

This is a provisional translation of the comment letter of the Securities Analysts Association of Japan (SAAJ) on the Exposure Drafts issued by the Sustainability Standards Board of Japan (SSBJ), including the contents of the Exposure Drafts.

For the Japanese original, please visit [here](#).

31 July 2024

Re: Universal Sustainability Disclosure Standard Exposure Draft “Application of the Sustainability Disclosure Standards”, Theme-based Sustainability Disclosure Standard Exposure Draft No. 1 “General Disclosures” and Theme-based Sustainability Disclosure Standard Exposure Draft No. 2 “Climate-related Disclosures”

The Sustainability Reporting Committee (SRC) of the Securities Analysts Association of Japan (SAAJ) is pleased to comment on the following three Exposure Drafts of the Sustainability Disclosure Standards issued by the Sustainability Standards Board of Japan (SSBJ) on 29 March 2024 (hereinafter collectively referred to as the “SSBJ EDs”):

- Universal Sustainability Disclosure Standard Exposure Draft “Application of the Sustainability Disclosure Standards” (hereinafter referred to as the “Application ED”)
- Theme-based Sustainability Disclosure Standard Exposure Draft No. 1 “General Disclosures” (hereinafter referred to as the “General ED”)
- Theme-based Sustainability Disclosure Standard Exposure Draft No. 2 “Climate-related Disclosures” (hereinafter referred to as the “Climate ED”)

The SAAJ is a not-for-profit organization for professionals in the areas of investment and finance, offering education and certification programs in these fields. Its certified member analysts (holding the CMA designation) number around 29,000.

The SRC is a standing committee of the SAAJ established in March 2021. It is composed of ten members including equity and credit analysts, portfolio managers, public accountants, and academics.

We would like to thank Mr. Kentaro Konishi and Ms. Waka Kirihara, staff members of the SSBJ, for holding an online seminar for members of the SRC and pertinent members of the SAAJ on 21 May 2024 to explain the contents of the SSBJ EDs. The video recording of the seminar was distributed to CMAs.

The SAAJ sent a questionnaire survey on the SSBJ EDs to members of the SRC and CMAs, of which 20 responded. This comment letter is based on the questionnaire results and the discussions among members of the SRC. Please see the attached questionnaire results.

General Comments

We have been advocating the urgent need on the part of analysts and investors for high-quality, consistent, and comparable global sustainability disclosure standards.

Therefore, we welcomed that the International Sustainability Standards Board (ISSB) issued its inaugural IFRS Sustainability Disclosure Standards (hereinafter referred to as the “ISSB Standards”) in June 2023, consisting of IFRS S1 “General Requirements for Disclosure of Sustainability-related Financial Information” (hereinafter referred to as “IFRS S1”) and IFRS S2 “Climate-related Disclosures” (hereinafter referred to as “IFRS S2”).

We also welcome the SSBJ’s immediate issuance of the Exposure Drafts of Japan’s Sustainability Disclosure Standards (hereinafter referred to as the “SSBJ Standards”), which are equivalent to IFRS S1 and IFRS S2 and aligned with the global baseline ISSB Standards.

Since the proposals in the SSBJ EDs address the needs of analysts and investors as users of sustainability reporting, we agree with most of them. However, we make some suggestions based on our own position on Question 1 “Development policy”. We disagree with the proposals in Question 4 “Reporting of greenhouse gas emissions measured under the Japanese Act on Promotion of Global Warming Countermeasures” and Question 7 “Cross-industry metrics: Climate-related risks and opportunities”.

Below are our comments on each question, based on the assumption that the SSBJ Standards would be required to be applied to companies which center their business on constructive dialogue with global investors (all or portion of companies listed on the Prime Market of the Tokyo Stock Exchange).

Question 1

Do you agree with the proposed policy for developing the SSBJ Standards? If you disagree, please explain why. Please state your thoughts on the level of alignment with the international standards and how this will be achieved, including your reasons.

We believe that the policy for developing the SSBJ Standards should be to develop standards that are functionally aligned with the international baseline ISSB Standards, i.e., standards that require disclosure of the same content as the ISSB Standards to ensure international comparability.

In Q1 of our questionnaire, 95.0% of respondents agreed with the SAAJ's proposed policy.

The ISSB was established to serve the public interest by developing a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs. This was driven by the chaotic situation of the so-called "alphabet soup" around sustainability standards and initiatives in the capital markets. When the IFRS Foundation published the "Consultation Paper on Sustainability Reporting" in 2020, many stakeholders, including us, supported the proposal that the IFRS Foundation expand its standard-setting activities to set internationally recognized sustainability reporting standards. In this context, the ISSB developed the ISSB Standards as a global baseline, building on and integrating existing work such as the SASB Standards, the International Integrated Reporting Framework, the CDSB Framework, the TCFD Recommendations and others.

We understand that the United States and Europe are developing their own sustainability disclosure standards independent of the ISSB Standards. However, given the objective of establishing the ISSB, which is supported by many global stakeholders, we believe that the policy for developing the SSBJ Standards, Japan's sustainability disclosure standards, should be to develop standards that are functionally aligned with the international baseline ISSB Standards, i.e., standards that require disclosure of the same content as the ISSB Standards to ensure international comparability.

Our proposed policy would contribute to the development of high-quality sustainability disclosure standards with the consistency and comparability to meet the needs of global investors and would also meet the needs of Japanese companies for dual compliance with the SSBJ Standards and the ISSB Standards. Since the SSBJ Standards are developed for the statutory sustainability disclosure by Japanese companies which center their business on constructive dialogue with global investors, we believe that the sustainability disclosure in accordance with the SSBJ Standards should be high-quality enough, leading to lower capital costs for companies that apply them. Furthermore, proactively incorporating the requirements of the ISSB Standards into the SSBJ Standards would help amplify Japan's voice as a strong supporter of the ISSB.

Based on the above comments, we would like to make the following suggestions.

