

28 November 2025

Mr. Emmanuel Faber
Chair
International Sustainability Standards Board
Columbus Building, 7 Westferry Circus
Canary Wharf, London E14 4HD
United Kingdom

Re: Exposure Draft “Proposed Amendments to the SASB Standards”

Dear Mr. Faber,

The Sustainability Reporting Committee (SRC) of the Securities Analysts Association of Japan (SAAJ) is pleased to submit its comments on the Exposure Draft *Proposed Amendments to the SASB Standards* (hereinafter referred to as the “ED”), published by the International Sustainability Standards Board (ISSB) on 3 July 2025.

The SAAJ is a not-for-profit organisation for professionals in the fields of investment and finance, offering education and certification programmes. It has approximately 30,000 certified member analysts holding the CMA designation.

The SRC is a standing committee of the SAAJ, established in March 2021, and is composed of 10 members, including analysts and investors, certified public accountants, and academics.

In considering the ED, we gathered opinions from eight active sector analysts, primarily those belonging to the SAAJ’s Disclosure Study Group (two from steel and non-ferrous metals, three from energy, and three from food—all equity analysts). Based on those opinions, the members of the SRC held discussions and prepared this comment letter.

Below are our comments on each question.

QUESTION 1—OBJECTIVE

The ISSB is proposing to amend the SASB Standards with the objective of providing timely support to entities applying IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. The proposed amendments have been drafted under the assumption that an entity would apply the SASB Standards alongside IFRS Sustainability Disclosure Standards. This assumption allows the SASB Standards to remain targeted and proportionate while avoiding unnecessary duplication of requirements already included in IFRS S1 and IFRS S2. The proposed amendments aim:

- to further enhance the international applicability of:
 - industry groupings, including to reflect value chains in emerging markets and developing economies;
 - disclosure topics in those industry groupings; and
 - metrics and supporting technical protocols;
- to improve interoperability with other sustainability-related standards and frameworks, while ensuring continued focus on the needs of investors in order to serve as a global baseline of sustainability-related disclosures to meet the needs of capital markets;
- to amend the disclosure topics and metrics in the SASB Standards related to biodiversity, ecosystems and ecosystem services (BEES) and human capital, to align the SASB enhancements with the ISSB’s research projects on those topics and to enable feedback on this Exposure Draft to provide input to those research projects;
- to align the language and concepts in the SASB Standards with IFRS Sustainability Disclosure Standards; and
- to enhance the SASB Standards’ clarity, conciseness and cost-effectiveness for preparers.

(a) Do you agree with the objective of the proposed amendments to the SASB Standards and related areas of focus?

(b) Do the proposed amendments meet this objective? Why or why not?

We generally agree with the objective of the proposed amendments to the SASB Standards and related areas of focus. We also consider that the proposed amendments broadly meet this objective.

The SASB Standards play an important role as industry-specific disclosure guidance in the IFRS Sustainability Disclosure Standards (ISSB Standards) published by the ISSB in June 2023 and in Japan's sustainability disclosure standards (SSBJ Standards) published by the Sustainability Standards Board of Japan (SSBJ) in March 2025.

Entities applying IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* under the ISSB Standards are required to refer to and consider the applicability of the SASB Standards in identifying sustainability-related risks and opportunities and applicable disclosure requirements. In addition, the SASB Standards form the basis of the *Industry-based Guidance on Implementing IFRS S2*.

Furthermore, under the SSBJ Standards, which have been confirmed by the ISSB and the SSBJ to be functionally aligned with the ISSB Standards, entities are similarly required to refer to and consider the applicability of the SASB Standards and the *Industry-based Guidance on Implementing IFRS S2*.

Assuming that thematic standards will be developed promptly following IFRS S2, we stated the following regarding “Enhancing the SASB Standards” in our comment letter (submitted on 1 September 2023) on the Request for Information *Consultation on Agenda Priorities* published by the ISSB on 4 May 2023¹:

We believe that the ISSB should take a limited approach to enhancing the SASB Standards because the ISSB's direction is to develop industry-specific disclosure requirements for each of its thematic standards. It would be desirable for the ISSB to complete the narrow-scope project to enhance the international applicability of the SASB Standards proposed in the Exposure Draft Methodology for Enhancing the International Applicability of the SASB® Standards and SASB Standards Taxonomy Updates and then start a new project to develop the ISSB-specific industry-based disclosure requirements.

On the other hand, one of the ISSB's work plan items for 2024–2026 is “Conducting new research projects”, which includes research on biodiversity, ecosystems and ecosystem services (BEES) and human capital. However, we expect that standard-setting on these themes will take considerable time². Therefore, we recognise that the role of the SASB Standards in IFRS S1, which sets out the general requirements under the ISSB Standards for identifying sustainability-related risks and opportunities and applicable disclosure requirements, has become even more significant.

¹ https://www.saa.or.jp/standards/sustainability/pdf/ikensho_230901en.pdf

² In its press release dated 7 November 2025, titled “ISSB welcomes TNFD's support as it advances nature-related disclosures”, the ISSB stated that it is targeting having an Exposure Draft of incremental disclosure requirements on nature-related risks and opportunities ready by October 2026.

We also recognise that, although the ISSB Standards were developed in response to urgent calls from global stakeholders, there was no comprehensive and in-depth discussion on the specific content of the SASB Standards during that process.

In light of these points, we support enhancing the SASB Standards to reflect the views of global stakeholders and to improve their quality as a global baseline of sustainability-related financial disclosures.

