PPAs by foreign companies with operations in Korea; whether PPA contracts were actually concluded could not be confirmed.

* Source: CDP Climate Change and Water Report 2025 – Korea

③ Scope 3 Significance Threshold and Target Boundary

Sec. 2.3 (C5.7) · Sec. 3.4 (C14–C15)

The criterion for deciding what goes into the target

- For near-term scope 3 targets V2.0 introduces a **"significant categories"**¹² criterion: any category individually accounting for 5% or more of total physical scope 3 emissions across categories 1–14 must be in the target. Compliance is mandatory for Category A.
- Exclusions are permitted only for categories 1, 2, 3, 7, 8, 9, 10 and 14, and only on pre-defined, category-specific conditions (for example leased assets where the company has no contractual or practical means of influencing energy use and emissions; employee commuting in its entirety). Categories outside that list (4, 5, 6, 11, 12 and 13) must be included whenever they account for 5% or more, whatever the reason¹³. Any exclusion must still be reported with **the condition relied on and the reason, the excluded emissions in absolute terms and as a share of scope 3, and the measures taken to mitigate them.**
- **Companies retain flexibility in how they set targets.** They may choose an overarching scope 3 target — absolute emissions reduction or supplier and/or customer alignment — or category- or activity-specific targets. Where a company trades directly with suppliers or customers, it may opt for an alignment target — raising the share of Tier 1 suppliers and/or customers in transition or net-zero aligned — instead of reducing emissions themselves.

Scope 3 and investor engagement

- The GHG Protocol asks companies to judge the **"relevance"** of scope 3 activities against several criteria — emissions size, but also risk and importance to stakeholders, investors included. The CNZS turns the emissions-size criterion into a specific mandatory figure: 5%. Investors likewise look **not only at whether a scope 3 target exists but at which categories it covers**. The Climate Action 100+ Net Zero Company Benchmark sets scope 3 coverage from sector-specific materiality research: use of sold products (Cat 11) for oil and gas and automobiles, fuel- and energy-related

¹² The 5% significance threshold applies only to scope 3 categories 1–14. Investment-related emissions (Cat 15, financed emissions) are governed by the separate Financial Institutions Net-Zero Standard rather than by the Corporate Net-Zero Standard, and are therefore excluded from the cross-sector significance assessment and target-setting under this Standard.

¹³ The categories for which exclusion is permitted, and the condition attached to each, are as follows. 1 and 2 (purchased goods and services; capital goods) — cradle-to-gate emissions of second-hand goods. 3 (fuel- and energy-related activities) — where mitigated by the reductions in energy consumption driven by scope 1 and 2 targets (must be included where an applicable sector standard requires it). 7 (employee commuting) — the category in its entirety. 8 (upstream leased assets) — assets over which the company has no operational control and no contractual or practical means of influencing energy use or emissions through energy procurement, equipment specifications or operating practices. 9 (downstream transportation and distribution) — transport where the company has no means of influencing fuel type, route or mode. 10 (processing of sold products) — where subsequent processing steps are unknown or there is no contractual relationship with the processor. 14 (franchises) — where franchisees operate as independent businesses and the company cannot influence facility management, or where they lease space and do not control energy use. By contrast, categories 4 (upstream transportation and distribution), 5 (waste generated in operations), 6 (business travel), 11 (use of sold products), 12 (end-of-life treatment of sold products) and 13 (downstream leased assets) have no exclusion provision, so they must be included in targets whenever they reach the 5% threshold.

activities (Cat 3) for aviation, purchased goods and services, processing of sold products, and use of sold products (Cat 1, 10, 11) for chemicals. The benchmark is designed to be compatible with the TPI Centre methodology and is used by investors to prioritize engagement, track progress and exercise voting rights. Which categories a scope 3 target covers is thus already a practical test investors apply.

Korean companies' target boundaries and supply chain management

- Among the Category A companies, to which the significant-category rule applies as a mandatory requirement, **79% (223 of 281)** have calculated and reported scope 3 emissions; **the remaining 21% (58) appear to have no inventory at all, and so lack even the precondition for the target-setting V2.0 requires.**
- Across these 223 companies, the number of significant categories has a median of 2 and a mean of 2.3, with most concentrated in one to three. Taken across all sectors, 87% (195) identified at least one of purchased goods and services (Cat 1), fuel- and energy-related activities (Cat 3) or use of sold products (Cat 11) as significant — but this reflects the many manufacturers in the sample, not a criterion common to all sectors. By sector, Cat 11 follows Cat 1 for Industrials and Cat 3 stands out for Information Technology and Materials, while Financials show a different pattern led by employee commuting and business travel. **Significant categories therefore differ by sector, as do the categories that must enter near-term targets under the 5% rule.** Each company must check what is significant in its own case (Table 3).