1. Ensuring consistency in structure and terminology

The SSBJ proposes in the SSBJ EDs to incorporate the requirements of the ISSB Standards into the SSBJ Standards in principle, while proposing at the same time to reorganize the structure of the ISSB Standards and to rephrase the terminology of the Japanese translations of the ISSB Standards, giving priority to readability

However, in order to ensure functional alignment with the ISSB Standards and to enable domestic and foreign stakeholders to easily understand these functional alignments with and differences from

the ISSB Standards, we believe it would be better to ensure consistency in structure and terminology with the ISSB Standards as much as possible, so that stakeholders can more clearly understand these alignments with and differences from the ISSB Standards. Consistency in structure and terminology between the two standards should make it easier for stakeholders to refer to educational and other materials issued by the ISSB. This would also contribute to the needs of Japanese companies for dual compliance with the SSBJ Standards and the ISSB Standards. In case of corporate accounting, Japanese-specific standards existed prior to the development of the international standards. The circumstances around sustainability disclosure standards are largely different from this. We believe it would be better for the SSBJ to take the benefits for stakeholders into account to more easily understand these alignments with and differences from the ISSB Standards, when developing the SSBJ Standards.

Based on our proposal above, we encourage the SSBJ to indicate the alignments with and differences from the ISSB Standards in the SSBJ Standards, so that domestic and foreign stakeholders can easily understand them. It might be a good idea to add headers to each requirement, such as “Same as the ISSB Standards”, “Aligned with the ISSB Standards”, “Addition to the ISSB Standards”, etc.

“Table of Concordance between IFRS Sustainability Disclosure Standards and the SSBJ Exposure Drafts” issued by the Secretariat of the SSBJ indicates that paragraphs B4 and B5 of IFRS S1 are not included in the SSBJ EDs because these paragraphs explain the concept of impact materiality. However, they should be included in the SSBJ Standards because they provide the basic concepts related to the business model, which is a prerequisite for identifying sustainability-related risks and opportunities.

2. Convincing the ISSB that the SSBJ Standards are functionally aligned with the ISSB Standards, in cases where requirements of the ISSB Standards are not incorporated in the SSBJ Standards in their original form

“In cases where requirements of the ISSB Standards are not incorporated in their original form”, as stated in paragraph BC10 of the Application ED, we encourage the SSBJ to convince the ISSB that these do not undermine the functional alignment with the ISSB Standards.

Although the SSBJ Standards are intended to be applied only in Japan, global investors, who need high-quality standards with consistency and comparability as noted above, are very interested in whether the SSBJ Standards are functionally aligned with the ISSB Standards. We also encourage the SSBJ to actively provide information domestically and internationally to emphasize that the SSBJ Standards are functionally aligned with the ISSB Standards.

3. Issuing provisional English translations of the SSBJ Standards and related documents

The SSBJ Standards should be used to communicate not only with domestic stakeholders, but also with international stakeholders, including the ISSB, other standard setters and global investors. We believe it is very important that through these communications, the SSBJ Standards are recognized by global investors as credible standards that are functionally aligned with the ISSB Standards. Therefore, we regret that the SSBJ did not provide provisional English translations of the SSBJ EDs.

When the SSBJ Standards are finalized and issued, we encourage the SSBJ to issue the provisional English translations at the same time if possible, or a little later if this is difficult. When issuing the provisional English translations of the SSBJ Standards, the SSBJ should also provide provisional English translations of related documents, such as documents indicating differences from the ISSB Standards and educational materials. This would help global investors recognize the SSBJ Standards and thereby promote constructive dialogue with Japanese companies. We believe that not only the functional alignment of the SSBJ Standards with the ISSB Standards, but also the global dissemination of Japan's approach to standard-setting would amplify Japan's voice as a strong supporter of the ISSB.

Question 2

Do you agree with the proposal regarding the treatment of the SASB Standards and the Industry-based Guidance in "Sources of Guidance"? If you disagree, please explain why.

We agree with this proposal. In **Q2** of our questionnaire, 80.0% of respondents supported Proposal 1 (adopted in the SSBJ EDs) that "An entity shall refer to and consider the applicability of the SASB Standards and the Industry-based Guidance". On the other hand, only a total of 5.0% supported either Proposal 2 or 3 (not adopted in the SSBJ EDs) that "An entity may refer to and consider the applicability of the SASB Standards and the Industry-based Guidance" for all or part of the requirements.

The reasons for the agreement are as follows (1) - (4).

(1) Importance in the sustainability disclosure standards

The requirements to identify sustainability-related risks and opportunities and to identify material information about the identified risks and opportunities are the most important elements of sustainability disclosure standards. The ISSB Standards stipulates that "An entity shall refer to and consider the applicability of the SASB Standards and the Industry-based Guidance" in identifying these risks and opportunities. Modifying the ISSB Standards would be significantly problematic in terms of ensuring equivalence to the ISSB Standards. If the identification processes are different from those required by the ISSB Standards, risks and opportunities and material information may fail to

achieve global comparability, which could significantly reduce the usefulness of sustainability information disclosed by Japanese companies.

(2) Usefulness of the SASB Standards and the Industry-based Guidance

Sustainability information varies by industry in terms of materiality and impact. The SASB Standards were developed based on the elements that affect corporate value, identified by analysts and investors in each industry. The information disclosed as a result of referring to and considering the applicability of the SASB Standards, which were developed through these processes, is useful to analysts and investors.

In fact, at the third and fifth programs of the SAAJ's "ISSB Standards Seminar Series 2023"¹, sector analysts insisted that the SASB Standards appeared to be useful when discussing how they would use IFRS S1 and S2. We believe this is a testament to the usefulness of the SASB Standards.

(3) "shall refer to and consider" vs. "may refer to and consider"

Regarding "shall refer to and consider" vs. "may refer to and consider", we believe the former is better. This is because it is important to recommend the SASB Standards and the Industry-based Guidance as the first sources of guidance among several listed in the ISSB Standards since the SASB Standards and the Industry-based Guidance have been developed as a common language on sustainability disclosure for preparers and users. They are generally recognized useful by analysts and investors and would enhance the international comparability of sustainability information disclosed by Japanese companies.