At the same time, we have the following suggestions:

1. Enhancing the Basis for Conclusions

In the ED, amendments are proposed for nine priority industries. The reasons for selecting these industries are described in paragraphs 27–30 of Agenda Paper 6 for the ISSB Board meeting in July 2024; however, they should also be clearly stated in the main text of the Basis for Conclusions.

We infer that the nine industries were selected primarily based on the significance of sustainability-related risks and opportunities, such as those related to climate. One of the selection criteria mentioned—*“industry size, measured by the total number of companies in an industry, market capitalisation, and short- and long-term debt”*—is an important perspective for investors’ portfolios but it appears that this has not been sufficiently considered. We believe industry selection should fully consider this criterion.

In addition, we note that the ED does not sufficiently explain how disclosure topics and metrics relate to an entity’s financial performance and prospects. In the SASB Standards, the Industry Research Briefs used to provide analyses of how each disclosure topic affects revenue, expenses, assets, liabilities and cost of capital, thereby clarifying the financial materiality of disclosure topics and metrics. Similar analyses and materiality considerations should be included in the Basis for Conclusions.

Furthermore, the disclosure topics and metrics adopted in the SASB Standards vary even among similar industries. We suspect this is the result of individual consideration for each industry; however, analysts’ industry coverage does not necessarily align with the Sustainable Industry Classification System (SICS) and often spans multiple industries under SICS. This creates questions and confusion such as “Why does a topic exist in one industry but not in another?”

For example, in the Energy Management disclosure topic, the *coal consumed* metric is included for *Iron & Steel Producers* but not for *Construction Materials*, which includes the cement industry that also consumes large amounts of coal.

The reasons why certain disclosure topics and metrics are adopted or not should be clearly explained in the Basis for Conclusions.

We believe that enhancing the Basis for Conclusions in these ways will improve the understandability of the SASB Standards by clarifying the objectives of disclosure and thereby increase the usefulness of the information disclosed.

2. Adding Opportunity-related Disclosure Topics and Metrics

We recognise that most disclosure topics and metrics in the SASB Standards relate to risks. This likely reflects the traditional focus on risk information in sustainability reporting and the fact that risk information is generally easier to disclose as comparable quantitative information.

However, under IFRS S1, the SASB Standards are required to be referenced as guidance not only for identifying sustainability-related risks but also for identifying opportunities. From this perspective, the current composition of disclosure topics and metrics does not align with the role of the SASB Standards under the ISSB Standards.

In fact, the eight equity analysts whose opinions we gathered for this comment letter indicated that opportunity-related information is an important input for decision-making and that not only quantitative information but also qualitative (narrative) information are useful.

In this regard, we appreciate that the ED proposes adding disclosure topics and metrics related to opportunities for the nine industries subject to amendment, as outlined below. We also recommend that the ISSB continuously consider adding opportunity-related information in future amendments to the SASB Standards, alongside appropriate reviews of risk-related information as necessary:

- ① *Construction Materials* already includes the Product Innovation disclosure topic and associated quantitative metrics, which help users better understand opportunities.
- ② In *Coal Operations, Metals & Mining*, and *Oil & Gas – Exploration & Production*, the Water Management disclosure topic includes a proposed addition of a qualitative metric: *Description of water-related risks and opportunities and strategies to manage them, including any targets set to monitor progress.*
- ③ *Oil & Gas – Refining & Marketing* already includes the Product Specifications and Clean Fuel Blending disclosure topic and associated quantitative metrics, and the ED proposes amendments to improve them. We believe these amendments would enhance users' understanding of related opportunities.

- ④ In *Processed Foods*, the Product Innovation disclosure topic and associated qualitative metrics, which indicate opportunities, are proposed to be added.

Regarding item ①, the sector analysts noted that Product Innovation is also an important opportunity-related disclosure topic for *Iron & Steel Producers* and *Metals & Mining*, and its addition would be appropriate (see page 18, “① Potential for Application to Other Industries [*Construction Materials; Iron & Steel Producers; Metals & Mining and Others*]”).

For *Processed Foods*, the sector analysts strongly expressed the view that, in order to assess the feasibility of the newly added Product Innovation disclosure topic, it is also necessary to add disclosure topics related to human capital. For comments on human capital, please refer to our comments on Question 4.

Moreover, separate from our review of the ED, sector analysts for *Biotechnology & Pharmaceuticals* and *Software & IT Services* pointed out that there are few disclosure topics related to opportunities in these industries, raising concerns about the usefulness of the SASB Standards.

3. Providing Explanations and Analyses of Quantitative Information

Most metrics in the SASB Standards consist of quantitative information, which is desirable from the perspective of objectivity and comparability. At the same time, if explanations and analyses of such quantitative information were provided, users would be able to appropriately understand the substance of an entity’s sustainability-related risks and opportunities.

In this regard, as noted in item 2 above, we appreciate that the ED proposes adding a qualitative metric: *Description of water-related risks and opportunities and strategies to manage them, including any targets set to monitor progress* under the Water Management disclosure topic for *Coal Operations*, *Metals & Mining*, and *Oil & Gas—Exploration & Production*, which we appreciate.

Similarly, we believe that providing qualitative and descriptive explanations and analyses alongside quantitative disclosures would enhance the usefulness of the disclosures and improve understandability for users.

4. Providing Information on Differences in Materiality Judgements by Country, Region or Jurisdiction

In gathering opinions from the food sector analysts, it was noted that some disclosure topics and metrics in the SASB Standards have only a limited effect on the prospects for Japanese companies.