Table 3. Distribution of significant scope 3 categories by sector

Category	All	Cons. Discr.	Indus- trials	IT	Mate- rials	Finan- cials	Cons. Staples	Comm. Services	Health Care	Utili- ties	Energy
Companies reporting significant categories	223	60	49	28	28	16	15	9	8	7	3
Cat 1 Purchased goods and services	156	39	29	25	23	8	14	8	6	1	3
Cat 2 Capital goods	33	4	4	5	2	6	2	6	4	0	0
Cat 3 Fuel- and energy-related activities	74	12	8	12	14	7	3	9	3	6	0
Cat 4 Upstream transportation and distribution	37	9	10	5	7	0	4	1	0	1	0
Cat 5 Waste generated in operations	29	15	2	2	2	5	1	0	2	0	0
Cat 6 Business travel	27	6	4	3	2	9	1	0	2	0	0
Cat 7 Employee commuting	23	5	3	2	0	10	0	2	1	0	0
Cat 8 Upstream leased assets	7	1	3	0	0	2	0	1	0	0	0
Cat 9 Downstream transportation and distribution	16	6	3	2	2	0	1	0	2	0	0
Cat 10 Processing of sold products	18	4	0	5	5	0	1	0	1	0	2
Cat 11 Use of sold products	65	14	25	8	3	5	3	3	0	1	3
Cat 12 End-of-life treatment of sold products	17	2	4	1	5	1	3	0	0	0	1
Cat 13 Downstream leased assets	11	0	3	1	1	3	0	1	2	0	0
Cat 14 Franchises	2	0	0	0	0	0	2	0	0	0	0

¹ Under criterion C14.1 of the SBTi Corporate Net-Zero Standard (CNZS) V2.0, a significant category is one that individually accounts for 5% or more of total scope 3 emissions across categories 1–14 in the physical GHG inventory. Category 15 (investments) is excluded from both the denominator and the assessment.

* Each cell shows the number of companies in that sector reporting the category as "significant (≥5%)". Rows = scope 3 categories; columns = GICS sectors (the Real Estate sector is omitted as it had no companies in the sample).

* The sample is the 223 companies that reported scope 3 emissions among the 281 Category A companies — those subject to the mandatory 5% significant-category rule — out of the 292 CDP 2025 respondents.

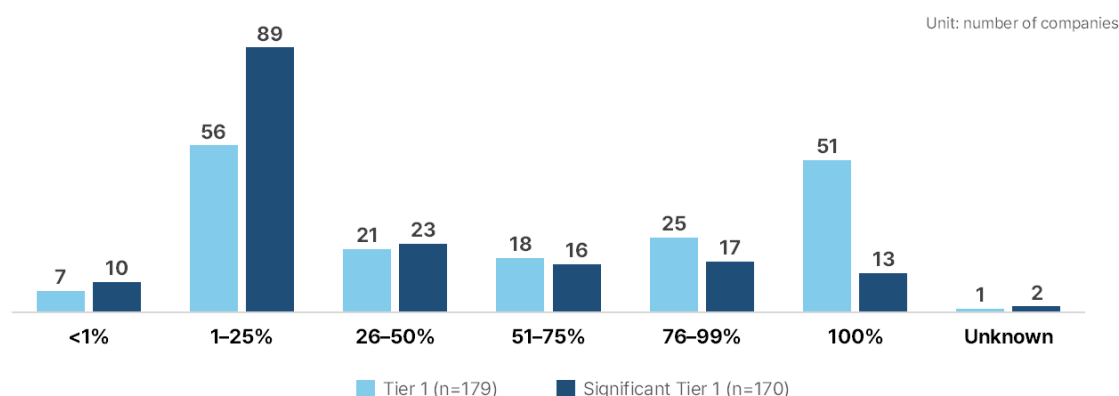
* Source: CDP 2025 response data; SBTi Corporate Net-Zero Standard V2.0

- Supply chain management varies widely. Of the 281 Category A companies, 223 report scope 3 emissions, and the breadth of supplier assessment differs sharply by group. **51 of 179 companies**

(29%) assess all Tier 1 suppliers¹⁴, but for significant Tier 1 suppliers¹⁵ only 13 of 170 (8%) do so. More than half — **99 companies (58%)** — assess 25% or less of their significant Tier 1 suppliers.

- So, assessments are being run across the supply chain as a whole, yet the core suppliers with the largest emissions are least likely to be identified individually. A supplier alignment target requires visibility into each Tier 1 counterparty's emissions or spend and transition status, so many companies are not currently in a position to treat it as a feasible option (Figure 4).
- The effectiveness of a scope 3 target therefore cannot be judged by whether one exists. **Which type of target was chosen, and whether the company has the supply chain visibility that type demands, matter just as much.**

Figure 4. Distribution of assessment coverage: Tier 1 vs. significant Tier 1 suppliers



* The share of suppliers whose environmental dependencies and/or impacts have been assessed against the company's own criteria for assessing suppliers' environmental dependencies and/or impacts.

