

**ICGN**

International Corporate Governance Network

inspiring good governance & stewardship

Chair Yasunobu Kawanishi
Sustainability Standards Board of Japan
Fukoku Seimei Building 20F
2-2-2 Uchisaiwai-cho
Chiyoda-ku
Tokyo 100-0011
Japan

19 July 2024

Dear Chair Kawanishi,

Subject: Draft Sustainability Disclosure Standards for Japan

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on the Sustainability Standards Board of Japan's draft Sustainability Disclosure Standards (the "SSBJ Standards"). We provide comments on the comparative summary provided in English on the SSBJ's website.

Led by investors responsible for assets under management of \$77 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries. ICGN CEO Jen Sisson is a Member of the Japan Financial Services Agency's Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code. *ICGN's Global Governance Principles* and *Global Stewardship Principles*, written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.¹

We welcome the SSBJ's efforts to develop sustainability disclosure standards functionally aligned with the International Sustainability Standards Board's (ISSB) Standards. ICGN supports the ISSB's mission to develop a global baseline of sustainability-related corporate disclosures.² Investors have been calling for comparable, reliable, and verifiable corporate sustainability disclosures grounded in financial materiality to make informed investment and stewardship decisions, and for their own reporting to beneficiaries. Global adoption of the ISSB Standards is key to achieve this.

ICGN, alongside 120 investors, stock exchanges, and others, signed a statement by the UN Principles for Responsible Investment (PRI) asking jurisdictions to commit to adopting the ISSB Standards by 2025.³ So far, jurisdictions representing over half the global economy by GDP, including Japan, announced steps to adopt or use the ISSB Standards.⁴

To ensure comparability, it is important that the ISSB Standards are adopted without substantial modifications. Therefore, we respectfully ask the SSBJ to consider these points:

¹ ICGN [Global Governance Principles](#) (2021), ICGN [Global Stewardship Principles](#) (2020)

² ICGN Letters "[Inaugural global sustainability disclosure standards, International Sustainability Standards Board \(ISSB\)](#)" (26 June 2023), "[Proposed establishment of an International Sustainability Standards Board](#)" (14 September 2021)

³ UN PRI, London Stock Exchange Group, UN Sustainable Stock Exchanges initiative, World Business Council for Sustainable Development, "[Call to Action: ISSB Global Adoption](#)" (22 May 2024)

⁴ IFRS Foundation, "[Jurisdictions representing over half the global economy by GDP take steps towards ISSB Standards](#)" (28 May 2024)

- **To ensure that investors are provided with timely and cohesive information, the reporting period for GHG emissions should be the same as for all reported information.** We note that the SSBJ Standards allow different reporting periods for climate reporting and financial statements.⁵ The SSBJ Standards allow entities subject to the Japanese Act on Promotion of Global Warming Countermeasures alternative reporting periods for greenhouse gas (GHG) emissions, which we advise against, where and if possible.
- **Climate-related risks and opportunities disclosure requirements should be the same as in the ISSB Standard (IFRS S2).**⁶ The SSBJ's proposal makes it optional, rather than required, for companies to disclose the amount and percentage of assets of business activities vulnerable to climate-related transition risks and physical risks, and those aligned with climate-related opportunities. We believe these are important disclosures that should be mandatory under the SSBJ standard.
- **We recommend full alignment with the ISSB Standards regarding internal carbon prices.**⁷ We encourage the SSBJ to use, to the greatest extent possible, the same wording as in the ISSB Standards. This ensures that investors can compare information disclosed by companies globally.
- **We recommend retaining IFRS S1 paragraphs B4-B5, which are currently excluded from the SSBJ Standards.**⁸ B4-B5 set out important explanations on resources and relationships that a company depends on and affects by its activities, and throughout a company's value and supply chain. These explanations help illustrate the scope of information required for reporting in line with ISSB.

We are pleased to see the following:

- **We welcome the requirement that the reporting shall align with the Sustainability Accounting Standards Board (SASB).**⁹ The SASB Standards, with their industry-based approach, are an internationally recognised best-practice blueprint for sustainability-related risk disclosures and are central to the ISSB Standards.
- **Finally, we commend the SSBJ for aligning its Scope 3 disclosure requirements with the ISSB Standards.** Investors need companies to disclose their absolute Scope 1, 2, and 3 GHG emissions.¹⁰ For many companies, Scope 3 emissions can represent the majority of their carbon footprint, and this information is often financially material. It is relevant for investors' investment and stewardship decisions, and for their own reporting to their beneficiaries. Given that Scope 3 disclosures are sufficiently captured by the ISSB Standards, we recommend the SSBJ to remove its proposed requirement '6. Total absolute amount of greenhouse

⁵ SSBJ, "[Summary of Differences between IFRS Sustainability Disclosure Standards and the SSBJ Exposure Drafts](#)", 2. Reporting period, page 4

⁶ SSBJ, *ibid.*, 5. Climate-related risks and opportunities, pages 6-7

⁷ SSBJ, *ibid.*, 9. Internal carbon prices, page 15

⁸ ISSB, IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information', page 26

⁹ SSBJ, "[Summary of Differences between IFRS Sustainability Disclosure Standards and the SSBJ Exposure Drafts](#)", 1. Sources of Guidance, page 3

¹⁰ See, for example, Institutional Investors Group on Climate Change, "[Investor approaches to scope 3: Its importance, challenges, and implications for decarbonising portfolios](#)" (24 January 2024)

gas emissions'.¹¹ Requiring an additional reporting element deviating from the ISSB Standards may reduce comparability.

Thank you again for the opportunity to share our perspective. If you would like to follow up with questions or comments, please contact our Global Policy Director, Séverine Neervoort (severine.neervoort@icgn.org) or Policy Executive, Wendela Rang (Wendela.rang@icgn.org).

Yours faithfully,



Jen Sisson
Chief Executive Officer, ICGN

¹¹ SSBJ, *ibid*, 6. Total absolute amount of greenhouse gas emissions, page 13