We believe this is because sustainability-related risks and opportunities that affect an entity's prospects differ by country, region or jurisdiction, even within the same industry.

For example, regarding the Water Management disclosure topic, from a global perspective there are many countries, regions, and jurisdictions where constraints on water resources significantly affect business activities. However, in Japan, water resources are relatively abundant, and there is a shared understanding that business risks arising from water use are relatively low. In such countries, regions or jurisdictions, disclosure on Water Management may not always be provided.

Under the ISSB Standards, the SASB Standards are guidance that an entity is required to refer to and consider the applicability of, and an entity is required to determine whether to apply each disclosure topic and metric based on materiality judgements.

Therefore, to avoid unnecessary disclosures that could obscure information through uniform application, and to ensure that analysts and investors (particularly those located in different countries, regions or jurisdictions) and assurance providers communicate sufficiently with entities about materiality judgements and do not request unnecessary disclosures, we expect the ISSB to continue providing information, including through educational materials already published.

5. Appropriate Review of Disclosure Topics and Metrics

The materiality, priority and international applicability of disclosure topics and metrics may change as economic and social conditions evolve over time. Therefore, the ISSB should continue to review the SASB Standards as appropriate to maintain their relevance.

We understand that a cautious approach is necessary when adding new topics and metrics from a cost-benefit perspective. In the ED, the addition of disclosure topics for the nine industries averages less than one per industry, and the addition of metrics averages fewer than three per industry.

However, as noted in item 2 above, we believe that opportunity-related information should continue to be considered for inclusion in future amendments. In future reviews, while taking cost-benefit into account, we expect enhancements to opportunity-related information.

6. Further Enhancement of International Applicability

We recognise that there is still room for improvement in the international applicability of the SASB Standards.

In the ED, for example, in the Food Safety disclosure topic under *Processed Foods*, the metric has been broadened from *Global Food Safety Initiative (GFSI)* to *internationally recognised food safety standards*. In addition, in the Product Labelling and Marketing disclosure topic, a metric related to genetically modified organisms (GMOs) has been removed, even though it attracts significant attention in certain jurisdictions, because regulatory requirements and their effect on an entity's prospects vary considerably across jurisdictions. These proposed amendments aim to enhance international applicability.

We expect that these amendments to also apply to *Agricultural Products* and *Meat, Poultry & Dairy*, which are scheduled for future exposure drafts within the same sector.

We support these efforts; however, similar reviews should be undertaken for other sectors and industries.

Furthermore, in *Automobiles*, which is outside the scope of the ED, the Product Safety disclosure topic includes a metric related to the New Car Assessment Program (NCAP). In Japan, a comparable programme, the Japan New Car Assessment Program (JNCAP), exists and is widely recognised. We believe that metrics with high recognition and credibility in specific jurisdictions should also be applied flexibly within an international framework.

QUESTION 2—ENHANCEMENTS TO INTEROPERABILITY WITH OTHER STANDARDS AND FRAMEWORKS

In considering necessary amendments to the SASB Standards, the ISSB has identified possible amendments that would enhance the interoperability and alignment of the SASB Standards with other sustainability-related standards and frameworks, such as those of the Global Reporting Initiative (GRI), European Sustainability Reporting Standards, and the guidance published by the Taskforce on Nature-related Financial Disclosures (TNFD).

Paragraphs BC33–BC41 of the Basis for Conclusions explain the approach taken to improving interoperability and alignment with other sustainability-related standards and frameworks. Appendix B of the Basis for Conclusions provides a list of some of the proposed amendments that would enhance interoperability with the GRI Standards and alignment with TNFD disclosure recommendations, while maintaining a focus on the needs of primary users of general purpose financial reports.

- (a) Do you agree with the proposed approach to enhancing interoperability and alignment with other sustainability-related standards and frameworks? Why or why not?

- (b) Do you agree that the proposed amendments to the nine priority industries and targeted amendments to other SASB Standards will result in improved interoperability and thus achieve the objectives of improving the decision-usefulness of disclosed information for primary users and cost-effectiveness for preparers? Why or why not?
- (c) Could the interoperability and alignment of any disclosure topics or metrics be further enhanced while achieving the objectives of improving the decision-usefulness and cost-effectiveness of the information? What amendments would you propose and why?

We agree that pursuing enhanced interoperability with other standards and frameworks is important from the perspective of reducing the social cost of disclosure burdens for preparers.

However, we note that the ISSB Standards are sustainability disclosure standards based on financial materiality, whereas the GRI Standards are based on impact materiality, and the European Sustainability Reporting Standards are based on both financial materiality and impact materiality.

We understand that drawing a clear distinction between financial materiality and impact materiality is challenging. At the same time, we recommend that the ISSB pay sufficient attention to ensure that the fundamental positioning of the ISSB Standards—to serve the decision-making needs of analysts and investors—remains unchanged.

QUESTION 3—AMENDMENTS TO THE CLIMATE-RELATED CONTENT IN THE SASB STANDARDS

The ISSB is proposing to enhance the nine priority industries comprehensively, including the climate-related content in the priority industries. The ISSB also is proposing targeted amendments to some climate-related metrics in other SASB Standards. The proposed amendments are intended to assist preparers in identifying climate-related risks and opportunities and to enhance the decision-usefulness of industry-specific information about these risks and opportunities.