④ Net-Zero Governance: New Board-Level Responsibility

Sec. 1.1 (C1)

Target approval and oversight elevated to board level

- V2.0 assigns approval of net-zero targets and oversight of their implementation to **the highest governing body — the Board of Directors or an equivalent body¹⁶ — and requires disclosure**

¹⁴ Also referred to as direct suppliers: suppliers that directly provide or sell products to the reporting company (GHG Protocol, 2013).

¹⁵ Tier 1 suppliers classified as having significant environmental dependencies and/or impacts.

¹⁶ V2.0 defines the highest governing body as the board of directors or an equivalent body. The wording is intended to capture the equivalent top decision-making body in companies whose legal form has no board; it does not mean that a management body may stand in for a board. Assigning roles to management is set out as a separate recommendation. The Korean figures in this brief are based on the board-level oversight item in the CDP questionnaire; Korean CDP (Full) respondents are mostly listed companies, for which a board exists as a statutory body.

of the related roles and responsibility structure. Transition plans must also be formally approved and adopted by the board. How oversight and implementation roles are assigned **to management** is left **as a recommendation**. Companies must also hold documented procedures for progress reporting and for reviewing and adjusting targets. Net-zero targets are thus elevated from an ESG task run by working-level departments to a core management agenda item the board approves and oversees. Companies will need governance arrangements that show not only who approves targets but who oversees implementation and key risks and opportunities, and how — and that can be explained externally.

Capital markets: stronger documentation of climate oversight structures

- Proxy advisors are moving toward requiring that the board's oversight of climate, environmental and social matters be **codified in formal documents such as committee charters**. In its 2026 benchmark policy Glass Lewis states that this responsibility should be **formally designated and codified in the appropriate committee charters or other governing documents**, and says it examines a company's committee charters and governing documents to judge whether such oversight has in fact been codified. At the same time, whether an advisor recommends support for an individual climate proposal is increasingly decided case by case — strict on documenting the structure, but not uniform on how to vote. What SBTi V2.0 and capital markets jointly demand, then, is not a declaration that climate is being overseen, but a structure in which who oversees what is verifiable in writing.

The oversight bodies are in place; what matters is what comes next

- Since V2.0 requires board-level approval of net-zero targets and oversight of implementation, having a board that addresses climate issues is the precondition. Korean companies largely meet it: **91% (266)** have board-level climate oversight, 94% (275) have a management-level body, and **90% (263) have both** (Table 4).

Table 4. Climate-related board and management bodies

Breakdown	No climate-related management body	Climate-related management body	Total
No climate-related board oversight	5% (14) Requirement not met	4% (12) Requirement not met	9% (26)
Climate-related board oversight	1% (3) Requirement met only	90% (263) Requirement and recommendation met	91% (266)
Total	6% (17)	94% (275)	100% (292)

* V2.0 requires approval of targets and oversight of implementation by the highest governing body (the Board of Directors or an equivalent body), and recommends the assignment of roles to management.

* Companies that did not respond to the relevant questions were classified as having no such body.

- Only **9% (26)** fail to meet the requirement because they lack board oversight. Of these, 4% (12) have a management body but no board oversight, and 5% (14) have neither and must build an oversight structure from scratch. The **1% (3)** with board oversight but no management body meet the requirement, though the recommended assignment of implementation responsibility to management is unconfirmed.
- The challenge for Korean companies is therefore not creating oversight bodies. The bodies mostly exist; **what matters is what they actually approve and oversee, and whether those roles are verifiable in external documents** — which is why capital markets look directly at governance documents such as committee charters rather than at whether a body exists. Among the items V2.0 requires the board to approve, the most directly verifiable from outside is the transition plan, examined next.

⑤ Mandatory Disclosure of Transition Plans

Sec. 1.2 (C2; disclosure: C2.4)

Transition plan disclosure following target validation

- All companies must develop a transition plan, and Category A companies **must disclose theirs within 15 months of completing target validation**. The SBTi checks whether a plan exists and contains the required elements; it does not evaluate or approve the plan's content or level of implementation. Validation therefore confirms that a plan exists and has been disclosed, while **judging its credibility and feasibility remains separate**.