We believe that referring to and considering the applicability of the SASB Standards and the Industry-based Guidance will not impose a significant burden on preparers, since they can decide whether to include identified information based on their materiality judgement after considering the applicability. Rather, positioning the SASB Standards and the Industry-based Guidance as the first sources of guidance would clarify the priority for preparers, thereby reducing their burden.

(4) Response if the SASB Standards are revised

The SSBJ proposes that if the SASB Standards are revised, an entity may refer to and consider the applicability of the revised standards. An endorsement process by the SSBJ is required when the SASB Standards are revised. We think it is appropriate that the SSBJ Standards permit an entity to refer to and consider the applicability of the revised standards while this process is underway in Japan.

As commented above, we agree with Proposal 1.

¹ Website for the "ISSB Standards Seminar Series 2023": <https://event.saa.or.jp/event/7293>

Below are additional insights and observations from SRC members.

Some suggested that the SSBJ should emphasize that it is important for an entity not to apply the guidance mechanically, but to determine the information based on its own materiality, while positioning the SASB Standards and the Industry-based Guidance as the first sources of guidance. This emphasis should be based on paragraph 45 of the Application ED, paragraph 16 of the Climate ED and other paragraphs that “after consideration, an entity may conclude that it applies or it may conclude that it does not apply”. Others suggested that the disclosure topics in the SASB Standards should be enhanced, particularly with respect to information about opportunities.

Question 3

Do you agree with the proposal regarding the total amount of Scope 1, Scope 2 and Scope 3 greenhouse gas emissions? If you disagree, please explain why.

We agree with this proposal. In Q3 of our questionnaire, 55.0% of respondents supported Proposal 1 (adopted in the Climate ED), which requires an entity to disclose the total amount, while 40.0% supported Proposal 2 (not adopted in the Climate ED) that does not require an entity to do so. After deliberation at the SRC meeting, we concluded to agree with Proposal 1.

Please note that as a premise for our comments below, we would like to emphasize that it is particularly important for analysts and investors to have disclosure of Scope 3 greenhouse gas (GHG) emissions in addition to Scope 1 and Scope 2 GHG emissions.

In the deliberations at the SRC meeting, we observed that the most common practice of analysts and investors is “to understand the total absolute amount of GHG emissions of the three scopes to get an overall picture of the climate-related risks to which an entity is exposed, and then to analyze the information more in detail to identify which scope has in fact the largest emissions, and, if Scope 3 GHG emissions has the largest emissions, which categories of the scope have the largest emissions”, as stated in paragraph BC101 (1) of the Climate ED. The members of the SRC agreed that this is an ideal use of the information about Scope 1, 2 and 3 GHG emissions.

However, even though the members who supported Proposal 2 shared the above view, they were still concerned about the risk that users might use the total amount mechanically, without considering the different nature of each scope, such as simply using them for screening at the early stage of the application of the SSBJ Standards.

That said, we believe in general that as users mature, they will become accustomed to the ideal use of the total amount.

In addition, we do not agree with the reasons for supporting Proposal 2 provided in paragraph BC103(1) of the Climate ED, explaining the controllability of emissions, the approach to controlling emissions, and the degree of responsibility for emissions. We are concerned that the value of sustainability information that needs to be provided in the value chain disclosure could be substantially undermined if we emphasize the logic to admit that an entity cannot control its Scope 3 GHG emissions.

Therefore, we concluded to agree with Proposal 1 to require an entity to disclose the total amount.

Question 4

Do you agree with the proposal regarding the reporting of greenhouse gas emissions measured under the Japanese Act on Promotion of Global Warming Countermeasures? If you disagree, please explain why.

We disagree with this proposal. In Q4 of our questionnaire, only 35% of respondents supported Proposal 1 (adopted in the Climate ED), while 55% supported either Proposal 2 or 3 (not adopted in the Climate ED). The largest number of respondents, or 40.0% of the total, supported Proposal 3, which requires an entity to disclose GHG emissions for the same reporting period as the sustainability-related financial disclosure, as stated in paragraph BC122(2) of the Climate ED. After deliberation at the SRC meeting, we concluded to agree with Proposal 3 as it gathered the largest support although less than a majority.

We strongly support the principle of the same reporting period for GHG emissions. If emissions are disclosed in a different period from the reporting period of the financial statements, the usefulness of intensity metrics such as carbon intensity (emissions/sales) would be reduced. It may be possible to assume the emissions in the calculation period under the Japanese Act on Promotion of Global Warming Countermeasures (hereinafter referred to as the “Act”) as the emissions in the reporting period, but in cases such as a fiscal year in which the entity acquired companies, a fiscal year in which the entity’s operation level changed significantly, or the case in which the entity’s GHG emission reduction targets are ambitious and the differences in reporting periods are significant, the difference would be material and therefore the analysis of changes in relation to financial metrics would be difficult.

The reporting periods should, in principle, be the same, given the objective of reporting at the same time as the related financial statements. (However, if the impact on risks and opportunities is small and not material, the requirement for the same reporting period may be relaxed.) The same reporting periods should be a principle not only for GHG emissions reporting under the Act, but also for other requirements.

The Working Group on Disclosure and Assurance of Sustainability-related Financial Information of the Financial System Council is considering extending the deadline for filing Yuka Shoken Houkokusho, or Yuho, the statutory securities report. If it is in fact extended, we need to consider the possibility of calculating GHG emissions under the Act in the same period of the sustainability-related financial disclosures (and the related financial statements). The Act itself should be revised to enable the reporting periods to be the same (although this may be outside the scope of SSBJ's remit).

Even if the difference in reporting periods is permitted, an upper limit (e.g., one year) should be set as stated in paragraph BC122 (1) of the Climate ED. In this case, we propose that an entity be encouraged to align the reporting period and be required to explain the amount of the impact and the factors if there are material differences from the emissions measured in the same period of the sustainability-related financial disclosures (and related financial statements).