The *Industry-based Guidance on Implementing IFRS S2* (IFRS S2 industry-based guidance) is derived from, and is largely identical to, the climate-related content in the SASB Standards. The ISSB has maintained alignment between the SASB Standards and the IFRS S2 industry-based guidance. Therefore, the ISSB considered that the proposed amendments to the climate-related content in the SASB Standards could have implications for preparers who are implementing IFRS S2. The ISSB decided that it should propose

making consequential amendments to the IFRS S2 industry-based guidance should it amend the climate-related content in the SASB Standards. That proposal is set out in the separate Exposure Draft *Proposed Amendments to the Industry-based Guidance on Implementing IFRS S2*. The ISSB also considered how it could use the effective date of the final amendments to ensure that they would not negatively affect preparers' implementation of IFRS S1 and IFRS S2.

- (a) Do you agree that the ISSB should amend the climate-related content in the SASB Standards for the priority industries and make targeted amendments to the climate-related content in the SASB Standards for other industries, as proposed in this Exposure Draft? Why or why not?
- (b) Do you agree that the proposed amendments would enhance the decision-usefulness of the industry-specific information about climate-related risks and opportunities? Why or why not?
- (c) Do you agree that the proposed amendments would further clarify how the climate-related content in the SASB Standards and the IFRS S2 industry-based guidance relates to the requirements in IFRS S2?

We generally agree with the proposal to amend the climate-related content in the SASB Standards.

However, for *Processed Foods*, which is one of the priority industries in the ED, energy consumption is relatively small compared with other industries such as *Iron & Steel Producers*, and its relevance to climate change is limited. In this regard, since IFRS S2 requires climate-related disclosures on a cross-industry basis, we believe that the necessity of including Energy Management as an industry-specific topic for this industry is low.

Disclosure topics should not be established through uniform application but should be determined based on materiality judgements for each industry.

QUESTION 4—INFORMATION RELATED TO BIODIVERSITY, ECOSYSTEMS AND ECOSYSTEM SERVICES AND HUMAN CAPITAL

The ISSB proposes to amend disclosure topics and metrics in the SASB Standards related to biodiversity, ecosystems and ecosystem services (BEES) and human capital. The ISSB is pursuing research projects on BEES and human capital.

The ISSB seeks to understand the extent to which the SASB Standards, and the proposed amendments, meet user needs for information on risks and opportunities related to BEES and human capital.

- (a) Do the SASB Standards, including the proposed amendments, enable entities to provide decision-useful information about their BEES-related risks and opportunities to users of general purpose financial reports? Why or why not?
- (b) In the nine industries that the ISSB has prioritised for enhancement in the Exposure Draft, are there other BEES-related disclosures not addressed through the proposed amendments that would be useful for users of general purposes financial reports in their decision-making? If so, please explain which disclosures and why.
- (c) Do the SASB Standards, including the proposed amendments, enable entities to provide decision-useful information about their human capital-related risks and opportunities to users of general purpose financial reports? Why or why not?
- (d) In the nine industries that the ISSB has prioritised for enhancement in the Exposure Draft, are there other human capital-related disclosures not addressed through the proposed amendments that would be useful for users of general purposes financial reports in their decision-making? If so, please explain which disclosures and why.

Human capital, which underpins an entity's competitiveness, is a critical factor affecting an entity's prospects. Among elements of human capital, we strongly recommend that disclosure topics and metrics related to employee recruitment, development and retention be added to many industries based on materiality. These human-capital-related topics are essential for executing an entity's strategy to manage sustainability-related risks and opportunities.

QUESTION 5—EFFECTIVE DATE

The ISSB proposes to set an effective date for the amendments that will occur between 12 and 18 months after their issuance and permits early application. The ISSB's rationale for this proposal can be found in paragraph BC161 of the Basis for Conclusions.

Do you agree with the proposed approach for setting the effective date of the amendments and permitting early application? Why or why not?

We generally agree with the proposal regarding the effective date.

However, sufficient preparation time is required for each jurisdiction to translate the amendments into its official language and incorporate them into its local standards. Therefore, when setting the effective date, we strongly recommend that an appropriate transition period be provided to ensure that jurisdictions can respond smoothly.

In addition, since the SASB Standards are intended to be applied alongside IFRS S1, we request that their effective date be specified within IFRS S1.

Proposed amendments to individual SASB Standards (QUESTIONS 6-14)

See Appendix.

QUESTION 15—PROPOSED TARGETED AMENDMENTS TO THE SASB STANDARDS

Beyond the amendments proposed to the nine priority SASB Standards, the ISSB proposes that the corresponding metrics in other SASB Standards be aligned to maintain consistent disclosures on these common topics among industries where appropriate. Forty-one additional industries would be affected by the proposed targeted amendments.

The ISSB proposes targeted amendments to the metrics in other SASB Standards for:

- greenhouse gas emissions;
- energy management;
- water management;
- labour practices; and
- workforce health and safety.

Paragraphs BC47–BC48 of the Basis for Conclusions set out the ISSB’s reasoning for proposing the targeted amendments. The section on ‘Proposed amendments for the SASB Standards’ in the Basis for Conclusions sets out the reasoning for specific amendments to the topics noted above. Appendix A to the Basis for Conclusions contains a full list of SASB Standards and metrics within those that would be affected by the targeted amendments.

- (a) Do you agree with the proposal to align corresponding metrics in other SASB Standards beyond the nine priority industries to maintain consistent disclosures on these common topics in industries subject to equivalent disclosure requirements? Do

you agree that doing so would improve the comparability of information? Why or why not?