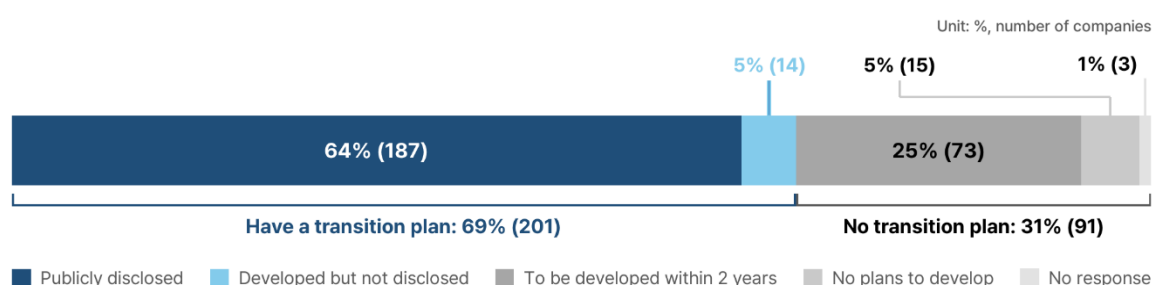
Judging a transition plan's feasibility falls to investors

- In June 2025 the IFRS Foundation published guidance on transition plan disclosures, reaffirming that the objective of IFRS S2 is to provide investors with decision-useful information, and that it requires disclosure of the impacts of climate-related risks and opportunities on a company's cash flows, access to finance, and cost of capital. However, IFRS S2 itself does not mandate preparing a transition plan; **it requires companies that have one to disclose information about it**.
- SBTi V2.0, by contrast, requires all companies to develop and maintain a transition plan, with required elements, board approval and integration into corporate strategy. But since its validation is limited to confirming that the plan exists and contains those elements, **judging the plan's feasibility and ambition falls to investors, working from the disclosed information**.

The gap between recognizing climate factors and disclosing a transition plan

- **88% (256)** reported that environmental risks and opportunities have had a material effect on their strategy, or on strategy and financial planning¹⁷. **69% (201)** have developed a transition plan, of which 93% (187) disclosed it — so **64% of all companies have a publicly available plan**. The remaining 36% (105) either have no plan or have not disclosed one: 73 (25%) plan to develop one within two years, 5% (14) have one but have not disclosed it, 5% (15) have no plans, and 1% (3) did not respond. Since 30% (87) of these either intend to develop a plan or already have one, much of the gap reflects **the progress of documentation and disclosure** rather than differing views on whether a plan is needed. "Within two years" is self-reported, so delivery needs separate confirmation (Figure 5).

Figure 5. Transition plan development and disclosure status



- The timing companies gave for developing a plan was within two years of responding — around 2026–2027. The Category A disclosure deadline (15 months after validation) falls after 2028–2031, when Korean submissions cluster. If companies follow through as stated, they should be able to meet the SBTi deadline. This analysis rests on 2024 performance data and 2025 responses, so current status may differ.
- The key issue is disclosure rather than development. Meeting the SBTi requirement presupposes disclosure, and investor assessment rests on disclosed information, so work under way inside a company is invisible from outside. The 36% (105) of companies identified above are unlikely to be able to evidence SBTi compliance or support investor assessment. Among them, the 5% (14) that have developed but not disclosed a transition plan are unlikely to have their plans recognized in external assessments. A company's response becomes visible only when the plan is **disclosed, not merely developed**.

¹⁷ Because the CNZS requires a transition plan to be aligned with, or integrated into, corporate strategy, CDP responses stating that environmental risks and opportunities affect financial planning alone are excluded from the analysis.

⑥ Mandatory Third-Party Assurance

Sec. 2.5 (C7) · Sec. 5.2 (C37)

Target implementation and third-party assurance

- V2.0 goes beyond one-time validation when targets are set; it also requires an End-of-cycle Assessment¹⁸ of how much a company actually reduced by the end of the target period. Minimum implementation criteria to be applied when setting subsequent targets will also be established separately. In particular, Category A companies must obtain **at least "limited assurance"**¹⁹ **from an independent third party for both (1) the target base year scope 1, 2 and 3 emissions, LCE calculations, and figures related to key emitting activities used to set the targets, and (2) the data demonstrating performance at the end of the target period.** Climate targets therefore no longer end with validation: the requirements are expanding toward more reliable target-setting data and continuous demonstration of actual progress.

Expanding demands for external assurance of sustainability information

- Third-party assurance raises the reliability of reported climate and sustainability information, and **demands for it are expanding internationally.** Beyond the SBTi, the EU CSRD requires limited assurance over the entire sustainability report of in-scope companies. The scope differs: the SBTi bounds assurance to the emissions and metrics used for target-setting, while the CSRD covers the whole report. The ISSB standards (IFRS S1 and S2) are disclosure standards and impose no assurance obligation; whether and at what level assurance is required is set by each jurisdiction.
- **The international assurance framework for sustainability information is also taking shape.** ISSA 5000, the dedicated international standard issued by the IAASB, applies to engagements for periods beginning on or after 15 December 2026 and provides a consistent set of procedures and methodologies for assurance engagements required under frameworks such as the SBTi and CSRD. In Korea, under the final plan for institutionalizing ESG disclosure announced by the government and ruling party in July 2026, **third-party assurance becomes mandatory from 2030** — two years after mandatory sustainability disclosure begins in 2028 for KOSPI-listed companies with total assets of KRW 10 trillion or more, with extension to KRW 5 trillion in 2029 and KRW 2 trillion in 2030 under review. The scope and level of assurance and entry requirements for assurance providers remain unsettled, so the forthcoming amendment of the Financial Investment Services and Capital Markets Act will need to be followed.