We therefore disagree with Proposal 1.

If the difference in reporting periods is permitted, it could be a material difference from the ISSB Standards. Some suggested that in this case, the SSBJ should convince the ISSB that this does not undermine the functional alignment with the ISSB Standards.

Question 5

Do you agree with the proposal regarding the location-based and market-based Scope 2 greenhouse gas emissions? If you disagree, please explain why.

We agree with this proposal. In **Q5** of our questionnaire, 73.7% of respondents supported Proposal 1 (adopted in the Climate ED), which requires an entity to disclose its location-based Scope 2 GHG emissions and either information about contractual instruments or its market-based Scope 2 GHG emissions. 21.1% supported Proposal 2 (not adopted in the Climate ED), which requires an entity to disclose its location-based and market-based Scope 2 GHG emissions, as stated in paragraph BC133 (1) of the Climate ED. Thus, an overwhelming majority answered that disclosure of market-based Scope 2 GHG emissions should be required.

We believe disclosure of market-based Scope 2 GHG emissions, which reflect an entity's efforts to reduce GHG emissions, is useful for analyst and investor analysis.

The ISSB Standards, as a global baseline, require an entity to disclose its location-based GHG emissions and provide information about any contractual instruments because the ISSB considered it difficult to set a requirement to disclose market-based GHG emissions due to the variation in the maturity of the market and other factors, while noting that information about an entity's market-based

Scope 2 GHG emissions might be included as part of the disclosure of information about contractual instruments.

However, since many Japanese companies have already set targets and transition plans such as net zero based on their market-based Scope 2 GHG emissions, we commend the SSBJ for clearly setting the requirement to disclose market-based Scope 2 GHG emissions as a jurisdiction-specific requirement.

Some suggested that the SSBJ should support the implementation of the SSBJ Standards for disclosure of information about contractual instruments through issuing guidance and other means.

Question 6

Do you agree with the proposal regarding the application of materiality judgments in disclosing the absolute gross amount of Scope 3 greenhouse gas emissions? If you disagree, please explain why.

We agree with this proposal. In Q6 of our questionnaire, 75.0% of respondents supported Proposal 1 (adopted in the Climate ED) that “No requirement is added”.

Since Scope 3 GHG emissions are the largest and most indicative of climate-related risk for most companies, disclosure of them is important to analysts and investors. We at the same time understand that it is technically very difficult for preparers to disclose Scope 3 GHG emissions because the disclosure involves value chain information. Therefore, we agree that practical burden on preparers needs to be addressed to some extent. That said, adding a requirement for some quantitative thresholds as stated in paragraph BC145 (1) of the Climate ED (Proposal 2) would just complicate the disclosure process of preparers, and discourage the disclosure of Scope 3 GHG emissions, which is still under development, thus resulting in the disclosure not useful to users. We do not believe it is appropriate to add materiality thresholds only for Scope 3 GHG emissions.

At the fifth program of the SAAJ’s “ISSB Standards Seminar Series 2023”, sector analysts insisted that disclosure of Scope 3 GHG emissions is required, but they do not need highly accurate information at the early stage, and disclosure should be improved through dialogue between preparers and users.

Therefore, we believe that materiality judgments should be left to an entity rather than adding an overly prescriptive requirement to the disclosure process as in the ISSB Standards.

Some suggested that a forum should be established to discuss specific issues such as measurement methodologies including GHG protocols and database development for Scope 3 GHG emissions, which may be outside the scope of the SSBJ’s remit.

Question 7

Do you agree with the proposal regarding the climate-related transition risks and opportunities of the cross-industry metrics? If you disagree, please explain why.

We disagree with this proposal. In **Q7** of our questionnaire, 47.4% of respondents, which was the largest number, supported Proposal 2 (not adopted in the Climate ED) to require an entity to disclose quantitative information without permitting an entity to choose to disclose only qualitative information (information about the magnitude).

Mere disclosure of qualitative information is not sufficient for analysts and investors. We believe that useful disclosure should enable users to understand the quantitative impact on the entity. In this regard, we are concerned that this objective would not be achieved by Proposals 1 and 3, which would permit an entity not to disclose quantitative information.

We understand that there are technical challenges for preparers to disclose quantitative information. However, since the SSBJ EDs, including the Climate ED, set proportionality as do the ISSB Standards, we believe the requirements of the SSBJ Standards should be the same as those of the ISSB Standards. We believe it is important for an entity to engage with users from the beginning by disclosing quantitative information that the entity recognizes.

Some suggested that the SSBJ should clarify the definition of assets or business activities “vulnerable” to climate-related transition and physical risks, while it is in principle a matter of an entity’s judgement, through issuing guidance and other means to support the implementation of the SSBJ Standards.

Question 8

Do you agree with the proposal regarding the capital deployments of the cross-industry metrics? If you disagree, please explain why.

We agree with this proposal. In **Q8** of our questionnaire, 94.7% of respondents supported Proposal 1 (adopted in the Climate ED), which requires an entity to disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.

Information about capital deployments is useful to users because it enables them to understand how much capital expenditure, financing or investment an entity has deployed towards climate-related risks and opportunities.

Proposal 2 (not adopted in the Climate ED), which permits an entity to choose not to apply this requirement as transition relief, would raise concerns among global investors about equivalence to the ISSB Standards.

Question 9

Do you agree with the proposal regarding the internal carbon prices of the cross-industry metrics? If you disagree, please explain why.

We agree with this proposal. In **Q9** of our questionnaire, 94.7% of respondents supported Proposal 1 (adopted in the Climate ED), which requires an entity to disclose information about the internal carbon prices.

Information about internal carbon prices is useful to users as an increasing number of entities are applying internal carbon prices in decision-making.