- (b) Do you agree that these proposed targeted amendments should be implemented before completing a comprehensive review of each of the SASB Standards affected by these amendments? Do you agree that this approach would support the objective of enhancing the SASB Standards to provide timely support to entities in applying IFRS S1? Why or why not?
- (c) Do you agree with the proposed targeted amendments associated with greenhouse gas emissions? Why or why not?
- (d) Do you agree with the proposed targeted amendments associated with energy management? Why or why not?
- (e) Do you agree with the proposed targeted amendments associated with water management? Why or why not?
- (f) Do you agree with the proposed targeted amendments associated with labour practices? Why or why not?
- (g) Do you agree with the proposed targeted amendments associated with workforce health and safety? Why or why not?
- (h) Are the proposed targeted amendments to the additional 41 industries appropriate and relevant for the individual SASB Standards? Are there any jurisdictional considerations related to these SASB Standards that have not been addressed in the proposals for targeted amendments that should be taken into account? If so, please explain.
- (i) Do you agree that the proposed targeted amendments to the SASB Standards would enhance the interoperability and alignment with other sustainability-reporting standards and frameworks? Why or why not? (Note that the ISSB is focused on providing material information for users about the effects of sustainability-related risks and opportunities on an entity's prospects.)

We agree with the proposal for targeted amendments to the SASB Standards. We highly appreciate that the unclear differences that previously existed among industries in the disclosure topics and metrics addressed in the ED have been removed, thereby improving comparability.

However, there are still cases where differences remain among the disclosure topics and metrics subject to amendment (for example, Water Management on page 17). In addition, similar differences are likely to remain in disclosure topics and metrics that are not subject to amendment.

To further improve comparability, we believe that any unclear differences in disclosure topics and metrics not addressed in the ED should be removed, or, where differences need to be maintained, the reasons should be clearly stated in the Basis for Conclusions. We also strongly recommend that the ISSB promptly expand the scope of amendments.

Sincerely yours,



George Iguchi
Chair
Sustainability Reporting Committee

Comments on Proposed Amendments to Individual SASB Standards **(QUESTIONS 6-14)**

This appendix provides comments on the proposed amendments for the nine priority industries, grouped into eight industries within the Extractives & Minerals Processing sector and the Processed Foods industry.

These comments are based on the opinions of eight active sector analysts, primarily those belonging to the SAAJ's Disclosure Study Group (two from steel and non-ferrous metals, three from energy, and three from food—all equity analysts).

I. Comments on Proposed Amendments to the SASB Standards in the Extractives & Minerals Processing Sector

1. Industry Description [*Iron & Steel Producers*]

① Scope and Definition of the Industry

In the Industry Description for *Iron & Steel Producers*, the ED states: “*This industry also includes metal service centres and other metal merchant wholesalers, which distribute, import or export ferrous products metal service centres and other metal wholesalers that distribute, import or export iron products*”, meaning that wholesale functions are included. However, the disclosure topics and metrics for this industry are limited to content related to producers and do not appear to apply to wholesalers.

At the same time, there is no industry in the SASB Standards that corresponds to wholesalers. Therefore, in cases where companies specialise in steel wholesaling, the current industry classification may make it difficult for them to provide disclosures that reflect their actual circumstances. For this reason, producers and wholesalers should be clearly distinguished, and a separate industry should be added for the latter.

② Description of the Production Process

The description “*basic oxygen furnace (BOF), which uses iron ore as an input*” does not accurately represent the production process. Iron ore is input into a blast furnace to produce pig iron, and pig iron

and steel scrap are then input into a BOF to produce steel. Therefore, the process for producing pig iron and the process for producing steel should be clearly distinguished in the description.

③ Addition of Direct Reduced Iron (DRI)

In recent years, as part of efforts to reduce carbon emissions, the use of DRI has been expanding. DRI is produced directly from iron ore using natural gas or hydrogen and is considered to emit less CO₂ than pig iron produced in traditional blast furnaces. Currently, DRI is mainly used in electric arc furnaces (EAF), but its use in blast furnaces and BOFs is expected to increase in the future. In addition, cases where iron and steel producers manufacture DRI themselves are expected to become more common.

In light of these developments, production of DRI or production processes using DRI as an input should be included alongside pig iron production.

2. Disclosure Topics, Metrics and Technical Protocols (by Disclosure Topic)

(1) Greenhouse Gas Emissions

① Scope 1 Methane Emissions [*Coal Operations; Oil & Gas—Exploration & Production; Oil & Gas—Midstream*]

Methane emissions are defined in paragraph BC58 as *information about methane emissions from processing activities and fugitive methane emissions*. To ensure clarity, the technical protocol should explicitly state that fugitive methane emissions are included in methane emissions.

(2) Energy Management

① Disclosure by Use of Coal [*Iron & Steel Producers*]

For *coal consumed* in *Iron & Steel Producers*, coal used as an energy source (namely, thermal coal for heat in producing processes and for power generation) and coal used as a reducing agent for iron ore (namely, metallurgical coal, coke and coke breeze) should be disclosed separately.

② Adding Examples of Alternative Energy Sources [*Construction Materials*]

In *Construction Materials*, waste plastics are widely used as an alternative energy source. For clarity, waste plastics should be included as an example of “alternative energy sources”.

(3) Water Management

① Metric on Water Recycling [*Construction Materials; Iron & Steel Producers and Others*]

Both *Construction Materials* and *Iron & Steel Producers* actively engage in water recycling. In particular, Japanese iron and steel producers recycle most of the water used in steelworks.

Currently, *Coal Operations*, *Metals & Mining*, and *Oil & Gas—Exploration & Production* include a metric: *Description of water-related risks and opportunities and strategies to manage them, including any targets set to monitor progress*, and the technical protocol provides an example disclosure: *efficiency efforts (for example, using water recycling or closed-loop systems)*.