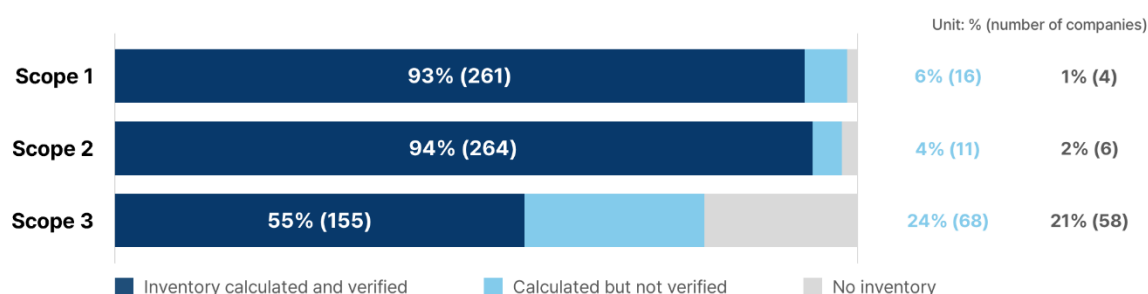
¹⁸ The End-of-cycle Assessment is based on the target progress a company submits. It takes place at the end of the target cycle and must be completed within 12 months of the end of the target period.

¹⁹ "Limited assurance" is a level of assurance at which an independent practitioner states that nothing has come to their attention indicating material misstatement in the data. "Reasonable assurance", one level higher, involves more extensive procedures to provide a high, but not absolute, level of assurance that the information is free from material misstatement, at a level comparable to a financial statement audit.

Scope 3 verification status of Korean Category A companies

- CNZS V2.0 requires third-party assurance of scope 1 and 2 as well as scope 3 emissions. Among the 281 Korean Category A companies, 93% and 94% already have scope 1 and scope 2 emissions verified²⁰ — close to the requirement — **but only 55% have scope 3 verified, leaving 45% (126) yet to meet the requirement.** As scope 3 assurance is mandatory for Category A, these 126 companies need preparation most urgently.
- The picture differs by scope. For scope 1 and 2, only 1% (4) and 2% (6) have not calculated emissions at all, so most unverified companies have done the accounting and only the verification process remains. **For scope 3, 21% (58) have no calculation at all** and must build an accounting system before verification can begin, while **24% (68) have calculated but not verified** — these companies could meet the requirement relatively quickly.
- Verification of climate-related environmental information not directly tied to emissions is also worth noting: **72% of Korean Category A companies** have obtained it²¹. Since the CNZS requirement extends beyond the emissions inventory to **other metrics used in target-setting**, how far verification of non-emissions metrics has taken root indicates how prepared companies would be if the SBTi widened assurance further²² (Figure 6).

Figure 6. Third-party verification status of Category A companies by scope



²⁰ The 2025 CDP questionnaire words this item as “verified and/or assured by a third party”. This brief uses “verification” where it cites CDP data and “assurance” where it describes the C7 requirement of SBTi CNZS V2.0, following the terminology of the international assurance standards and of the Korean Financial Services Commission’s disclosure roadmap.

²¹ Based on CDP question 13.1, which asks whether third-party verification or assurance was obtained for environmental information other than the items already covered by the scope 1, 2 and 3 emissions questions and the energy-related questions (7.9.1–3, 8.9.1–4, 9.3.2).

²² This figure does not map exactly onto the metrics the SBTi actually requires; it refers broadly to the environmental information contained in a CDP response, which should be borne in mind.

⑦ Carbon Credits and Ongoing Emissions Responsibility (OER)

Sec. 6 (C38-C40-C45-C46)

Carbon credits organized under the OER framework

- Credits²³ still do not count toward achieving reduction targets. V2.0 lists what is not recognized for implementation — reductions and removals used in the OER program, credits sold or transferred to third parties, and reductions or removals only estimated ex ante — and confines carbon removal projects to neutralizing residual emissions at the net-zero year. Voluntary purchase of removals by companies that miss targets is recommended but still not recognized as progress.
- What the revision adds is a single framework for what were recommendations under V1. The Beyond Value Chain Mitigation (BVCM) recommendation becomes a voluntary recognition program, and the recommended neutralization milestones become a post-2035 responsibility requirement, so credits and climate contributions²⁴ now sit across three tiers of **Ongoing Emissions Responsibility (OER)**. The SBTi presents this as a framework for recognition rather than a mechanism for regulating credits, describing OER as a “**complement**” to companies’ own emissions reductions, not a “substitute” for them (Table 5).