Proposal 2 (not adopted in the Climate ED), which does not require an entity to disclose the internal carbon prices, would raise concerns among global investors about equivalence to the ISSB Standards. All of the reasons for supporting Proposal 2 stated in paragraph BC186 of the Climate ED are based on an acknowledgement of the usefulness of this information. We do not believe these reasons are convincing enough to oppose Proposal 1.

Question 10

Do you agree with the proposed transition relief? If you disagree, please explain why.

We agree with the proposed transition relief. In **Q10** of our questionnaire, 94.7% of respondents agreed.

The Working Group on Disclosure and Assurance of Sustainability-related Financial Information of the Financial System Council (hereinafter referred to as the “WG”) is discussing a phased mandatory application, giving priority to companies with large market capitalization listed on the Prime Market of the Tokyo Stock Exchange. We believe that the fact that the SSBJ EDs provide transition relief by dividing the cases into (a) statutory disclosure, (b) voluntary disclosure, and (c) transition from voluntary disclosure to statutory disclosure is consistent with the discussions in the WG, and the content of the transition relief is appropriate.

However, since we are concerned that the proposed transition relief is quite complex to address the cases of statutory and voluntary disclosure, we encourage the SSBJ to clarify these relief measures by issuing illustrative examples and other materials to avoid diversity in interpretation among preparers.

Question 11

If you have any other comments on the SSBJ EDs, please explain. If you have comments on the requirements of the SSBJ EDs, please clearly state whether you are commenting on the Application ED, the General ED, or the Climate ED, and which paragraphs you are commenting on.

We would like to make the following suggestions.

1. Supporting the implementation of the SSBJ Standards (Application ED, General ED, Climate ED)

As noted in Questions 5 and 7, some suggested that the SSBJ, like the ISSB, should engage in activities to support the implementation of the SSBJ Standards. We encourage the SSBJ to support the implementation of the SSBJ Standards through issuing guidance and other means.

The requirement in paragraph 69 of the Application ED that “An entity shall, in principle, report its sustainability-related financial disclosures at the same time as its related financial statements” is very important to users, but would be burdensome for preparers. Therefore, we encourage the SSBJ to support preparers so that they could surely comply with this requirement. This implementation support by the SSBJ should include negotiating with relevant authorities to establish the regulatory or legal environment.

2. Additional disclosure requirement for an entity to disclose its process to identify the information to be disclosed (Application ED, Climate ED)

Both the ISSB Standards and the SSBJ Standards stipulate a process for identifying the information that an entity is required to disclose. From a user perspective, it is important for an entity to establish and properly operate this process to comprehensively disclose material information. Therefore, we encourage the SSBJ to add a requirement to disclose this process, as in the European Sustainability Reporting Standards (ESRS), to help users better understand. Based on the deliberations of the International Auditing and Assurance Standards Board (IAASB) for finalizing the Sustainability Assurance Standards (ISSA 5000), documentation of this process may be required when the assurance practitioner confirms whether the entity has this process in determining whether the preconditions of the assurance engagement are present.

In Japan, the statutory assurance system has not yet been discussed, but we encourage the SSBJ to deliberate this additional requirement to the SSBJ Standards, when the details of the assurance system are almost finalized.

3. Issuing non-authoritative guidance on the disclosure of financed emissions (Climate ED)

“Addressing the Challenges of Financed Emissions” issued by Financial Services Agency, Ministry of Economy Trade and Industry, and Ministry of the Environment in October 2023 proposes some approaches on financed emissions calculation and disclosure, such as disclosing each portion attributed to transition finance and disclosing multiple metrics other than financed emissions, even if an increase in transition finance leads to an overall increase in financed emissions within the portfolio. Disclosure of such information would be useful for users to properly assess the decarbonization efforts of financial institutions.

We therefore encourage the SSBJ to issue non-authoritative guidance on the disclosure of financed emissions with reference to the paper mentioned above.

4. Unifying the Japanese translations of “relevance” (Application ED)

The Japanese translations of “relevance” differ between that used in “Qualitative characteristics of useful sustainability-related financial information” of the Application ED and that used in “Qualitative characteristics of useful financial information” of the “Conceptual Framework for Financial Reporting” issued by the International Accounting Standards Boards (IASB). We encourage the Accounting Standards Board of Japan (ASBJ) and the SSBJ to unify the Japanese translations of “relevance”.

5. Others

We propose the following agendas to be discussed by relevant stakeholders to establish platforms for better sustainable reporting, although they may not be directly within the scope of the SSBJ’s remit.

- Coefficients for calculating GHG emissions need to be developed on a global basis. In Japan, coefficients based on input-output table data are commonly used, but they may be updated less frequently and are often measured based on old data.
- Along with the application of the SSBJ Standards, a digital taxonomy that enables users to retrieve information electronically needs to be developed to organize the vast amount of information.

Attachment: Questionnaire Results on the SSBJ EDs

The SAAJ sent a questionnaire survey on the SSBJ EDs to members of the SRC and CMAs, of which 20 responded.

Q1: Development policy

The SSBJ’s proposed policy for developing the SSBJ Standards is to basically incorporate all requirements of the ISSB Standards to ensure that international comparability is not significantly undermined. However, the SSBJ adds some jurisdiction-specific alternatives that an entity can choose to apply. It also adds some jurisdiction-specific requirements that are not included in the ISSB Standards.

As users of sustainability information, the SAAJ would like to propose that the policy for developing the SSBJ Standards be to develop standards that are functionally aligned with the international baseline ISSB Standards, i.e., standards that require disclosure of the same content as the ISSB Standards to ensure international comparability.

Do you agree with the SAAJ’s proposed policy (underlined above) for developing the SSBJ Standards? ...**Question 1**

(a) Yes	19	95.0%
(b) No	1	5.0%
(c) Neither “Yes” nor “No”	0	0.0%
total	20	100.0%

Q2: Treatment of the SASB Standards and the Industry-based Guidance in “Sources of Guidance”

Regarding the treatment of the SASB Standards and Industry-based Guidance in “Sources of Guidance,” Proposal 1 in the table below is adopted in the SSBJ EDs. On the other hand, Proposals 2 and 3 were proposed during the SSBJ deliberations, but not adopted in the SSBJ EDs. For background, see paragraphs BC72-BC78 of the Application ED and paragraphs BC41-BC48 of the Climate ED.