We propose that this qualitative metric be added to *Construction Materials* and *Iron & Steel Producers*, and that a quantitative metric such as “water recycling rate” be added across all industries where this qualitative metric is included. Such metrics demonstrate proactive efforts to reduce environmental impact and are useful for making companies’ efforts visible. Similar metrics should also be added for other industries where water recycling is important.

(4) Climate Resilience

① Reserves [*Coal Operations; Oil & Gas—Exploration & Production*]

The proposed amendment changes the term from *hydrocarbon reserves* to *coal reserves* and *petroleum reserves*, but the absence of an explanation for this change in the Basis for Conclusions is problematic.

We infer that this amendment may be intended to exclude natural gas. However, natural gas is also a carbon-containing fossil fuel and should be treated as subject to risk assessment for climate resilience. Therefore, we consider this amendment to be inappropriate.

(5) Workforce Health & Safety

① Information on Near Misses [*Seven of the Eight Oil & Gas Industries, excluding Midstream*]

The proposed removal of the near miss frequency rate (NMFR) sub-metric is explained in BC92(c) as follows:

- (i) to respond to stakeholder concerns that the rate cannot be compared between entities because the underlying criteria for determining such incidents are preparer-determined; and
- (ii) to improve interoperability with ESRS Disclosure Requirement S1-14 health and safety metrics, which do not include this rate.

However, information on near misses is important for users to understand an entity's efforts to prevent accidents, and there are companies in Japan that voluntarily disclose such information.

Therefore, we propose that information on near misses be included in 320a.2 *Description of management systems used to promote a safe work environment*.

② Metrics: *Average hours of health, safety and emergency response training* and *Description of management systems used to foster a safe work environment* [*Construction Materials; Iron & Steel Producers and Others*]

Construction Materials and *Iron & Steel Producers* within the Extractives & Minerals Processing sector are the only industries currently exempt from disclosing these metrics.

However, workforce health and safety is an important disclosure topic for these industries as well, and disclosing information on training and management systems alongside quantitative metrics such as incident rates is useful for assessing the effectiveness of an entity's safety measures.

Therefore, we believe these metrics should, in principle, be included consistently across all industries where the Workforce Health & Safety disclosure topic is included.

(6) Product Innovation

① Potential for Application to Other Industries [*Construction Materials; Iron & Steel Producers; Metals & Mining and Others*]

The Product Innovation disclosure topic in *Construction Materials* is an area of high interest to analysts as it provides information on an entity's future prospects and sustainability-related

opportunities. Metrics such as *percentage of products that qualify for credits in sustainable building design and construction certifications* and *total revenue from products that reduce environmental impacts caused during production or use* are useful for quantitatively demonstrating an entity's efforts.

Disclosure using third-party certification schemes such as Environmental Product Declarations (EPDs) based on ISO standards should be recognised as a voluntary initiative by companies, even though challenges remain regarding comparability. Such flexible disclosure approaches are a practical and realistic solution, enabling companies to provide information that reflects actual business activities while aligning with international standards.

Some analysts believe that disclosure using EPDs and similar certifications is useful for demonstrating efforts to develop environmentally friendly products and could be applied to other industries such as *Iron & Steel Producers* and *Metals & Mining*.

Although difficult to express quantitatively, examples similar to the Product Innovation disclosure topic in *Iron & Steel Producers* include high-tensile steel sheets that contribute to vehicle weight reduction and electrical steel sheets used in motors for electric vehicles. These products help reduce CO₂ emissions and improve energy efficiency across the supply chain, and Japanese companies are actively engaged in these areas. Such information is also important as a source of competitive advantage and should be included as qualitative metrics.

On the other hand, in material industries such as *Iron & Steel Producers* and *Metals & Mining*, the focus is often on decarbonisation of producing processes (for example, mass balance methods, green steel, green copper) rather than innovation in the products themselves. Therefore, there is room for discussion on whether these should be positioned as Product Innovation, and we believe it is necessary to clearly distinguish product innovation from process innovation.

(7) Product Specifications and Clean Fuel Blending

① Definition of Advanced Biofuels [*Oil & Gas—Refining & Marketing*]

Advanced biofuels are defined as *low-carbon fuels, derived from renewable, non-food biomass, that have lower greenhouse gas emissions compared to corn-based ethanol and other first-generation biofuels*.

However, it is not clear whether sustainable aviation fuel (SAF), which is produced from feedstocks such as used cooking oil, is included or not. The definition should be revised to explicitly include SAF.

(8) Tailings Storage Facility Management

① Disclosure Based on Materiality [*Coal Operations; Metals & Mining*]

Tailings storage facility management is an important disclosure topic from the perspective of environmental and safety risks in *Coal Operations* and *Metals & Mining*. In particular, the risk of tailings dam failure due to natural disasters such as earthquakes or heavy rainfall could have a significant impact on an entity's reputation as well as financial position and performance.

However, if the scope of disclosure is too broad, the volume of information may become excessive, making it difficult for users to evaluate. For Japanese companies, many tailings facilities are associated with closed mines, and the number of currently operating facilities is limited. In addition, mine operators are often associates or joint ventures rather than consolidated subsidiaries, creating practical constraints on disclosure.

Therefore, disclosure on tailings storage facility management should be limited to facilities that an entity determines to be material based on its risk assessment. For associates, disclosure should be required where materiality is high, such as when the ownership interest is significant.