Table 5. OER tiers: timing, coverage levels and recognized instruments

Tier	Timing and applicability	Coverage level	Recognized instruments
Voluntary recognition program	Immediately under V2.0 / Optional Participation (indication of intent mandatory for Category A and B)	Relative to ongoing emissions: Engaged 1% · Advanced 10% · Leadership 100% ¹	Verified mitigation outcomes and other eligible climate actions
Post-2035 responsibility requirement	From 2035 / Mandatory for Category A	Relative to ongoing emissions: 1%, rising to 100% by the net-zero year	Eligible carbon removals
Neutralization of residual emissions	From the net-zero target year / Companies with a net-zero target	100% of residual emissions	Eligible carbon removals

²³ Carbon credits are classified by the activity that generated them as avoidance, reduction or removal credits. Removals divide into natural approaches (forests, soils and the like) and technological ones (such as direct air capture), and again by storage duration into long-lived (centuries to millennia) and short-lived (decades to centuries) removals. The CNZS requires a rising share of long-lived removals because neutralizing emissions from long-lived greenhouse gases with short-duration storage leaves the warming effect of the original emissions in place once the storage ends.

²⁴ Climate contributions are the finance or activities a company provides to support verified mitigation outcomes (reductions and removals) and other eligible climate actions. The latter are not quantified as ex-post mitigation in tCO₂e, but must meet requirements including baseline assessment, a defined impact pathway, monitoring, independent third-party assurance and new finance beyond business as usual; they include ex-ante mitigation finance, low-carbon research and development, adaptation and resilience, and loss and damage. Under the OER framework they are complementary actions, separate from target implementation.

¹Where a Category B company selects the Leadership level, the coverage level is adjusted to 10% rather than 100%.

- From a credit perspective, the higher the tier the narrower the recognized instruments. At the voluntary tier, reductions outside the value chain, protection and restoration of natural carbon sinks, and removal and storage of atmospheric carbon all count — and under the contribution-budget approach even ex-ante funding of mitigation and support for adaptation and loss and damage. At the post-2035 and net-zero tiers **only eligible carbon removals count. The minimum share of covered emissions attributable to long-lived GHGs that must be covered by long-lived removals** rises from 10% in 2035 to 100% by the net-zero year, so forest- and soil-based removals are unlikely to suffice: requirements tighten on both volume and durability of storage²⁵.
- Conditions apply at every tier. The supported activity must deliver reductions that would not have occurred without it (**additionality**); **monitoring and compensation safeguards** must cover the risk of stored carbon being released; and an independent, accredited third party must provide **assurance**. Credits must be **permanently retired** when claimed and are recognized **only where no other actor claims** them for compliance, offsetting or compensation. A mitigation outcome used once **cannot be reused** for target implementation or for a later tier.

Capital markets also see credits as a complement to, not a substitute for, reductions

- In capital markets, too, the view is spreading that carbon credits should **complement** rather than replace a company's own emissions reductions. The OECD holds that a credible transition plan does not treat credits and offsets as an alternative to cutting emissions today or as a reason to delay mitigation, but as part of the portfolio of solutions for accelerating the pathway to net zero (OECD, 2022), and recommends that companies using them explain transparently the intended use, its scale, the removal method and the quality criteria applied.
- The GHG Protocol points the same way. Its Land Sector and Removals Standard (2026) requires companies counting credits toward target progress to separately calculate and disclose both the physical GHG inventory without credits reflected and adjusted figure reflecting credits issued within their operations or value chains and used for external offsetting or compensation, to prevent double counting the same reduction or removal. Credits retired by a company cannot be deducted from its GHG inventory. Transparency in credit use and prevention of double counting are therefore a trend across carbon accounting, not an SBTi-specific demand — and they align with V2.0's approach of prioritizing value-chain reductions while adding climate responsibility through OER.

²⁵ The SBTi designates this an illustrative requirement and has said it will be reviewed at the next major revision of the Corporate Net-Zero Standard to reflect the best available science when it takes effect in 2035. The emissions to be covered here are the ongoing emissions that continue to arise each year on the path to net zero, which are distinct from the residual emissions that remain unabated at the net-zero year.

Credit use among Korean companies

- The removal coverage obligation from 2035 applies to Category A only and is optional for Category B — but most Korean CDP respondents are Category A. What companies meet first is not 2035 but the indication, at validation, of whether they will join OER: participation is optional, yet indicating intent and giving reasons for non-participation are mandatory for both categories.
- **33%** said they intend to use carbon credits, but **only two companies** actually used any in the reporting year (12,582 tCO₂e). Low credit use should not, by itself, be interpreted as insufficient readiness. Since direct emissions reductions take priority and credits are complementary, limited use today may be consistent with that principle. Moreover, the post-2035 requirement concerns "support" for eligible carbon removals rather than "use" of credits, so current credit use does not directly measure readiness to meet that requirement.
- What matters going forward is not usage but whether a company has a net-zero target and its target year, the residual emissions expected after long-term targets are met, and how concrete its carbon removal procurement plans are. **The V2.0 challenge is less the low level of credit use than how companies build the removal capacity OER and neutralization will require, while prioritizing value-chain reductions.**