Please note that the information disclosed as a result of the requirements that “An entity shall refer to and consider the applicability of the SASB Standards and the Industry-based Guidance” are generally recognized to be useful for analyst and investor analysis. If the requirements of either Proposal 2 or 3 are finalized, the equivalence to the ISSB Standards may not be maintained.

<p>Proposal 1</p>	<p><Adopted in the SSBJ EDs></p> <p><u>Identifying sustainability-related risks and opportunities and identifying material information regarding identified risk and opportunities</u></p> <ul style="list-style-type: none"> An entity shall refer to and consider the applicability of the SASB Standards (last revised in December 2023). If the IFRS Foundation makes revisions to the SASB Standards, an entity may refer to and consider the applicability of the revised SASB Standards in lieu of the SASB Standards (last revised in December 2023). <p><u>Identifying climate-related risks and opportunities and determining industry-based metrics to disclose</u></p> <ul style="list-style-type: none"> An entity shall refer to and consider the applicability of the Industry-based Guidance (published in June 2023). An entity shall also refer to and consider the applicability of the SASB Standards (last revised in December 2023) by applying the Application Standards.
<p>Option 2</p>	<p><Not adopted in the SSBJ EDs (a)></p> <p><u>Identifying sustainability-related risks and opportunities and identifying material information regarding identified risk and opportunities</u></p> <ul style="list-style-type: none"> An entity shall refer to and consider the applicability of the Industry-based Guidance while the entity may refer to and consider the applicability of the SASB Standards (excluding duplicated parts of the Industry-based Guidance). <p><u>Identifying climate-related risks and opportunities and determining industry-based metrics to disclose</u></p> <ul style="list-style-type: none"> An entity shall refer to and consider the applicability of the Industry-based Guidance. The entity may refer to and consider the applicability of the SASB Standards (excluding duplicated parts of the Industry-based Guidance) by applying the Application Standards.

Option 3	<p><Not adopted in the SSBJ EDs (b)></p> <p><u>Identifying sustainability-related risks and opportunities and identifying material information regarding identified risk and opportunities</u></p> <ul style="list-style-type: none"> An entity may refer to and consider the applicability of the SASB Standards (including the Industry-based Guidance). <p><u>Identifying climate-related risks and opportunities and determining industry-based metrics to disclose</u></p> <ul style="list-style-type: none"> An entity may refer to and consider the applicability of the Industry-based Guidance. The entity may also refer to and consider the applicability of the SASB Standards by applying the Application Standards.
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Which proposal do you support? ...**Question 2**

(a) Proposal 1	16	80.0%
(b) Proposal 2	0	0.0%
(c) Proposal 3	1	5.0%
(d) Neither Proposal 1, 2, nor 3	3	15.0%
Total	20	100.0%

Q3: Total amount of Scope1, Scope 2 and Scope 3 greenhouse gas emissions

Regarding the total amount of Scope1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions, Proposal 1 in the table below is adopted in the Climate ED. On the other hand, Proposal 2 was proposed during the SSBJ deliberations, but not adopted in the Climate ED. For background, see paragraphs BC100-BC103 of the Climate ED.

Please note that the requirement to disclose the total amount of Scope1, Scope 2 and Scope 3 GHG emissions is not a requirement of the ISSB Standards but a jurisdiction-specific one, although it is defined in the “IFRS Sustainability Disclosure Taxonomy 2024” issued by the ISSB in April 2024. Analysts and investors often use the total amount in their analysis.

Proposal 1	<p><Adopted in the Climate ED></p> <ul style="list-style-type: none"> An entity shall disclose the total absolute amount of Scope 1, Scope 2 and Scope3 GHG emissions.
Proposal 2	<p><Not adopted in the Climate ED ></p> <ul style="list-style-type: none"> An entity is not required to disclose the total absolute amount of Scope 1, Scope 2 and Scope3 GHG emissions.

Which proposal do you support? ...**Question 3**

(a) Proposal 1	11	55.0%
(b) Proposal 2	8	40.0%
(c) Neither Proposal 1 nor 2	1	5.0%
Total	20	100.0%

Q4: Reporting of greenhouse gas emissions measured under the Japanese Act on Promotion of Global Warming Countermeasures

Regarding the reporting of GHG emissions measured under the Japanese Act on Promotion of Global Warming Countermeasures (hereinafter referred to as the “Act”), Proposal 1 in the table below is adopted in the Climate ED. On the other hand, Proposals 2 and 3 were proposed during the SSBJ deliberations, but not adopted in the Climate ED. For background, see paragraphs BC117-BC124 of the Climate ED.

Please note that it is commonly understood that disclosing financial statements and sustainability-related financial disclosures at the same time is important for analysts and investors who emphasize the connectivity between financial and sustainability information. In this context, there are three proposals regarding the difference in reporting periods under the Act; (Proposal 1) permit the difference and require to disclose certain matters if the difference exceeds one year, considering additional burden on preparers; (Proposal 2) permit the difference but set an upper limit (e.g., one year); and (Proposal 3) do not permit the difference and require the same reporting period by recalculation.

Proposal 1	<p><Adopted in the Climate ED></p> <ul style="list-style-type: none"> If an entity chooses to report the GHG emissions measured under the Act, it shall use the latest GHG emissions data that has been submitted to the authorities as of the date authorized for the issuance of the sustainability related financial disclosures. If the difference between the calculation period for reporting GHG emissions and the reporting period for sustainability-related financial disclosures (and related financial statements) exceeds one year, an entity shall disclose certain matters.
Proposal 2	<p><Not adopted in the Climate ED (a)></p> <ul style="list-style-type: none"> An upper limit (e.g., one year) is set for the difference.