For detailed information, it would be preferable to allow flexible disclosure approaches that combine qualitative information with external references, such as providing links to company websites.

(9) Activity Metrics [*Iron & Steel Producers*]

① Comprehensiveness of Activity Metrics

Iron & Steel Producers includes not only integrated steelmakers and electric arc furnace (EAF) producers but also companies that manufacture cast products and those engaged in secondary processing. For these companies, raw steel production alone may not adequately reflect their business activities.

Therefore, we propose adding metrics such as “production volume of steel products” in addition to raw steel production.

② Definition of Raw Steel Production

The current definition of raw steel production lists the following as parallel categories of production processes:

- (1) basic oxygen furnace (BOF) process;
- (2) conventional electric arc furnace (EAF) process; and
- (3) hydrogen direct reduction process.

This classification may not be appropriate, as it does not accurately reflect the processes involved.

BOF and EAF represent processes for producing steel and are treated as complementary categories in statistics published by organisations such as the World Steel Association, where their combined share equals 100%. In contrast, the hydrogen direct reduction process refers to producing direct reduced iron (DRI) from iron ore and cannot be treated as equivalent to steelmaking processes (it does not constitute raw steel production).

At present, natural gas direct reduction is far more common than hydrogen direct reduction; therefore, limiting disclosure to hydrogen direct reduction alone would be inappropriate. We believe it would be more accurate to use the term “direct reduction ironmaking” and specify hydrogen direct reduction as a subset within this category.

II. Comments on Proposed Amendments to the *Processed Foods* SASB Standards

1. Food & Beverage Sector Overall

In the current SASB Standards, the industry classification within the Food & Beverage sector is excessively granular, which reduces understandability for both preparers and users. We propose adopting a more consolidated industry classification and providing guidance on how to reference disclosure topics for sub-industries (corresponding to the current detailed classifications) within that structure.

In this sector, many disclosure topics and metrics overlap, and even for the same disclosure topic, there are minor differences in metrics across industries (for example, Greenhouse Gas Emissions, Food Safety, and Workforce Health & Safety). However, it is questionable whether these differences are meaningful.

Moreover, many companies in this sector operate businesses that fall under multiple industry classifications, requiring them to reference several similar SASB Standards under the current structure. This complexity increases the burden on preparers and reduces understandability for users, thereby diminishing the usefulness of the SASB Standards.

In addition, it seems inappropriate that *Food Retailers & Distributors* and *Restaurants* are included in this sector. These industries should be incorporated into *Multiline and Specialty Retailers & Distributors* within the Consumer Goods sector. From the perspective of analysts covering the Food & Beverage sector, these industries are often covered by retail analysts in practice.

Furthermore, the sector currently lacks disclosure topics and metrics corresponding to seafood. Seafood should be added as a new industry in the SASB Standards and SICs.

2. Industry Description

In the industry description for *Processed Foods*, examples of final products, product inputs (raw materials), processing methods, and customer and distribution channels are listed in detail. However, these elements in this industry are extremely diverse and wide-ranging, making it difficult to capture all business models comprehensively even with extensive examples.

In addition, this industry is highly characterised not only by global aspects but also by strong individuality across countries, regions, and jurisdictions, including food culture and regulatory frameworks. Therefore, even if detailed examples are provided, they may not be applicable to all companies across countries, regions, and jurisdictions and could lead to misunderstanding. Careful consideration should be given when selecting examples.

For instance, the proposal to replace *bread* with *baked goods* may exclude other cooking methods such as boiled goods, steamed goods, and fried goods. Furthermore, while the term *bread* is widely used in Japanese, the expression *baked goods* is less familiar and may cause confusion. Since the SASB Standards are translated into multiple languages, examples should use globally recognised terms. However, given the diversity and complexity of this industry and its strong country-, region-, and jurisdiction-specific characteristics, selecting such examples would be extremely challenging.

Considering these characteristics, it would be preferable to include a comprehensive and high-level description of the industry at the beginning of the Industry Description. For example, the note stating “*this SASB Standard is intended for entities engaged in the final stages of the food processing value chain*” provides an abstract depiction of the industry and would be appropriate as an introductory statement.

In addition, the current text states that “*The industry is characterised by large and complex ingredient supply chains, because many entities operate globally and source ingredients from around the world.*” Alongside this global aspect, the description should also mention differences across

countries, regions, and jurisdictions and indicate that materiality judgements made by companies in this industry may vary accordingly.

3. Disclosure Topics, Metrics and Technical Protocols (by Disclosure Topic)

(1) General

① Non-compliance

We are concerned about the proposed removal of metrics related to non-compliance with permits and regulations from the Water Management and Food Safety disclosure topics in *Processed Foods*. Information on non-compliance is highly material in industries where permits and regulatory compliance are critical, and this industry is one such example.

While we understand that comparing non-compliance across companies is difficult, given its importance, some suggested that a new disclosure topic addressing non-compliance comprehensively should be considered.

(2) Energy Management

① Materiality of the Topic

Energy consumption in *Processed Foods* is relatively small compared with other industries such as *Iron & Steel Producers*, and its relevance to climate change is limited. In this regard, since IFRS S2 requires climate-related disclosures on a cross-industry basis, we believe that the necessity of including Energy Management as an industry-specific topic for this industry is low.

(3) Water Management

① Materiality of the Topic

Considering actual water use in *Processed Foods*, the materiality of Water Management is relatively low compared with other industries such as *Alcoholic Beverages* and *Non-Alcoholic Beverages*, where water consumption is significant. In addition, from a global perspective there are many countries, regions, and jurisdictions where constraints on water resources significantly affect business activities. However, in Japan, water resources are relatively abundant, and there is a shared understanding that

business risks arising from water use are relatively low. In such countries, regions or jurisdictions, disclosure on Water Management may not always be provided.