3. Summary by Key Change: Capital-Market Interpretation and Status of

Korean Companies

Key change	Capital-market interpretation	Status of Korean companies (CDP respondents)
① New Category A/B classification Companies are split into Category A (large) and Category B (SMEs) by revenue, emissions and other criteria, with stronger requirements on Category A: scope 3 targets, third-party assurance, transition plan disclosure	Capital markets and regulators already apply a selective logic: Large, high-emitting companies face stronger climate disclosure and oversight expectations. ISS limits its Climate Accountability policy to significant GHG emitters on the Climate Action 100+ Focus Group list; Glass Lewis examines S&P 500 companies with material exposure to climate risk from their own operations. The EU CSRD and Korea's mandatory disclosure phase in from the largest companies. Category A/B split points the same way, and Category A is not a classification a company can choose	96% (281) of Korean CDP respondents are estimated to be Category A, yet only 47 are confirmed through CDP as SBTi participants

Key change	Capital-market interpretation	Status of Korean companies (CDP respondents)
② Reform of market instruments for scope 2 Reduction targets, previously settable on a market basis, are now unified on the location-based inventory. An LCE alignment target may be chosen instead, and market instruments (RECs etc.) count as progress only under stricter conditions such as deliverability and the 15-year generator age limit	In capital markets this reads as separating on paper from physical reductions. Bjørn et al. (2025), covering 206 companies, found that applying all three proposed restrictions (geographical proximity, facility age, PPA) would cut the share of companies ahead of their target pathway from 72% to 50% and the combined reported scope 2 reduction from 21% to 17%. Market instruments are not rejected; procurement meeting the requirements still counts	55% of Korean renewable procurement is REC purchases, under the strictest conditions; with the Green Premium, 88% falls under the tightening quality criteria
③ Scope 3 significance threshold and target boundary Categories at 5% or more of scope 3 emissions (Cat 1–14) must enter near-term targets (Category A)	Investors treat the categories a scope 3 target covers as an indicator of supply chain management capacity — the Climate Action 100+ Net Zero Company Benchmark assesses whether targets cover significant scope 3 emissions	223 of 281 Category A companies report scope 3 emissions, but only 13 of 170 respondents (8%) assess all significant Tier 1 suppliers
④ Net-zero governance: new board-level responsibility Approval of net-zero targets and oversight of implementation become board-level responsibilities, and the structure must be disclosed	Proxy advisors require board oversight of climate, environmental and social matters to be codified in formal documents. Glass Lewis states the responsibility should be formally designated and codified in the appropriate committee charters or other governing documents, and examines those documents directly	91% (266) have board-level climate oversight and 90% (263) also have a management body, so the precondition is largely met. What matters is not whether a body exists but whether what it approves and oversees is verifiable in documents
⑤ Mandatory disclosure of transition plans All companies must develop and maintain a plan, with board approval and integration into strategy. Category A must disclose at validation (up to 15 months). SBTi validation only confirms the plan exists and holds the required elements	The IFRS Foundation reaffirms that IFRS S2 aims to provide investors with decision-useful information. IFRS S2 does not mandate having a transition plan but requires disclosure where one exists. Feasibility and ambition are for investors to judge	69% (201) have developed a plan and 93% of those (187) disclosed it, so 64% of all companies have a publicly available plan

Key change	Capital-market interpretation	Status of Korean companies (CDP respondents)
④ Mandatory third-party assurance Category A must obtain at least limited assurance over target base year scope 1, 2 and 3 emissions, low-carbon electricity calculations and significant emissions-intensive activity metrics, and again over the End-of-cycle Assessment	Assurance of climate and sustainability information is expanding internationally. The SBTi (Category A) and the EU CSRD make it mandatory, while the ISSB (IFRS S2) is a disclosure standard with no assurance obligation. ISSA 5000 applies to engagements for periods beginning on or after 15 December 2026	93% and 94% have scope 1 and 2 verified, but only 55% have scope 3, leaving 126 of the 281 Category A companies short
④ Carbon credits and Ongoing Emissions Responsibility (OER) Credits still do not count toward target achievement, but credits and climate contributions are organized into three OER tiers: a voluntary recognition program; a post-2035 responsibility requirement (mandatory for Category A, coverage 1% rising to 100% by the net-zero year); and neutralization of residual emissions. Only eligible carbon removals count at the latter two	The OECD holds that credits must not delay or replace current reductions but form part of the portfolio of solutions supporting the net-zero transition, and recommends transparent explanation of the intended use, its scale and the quality criteria applied. The GHG Protocol Land Sector and Removals Standard (2026) points the same way: companies counting toward target progress must separately calculate and disclose the physical inventory without credits and the figure adjusted for them, to prevent double counting. Transparency and prevention of double counting are not demands unique to the SBTi but a direction running through carbon accounting as a whole	33% intend to use credits, but only two companies did (12,582 tCO₂e). V2.0 requires "support" for eligible removals rather than "use" of credits — a different measure. What matters is the residual emissions forecast and removal procurement plans