Proposal 3	<p><Not adopted in the Climate ED (b)></p> <ul style="list-style-type: none"> Even if there is a difference in reporting periods, an entity shall disclose GHG emissions for the same reporting period as the sustainability-related financial disclosures.
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Which proposal do you support? ...**Question 4**

(a) Proposal 1	7	35.0%
(b) Proposal 2	3	15.0%
(c) Proposal 3	8	40.0%
(d) Neither Proposal 1, 2, nor 3	2	10.0%
Total	20	100.0%

Q5: Location-based and market-based Scope 2 greenhouse gas emissions

Regarding the location-based and market-based Scope 2 GHG emissions, Proposal 1 in the table below is adopted in the Climate ED. On the other hand, Proposals 2 and 3 were proposed during the SSBJ deliberations, but not adopted in the Climate ED. For background, see paragraphs BC127-BC135 of the Climate ED.

Please note that the ISSB Standards require an entity to disclose its location-based GHG emissions and provide information about any contractual instruments as stated in Proposal 1(1) because the ISSB considered it difficult to set a requirement to disclose market-based GHG emissions due to the variation in the maturity of the market and other factors. However, the ISSB noted that information about an entity’s market-based Scope 2 GHG emissions might be included as part of the disclosure of information about contractual instruments. The Climate ED proposes to require an entity to disclose its location-based Scope 2 GHG emissions and disclose either information about contractual instruments (Proposal 1 (1)) or its market-based Scope 2 GHG emissions (Proposal 1 (2)), the latter being a jurisdiction-specific requirement. It is recognized that disclosure of market-based Scope 2 GHG emissions, which reflect the entity’s efforts to reduce GHG emissions, is useful for analyst and investor analysis.

Proposal 1	<p><Adopted in the Climate ED></p> <ul style="list-style-type: none"> An entity shall disclose its location-based Scope 2 GHG emissions, and disclose either information about: <ul style="list-style-type: none"> (1) any contractual instruments that is necessary to inform users’ understanding of its Scope 2 GHG emissions, if any; or (2) its market-based Scope 2 GHG emissions.
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Proposal 2	<p><Not adopted in the Climate ED (a)></p> <ul style="list-style-type: none"> An entity shall disclose its location-based and market-based Scope 2 GHG emissions.
Proposal 3	<p><Not adopted in the Climate ED (b)></p> <ul style="list-style-type: none"> An entity shall disclose its market-based Scope 2 GHG emissions.

Which proposal do you support? ...**Question 5**

(a) Proposal 1	14	73.7%
(b) Proposal 2	4	21.1%
(c) Proposal 3	0	0.0%
(d) Neither Proposal 1, 2, nor 3	1	5.3%
Total	19	100.0%

Q6: Application of materiality judgments in disclosing the absolute gross amount of Scope 3 greenhouse gas emissions

Regarding the application of materiality judgments in disclosing the absolute gross amount of Scope 3 GHG emissions, Proposal 1 in the table below is adopted in the Climate ED. On the other hand, Proposals 2 and 3 were proposed during the SSBJ deliberations, but not adopted in the Climate ED. For background, see paragraphs BC142-BC147 of the Climate ED.

Please note that if the requirement of either Proposal 2 or 3 that includes a jurisdiction-specific requirement is finalized, equivalence to the ISSB Standards may not be maintained.

Proposal 1	<p><Adopted in the Climate ED></p> <ul style="list-style-type: none"> No requirement is added regarding the categories to be included in the measurement of the absolute gross amount of Scope 3 GHG emissions.
Proposal 2	<p><Not adopted in the Climate ED (a)></p> <ul style="list-style-type: none"> A requirement for some quantitative thresholds is added regarding the categories to be included in the measurement of the absolute gross amount of Scope 3 GHG emissions.
Proposal 3	<p><Not adopted in the Climate ED (b)></p> <ul style="list-style-type: none"> A requirement to judge materiality by category is added regarding the categories to be included in the measurement of the absolute gross amount of Scope 3 GHG emissions.

Which proposal do you support? ...**Question 6**

(a) Proposal 1	15	75.0%
(b) Proposal 2	0	0.0%
(c) Proposal 3	3	15.0%
(d) Neither Proposal 1, 2, nor 3	2	10.0%
Total	20	100.0%

Q7: Cross-industry metrics: Climate-related risks and opportunities

Regarding the climate-related risks and opportunities of the cross-industry metrics, Proposal 1 in the table below is adopted in the Climate ED. On the other hand, Proposals 2, 3 and 4 were proposed during the SSBJ deliberations, but not adopted in the Climate ED. For background, see paragraphs BC170-BC176 of the Climate ED.

Please note that if the requirement of any of Proposals 1, 3, or 4 that includes a jurisdiction-specific alternative is finalized, equivalence to the ISSB Standards may not be maintained. For Proposal 4, quantitative information useful to analysts and investors might not be disclosed during the transition period.

Proposal 1	<p><Adopted in the Climate ED></p> <ul style="list-style-type: none"> An entity shall disclose either information about: <ol style="list-style-type: none"> its climate-related transition and physical risks—the amount and percentage of assets or business activities vulnerable to climate-related transition and physical risks and its climate-related opportunities—the amount and percentage of assets or business activities aligned with climate-related opportunities; or information about the magnitude of those assets or business activities.
Proposal 2	<p><Not adopted in the Climate ED (a)></p> <ul style="list-style-type: none"> An entity shall disclose its climate-related transition and physical risks—the amount and percentage of assets or business activities vulnerable to climate-related transition and physical risks and its climate-related opportunities—the amount and percentage of assets or business activities aligned with climate-related opportunities.