(4) Food Safety

① Food Safety Standards

We support the proposal to broaden the metric from *Global Food Safety Initiative (GFSI)* to *internationally recognised food safety standards*, given that GFSI may not be sufficiently established in some jurisdictions.

However, the expression *internationally recognised food safety standards* is open to interpretation and may lack clarity. Therefore, it would be preferable to either limit the scope to widely known standards such as ISO or clarify the interpretation of *GFSI or equivalent*.

In addition, disclosures on food safety should encourage companies to report not only in accordance with international standards but also in consideration of local laws and regulations. For example, in Japan, when food safety issues arise, there is a mandatory reporting system under the Food Sanitation Act, which provides a certain level of legal assurance. In such jurisdictions, the presence or absence of international certification does not necessarily correlate with the level of risk. Rather, it should be explicitly stated that disclosures on compliance with domestic laws and standards may be more relevant in these cases.

② Unit of Measure

For metrics such as *total weight of products recalled* (250a.4) and *percentage of production volume from sites certified to internationally recognized food safety standards* (250a.5), disclosure based on monetary value (e.g., revenue) rather than physical units such as weight or production volume would be more useful in practice and more closely aligned with its effect on an entity's prospects.

Some suggested that disclosure at the site level also be permitted for the metric *percentage of production from certified sites*.

③ Information on the Value Chain

We support the addition of 250a.6 *Processes, controls and procedures to ensure food safety throughout the value chain*, as this information is useful for assessing an entity's strategy.

(5) Health & Nutrition

① Adding Opportunity-related Metrics

While the current set of metrics focuses largely on risks, we welcome the proposed addition of opportunity-related metrics such as 260a.3 *Approach and strategy for managing health and nutrition attributes of product portfolio, including any targets set to monitor progress* and 260a.4 *Revenue from products classified as healthy by a recognised nutrient profile model*.

② Recognised Nutrition Profiling Model

For 260a.4, the *recognised nutrient profile model* includes examples such as Health Star Rating , which is not widely recognised in Japan. In addition, nutrition-related standards and systems vary by jurisdiction, and Japan has unique schemes such as “Foods with Function Claims” and “Foods for Specified Health Uses (FOSHU)”. Disclosure based on these schemes is effective in demonstrating an entity’s strategic initiatives. Therefore, disclosure should not be limited to international models but should allow flexibility to include jurisdiction-specific schemes and company-defined criteria.

Overemphasis on comparability could lead to uniform disclosures that may fail to reflect actual business practices. For this metric in particular, companies could define what constitutes “healthy” products and disclose based on their own criteria. Transparent disclosure aligned with ISO processes or formats similar to Environmental Product Declarations (EPDs) under EM-CM-410a.1 in *Construction Materials* could serve as useful references.

(6) Product Labelling and Marketing

① GMO-related Metrics

The current metric related to genetically modified organisms (GMOs) attracts significant attention in certain jurisdictions; however, regulatory requirements and their effect on an entity’s prospects vary widely across jurisdictions. In this regard, we agree with the proposal to remove this metric.

② Restrictions on Advertising to Children

For 270a.6 *regulations that restrict the advertising of specific products to children*, the materiality of this metric is relatively low for *Processed Foods* compared with industries such as *Alcoholic Beverages* and *Tobacco*. In Japan, advertising and labelling regulations are already strictly enforced,

and companies have established compliance practices based on these regulations. Therefore, the materiality of this metric is generally considered to be very low.

(7) Packaging Management

① Materiality of the Topic

While metrics related to Packaging Management have some significance as environmental initiatives, there is a shared understanding in Japan that this topic has a limited effect on an entity's prospects in the food industry. For *Processed Foods*, which already includes numerous disclosure topics, the need to treat Packaging Management as a standalone topic appears limited.

In jurisdictions where this topic is considered material, one possible approach would be to broaden 430b.3 *Description of strategies to manage environmental resources and implement sustainable agriculture practices in the supply chain* under Environmental Supply Chain Management beyond agricultural practices to cover a wider scope. This would allow an entity to voluntarily disclose initiatives related to packaging management, thereby enabling necessary information to be provided in a flexible manner.

(8) Product Innovation

① Opportunity-related Information

Product Innovation is an area of high interest to analysts as it provides information on an entity's future prospects and sustainability-related opportunities, and we support its inclusion as a disclosure topic.

However, information on innovation may also be covered under other disclosure topics such as Food Safety and Health & Nutrition. For example, the proposed amendments to Health & Nutrition include opportunity-related metrics such as 260a.3 *Approach and strategy for managing health and nutrition attributes of product portfolio, including any targets set to monitor progress* and 260a.4 *Revenue from products classified as healthy by a recognised nutrient profile model*.

Therefore, this topic should be structured flexibly to avoid duplication with other topics while allowing an entity to voluntarily disclose strategic initiatives.

(9) Environmental and Social Supply Chain Management

① Flexibility Based on Materiality

Metrics under these topics have some significance as environmental and social initiatives; however, for some metrics, it remains unclear whether sufficient international consensus exists regarding their effects on an entity's prospects. For example, while international certification is widely recognised as important for commodities such as palm oil, the same level of consensus does not exist for soybeans.

Therefore, these topics should allow flexibility, such as permitting qualitative disclosures, depending on the degree of international consensus.