4. Conclusions and Recommendations

- V2.0 differentiates requirements by size, but for Korean companies the lighter category is effectively absent. **96% (281)** of the 292 companies are Category A, so scope 1, 2 and 3 targets, assurance of base year emissions, transition plan disclosure and the End-of-cycle Assessment²⁶ all apply as mandatory. Yet **only 47** are confirmed SBTi participants, so most have never prepared for these requirements directly.
- The timeline is close. Target validation under V2.0 opens in 2027 and becomes mandatory in February 2028, and under the five-year renewal rule, submissions by Korean companies with a 2030 target end year cluster in **2028–2031**. For new entrants and existing participants alike, a little over two years remain.
- The key weakness is not a lack of systems but **the gap between systems and implementation**. The basics are in place: 91% have board-level climate oversight, 97% report location-based scope 2 emissions, and 93% and 94% have scope 1 and scope 2 emissions verified. But the figures fall to 64% for companies disclosing a transition plan, 8% (13 of the 170 responding) for those assessing all significant Tier 1 suppliers, and 55% for scope 3 verification. Most of what V2.0 requires sits in this second group.

On this basis, the brief makes the following recommendations to companies.

- **First, confirm your category and the applicable requirements.** The category is not chosen by the company; it is determined by revenue, geography, emissions and FTEs, and Category A and B differ in stringency. Since near-term targets renew every five years, work back from the target renewal submission date to fix which requirements must be in place and by when.
- **Second, review the contractual structure of your market instruments in advance.** Long-term contracts concluded before V2.0 takes effect are exempt from the new requirements for the contract term (grandfathering), but the exemption does not survive expiry or renewal — so contract expiry and renewal dates are the practical deadline for re-examining procurement.
- **Third, check supply chain visibility before setting scope 3 targets.** Supplier and customer alignment targets require visibility into each Tier 1 counterparty's emissions or spend (revenue for customers) and transition status. Significant categories differ by sector, so identify which account for 5% or more in your own case first, then judge which target approach is feasible for them.
- **Fourth, submit the transition plan for board approval and document the board's role.** V2.0 requires the board to take responsibility for overseeing implementation and to disclose the

²⁶ The End-of-cycle Assessment applies to Category B as well; only third-party assurance of its results is specific to Category A.

governance structure, and the plan must be formally approved and adopted by the highest governing body. Assigning roles to management is a recommendation — but what is examined is whether the role is verifiable in documents, not whether a body exists, which is also where proxy advisors and CDP assessments look.

- **Fifth, expand assurance in stages.** V2.0 requires at least limited assurance at validation over target base year scope 1, 2 and 3 emissions, low-carbon electricity calculations, significant emissions-intensive activities and other target-setting metrics, and again at cycle end over the data demonstrating progress. Scope 1 and 2 verification stands at 93–94%, but scope 3 at 55% leaves 126 companies short at the first step. Start by strengthening scope 3 verification and progressively expand to assurance of implementation progress.
- **Sixth, project future residual emissions and plan carbon-removal procurement early.** From 2035 Category A companies must support eligible carbon removals equal to at least 1% of actual scope 1, 2 and 3 emissions that year, rising to 100% by the net-zero target year. Eligible removals take time to procure, so settle the residual emissions forecast and the removal method and quality criteria before deciding when and how many removals to procure.

To capital markets, the brief makes the following recommendations.

- **Seventh, align engagement timing with the target renewal schedule.** Korean submissions under V2.0 cluster in 2028–2031, and once validated, the next renewal is five years away. The window for influencing target scope and ambition is before submission, so set engagement priorities and timing around it. The 58 companies classified as Category A without any scope 3 inventory sit before the ambition question altogether; start by confirming their timeline for building one.
- **Eighth, evaluate the scope and implementation framework of targets, not merely their existence.** Only 47 of 292 companies (16%) are confirmed SBTi participants, but participation alone does not show the level of response. What distinguishes implementation capacity is which categories the scope 3 target covers (these differ by sector), whether the transition plan is disclosed (64%), whether assurance reaches scope 3 (55%), and whether significant suppliers are identified individually (13 of 170 responding). The fact that 88% of renewable electricity procurement consists of REC purchases and the Green Premium also matters: the mix indicates how sensitive reported target achievement is to tighter accounting rules.

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BRIEF

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SBTi Corporate Net-Zero Standard V2.0:

Readiness of Korean Companies and Key Challenges



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