Proposal 3	<p><Not adopted in the Climate ED (b)></p> <ul style="list-style-type: none"> An entity shall disclose its climate-related transition and physical risks—the amount and percentage of assets or business activities vulnerable to climate-related transition and physical risks and its climate-related opportunities—the amount and percentage of assets or business activities aligned with climate-related opportunities. If it is difficult for an entity to disclose this type of information, the entity may disclose information about the magnitude of those assets or business activities.
Proposal 4	<p><Not adopted in the Climate ED (c)></p> <p>An entity shall disclose its climate-related transition and physical risks—the amount and percentage of assets or business activities vulnerable to climate-related transition and physical risks and its climate-related opportunities—the amount and percentage of assets or business activities aligned with climate-related opportunities. An entity may choose not to apply this requirement as transition relief.</p>

Which proposal do you support? ...**Question 7**

(a) Proposal 1	5	26.3%
(b) Proposal 2	9	47.4%
(c) Proposal 3	2	10.5%
(d) Proposal 4	2	10.5%
(d) Neither Proposal 1, 2, 3, nor 4	1	5.3%
Total	19	100.0%

Q8: Cross-industry metrics: Capital deployments

Regarding the capital deployment of the cross-industry metrics, Proposal 1 in the table below is adopted in the Climate ED. On the other hand, Proposal 2 was proposed during the SSBJ deliberations, but not adopted in the Climate ED. For background, see paragraphs BC177-BC180 of the Climate ED.

Please note that if the requirement of Proposal 2 that includes a jurisdiction-specific alternative is finalized, equivalence to the ISSB Standards may not be maintained. Quantitative information useful to users might not be disclosed during the transition period.

Proposal 1	<p><Adopted in the Climate ED></p> <ul style="list-style-type: none"> An entity shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.
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Proposal 2	<p><Not adopted in the Climate ED></p> <ul style="list-style-type: none"> An entity shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities. An entity may choose not to apply this requirement as transition relief.
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Which proposal do you support? ...**Question 8**

(a) Proposal 1	18	94.7%
(b) Proposal 2	0	0.0%
(c) Neither Proposal 1 nor 2	1	5.3%
Total	19	100.0%

Q9: Cross-industry metrics: Internal carbon prices

Regarding the internal carbon prices of the cross-industry metrics, Proposal 1 in the table below is adopted in the Climate ED. On the other hand, Proposal 2 was proposed during the SSBJ deliberations but not adopted in the Climate ED. For background, see paragraphs BC182-BC186 of the Climate ED.

Please note that if the requirement of Proposal 2 that includes a jurisdiction-specific alternative is finalized, equivalence to the ISSB Standards may not be maintained. Information about internal carbon prices useful to users might not be disclosed during the transition period.

Proposal 1	<p><Adopted in the Climate ED></p> <ul style="list-style-type: none"> As required in IFRS S2, an entity shall disclose: <ul style="list-style-type: none"> (1) if the entity is applying internal carbon prices in decision-making, the following information: <ul style="list-style-type: none"> (i) how the entity is applying a carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis); and (ii) the price for each metric tonne of GHG emissions the entity uses to assess the costs of its GHG emissions; or (2) if the entity is not applying them, that fact.
Proposal 2	<p><Not adopted in the Climate ED></p> <ul style="list-style-type: none"> An entity is required to disclose whether and how the entity is applying a carbon price in decision-making, but is not required to disclose the internal prices the entity uses to assess the costs of its GHG emissions.

Which proposal do you support? ...**Question 9**

(a) Proposal 1	18	94.7%
(b) Proposal 2	0	0.0%
(c) Neither Proposal 1 nor 2	1	5.3%
Total	19	100.0%

Q10: Transition relief

The SSBJ proposes the following transition relief.

<Statutory disclosure>

- If an entity discloses to comply with laws and regulations that require or permit disclosure in accordance with the SSBJ Standards, the entity may apply the following transition relief for the first annual reporting period.
 - The entity is not required to disclose comparative information.
 - If laws and regulations prohibit to or permit the disclosure of comparative information, the entity is not required to disclose comparative information outside of the first annual reporting period.
 - The entity may only disclose information on climate-related risks and opportunities.
 - If, in the annual reporting period immediately preceding the first annual reporting period, the entity used a method for measuring its GHG emissions other than the GHG Protocol (2004) and those required by a jurisdictional authority or an exchange on which it is listed, the entity is permitted to continue using that other method.
 - The entity is not required to disclose its Scope 3 GHG emissions, including the additional information about its financed emissions.
- If an entity uses the transition relief to only disclose information on climate-related risks and opportunities, the entity may apply the following transition relief.
 - In the first annual reporting period, the entity is not required to disclose comparative information about its climate-related risks and opportunities.
 - In the second annual reporting period, the entity is not required to disclose comparative information about its sustainability-related risks and opportunities, other than its climate-related risks and opportunities.
- If an entity uses the relief of using a method for measuring its GHG emissions or disclosure of its Scope 3 GHG emissions, the entity is permitted to continue to use that relief for the purposes of presenting that information as comparative information in subsequent reporting periods.

<Voluntary disclosure>

- If an entity voluntarily discloses in accordance with the SSBJ Standards, the entity is not required to disclose comparative information.
- If an entity voluntarily discloses in accordance with the SSBJ Standards, the entity may apply the following transition relief for the first annual reporting period.
 - The entity may only disclose information on climate-related risks and opportunities.
 - If, in the annual reporting period immediately preceding the first annual reporting period, the entity used a method for measuring its GHG emissions other than the GHG Protocol (2004) and the methods required by a jurisdictional authority or an exchange on which the entity is listed, the entity is permitted to continue using that other method.
 - The entity is not required to disclose its Scope 3 GHG emissions including the additional information about its financed emissions.
- If an entity that has voluntarily disclosed in accordance with the SSBJ Standards decides to disclose to comply with laws and regulations that require or permit disclosure in accordance with the SSBJ Standards, the entity may apply the above transition relief for statutory disclosures for the first annual reporting period in which the SSBJ Standards are applied in accordance with such laws and regulations as the “first annual reporting period”.

Do you agree with the proposed transition relief? ...**Question 10**

(a) Yes	18	94.7%
(b) No	0	0.0%
(c) Neither “Yes” nor “No”	1	5.3%
total	20	100.0%