

JBCE'S FEEDBACK ON THE INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (ISSB) AGENDA PRIORITIES

INTRODUCTION

Japan Business Council in Europe (JBCE) welcomes this opportunity to provide feedback on the priorities for the next two-year work plan of the International Sustainability Standards Board (ISSB).

As followed comments, we would like to request the formulation of a comprehensive framework for the IFRS Sustainability Reporting Standards it aims to develop. Additionally, we seek clarification on how these standards will align with disclosure requirements in other regions, including CSRD and ESRS.

QUESTION 1— STRATEGIC DIRECTION AND BALANCE OF THE ISSB'S ACTIVITIES

Paragraphs 18–22 and Table 1 provide an overview of activities within the scope of the ISSB's work.

- (a) *From highest to lowest priority, how would you rank the following activities?*
- (i) *beginning new research and standard-setting projects*
 - (ii) *supporting the implementation of ISSB Standards IFRS S1 and IFRS S2*
 - (iii) *researching targeted enhancements to the ISSB Standards*
 - (iv) *enhancing the Sustainability Accounting Standards Board (SASB) Standards*
- (b) *Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.*
- (c) *Should any other activities be included within the scope of the ISSB's work? If so, please describe these activities and explain why they are necessary.*

JBCE'S ANSWER

(a) In general, as Japan Business Council in Europe (JBCE), an organization representing Japanese companies operating in Europe, we would like to emphasize the high priority of "supporting the implementation of ISSB Standards (IFRS S1 and IFRS S2)" and "beginning

new research and standard-setting projects ". In particular, in advancing these two activities, it is crucial to ensure "interoperability with other sustainability reporting standards."

(b) In the European Union, the Corporate Sustainability Reporting Directive (CSRD) was adopted in December 2022, and recently, on 31st July 2023, the first set of European Sustainability Reporting Standards (ESRS) based on the CSRD was approved. Companies previously covered by the Non-Financial Reporting Directive (NFRD) will be required to disclose based on ESRS from 2025 onwards, while new large companies under CSRD will be required to do so from 2026.

In the first set of ESRS, apart from climate-related sustainability disclosure standards specified in IFRS S2, sector-specific disclosure standards covering a wide range of sustainability areas such as pollution, water and marine resources, biodiversity, circular economy, workforce, and labor in value chains have already been established.

While ensuring convenience for investors and various stakeholders and comparability of information, it is essential to ensure interoperability between the already legislated CSRD, ESRS, and the International Sustainability Standards Board (ISSB) to streamline and enhance corporate disclosure practices from a rationalization and efficiency perspective.

Throughout the ESRS development process, close communication has been maintained between ISSB and the European Financial Reporting Advisory Group (EFRAG), with efforts made to align ISSB S1 and S2 Standards with ESRS 1, 2, and ESRS E1.

On the other hand, going forward, in addition to ensuring alignment between ISSB S1, S2, ESRS 1, 2, and E1 standards themselves, alignment in operational practices, including materiality judgments, will be crucial. Especially concerning the double materiality concepts of financial materiality and impact materiality presented by ESRS, the practical alignment between ISSB's primary focus on financial materiality judgment and the connectivity between financial and non-financial information must be ensured; otherwise, there is a risk of divergence between ISSB-compliant and CSRD-compliant practices. Moving ahead with the "Support for the Adoption of ISSB Standards (IFRS S1 and S2 Standards)," it is essential to further strive for guidance and practical alignment between CSRD, ESRS, and ISSB at the operational level.

Moreover, concerning the section on "beginning new research and standard-setting projects," when exploring topics such as biodiversity, human capital, and human rights, ensuring interoperability with existing CSRD and ESRS standards, which are already legally binding, is essential. ISSB should maintain its principled approach and financial materiality considerations, securing its role as a global baseline while continuing and deepening cooperation with EFRAG to ensure interoperability.

We strongly believe that ISSB, as it proceeds with future deliberations, should organize the overall framework of IFRS Sustainability Reporting Standards it ultimately aims to develop,

and clarify the relationship with disclosure standards in other jurisdictions, including CSRD and ESRS.

(c) Yes. We request that ISSB, as it proceeds with future deliberations, organizes the overall framework of IFRS Sustainability Reporting Standards it ultimately aims to develop, and clarifies the relationship with disclosure standards in other jurisdictions, including CSRD and ESRS.

QUESTION 2—CRITERIA FOR ASSESSING SUSTAINABILITY REPORTING MATTERS THAT COULD BE ADDED TO THE ISSB'S WORK PLAN

Paragraphs 23–26 discuss the criteria the ISSB proposes to use when prioritising sustainability-related reporting issues that could be added to its work plan.

- (a) *Do you think the ISSB has identified the appropriate criteria?*
- (b) *Should the ISSB consider any other criteria? If so what criteria and why?*

JBCE'S ANSWER

(a) Among the criteria listed 1-7, we believe that the ones below (3 and 4) should be particularly emphasized:

3. The types of companies that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others.
4. How pervasive or acute the matter is likely to be for companies.

As mentioned in the response to Question 1, the EU has already legislated CSRD, and the first set of European Sustainability Reporting Standards (ESRS) based on it has been adopted. Companies previously covered by the Non-Financial Reporting Directive (NFRD) will be required to disclose based on ESRS from 2025, and new large companies under CSRD will be required to do so from 2026. Additionally, starting from 2028, the application of ESRS beyond the EU is also stipulated, indicating the expected expansion of ESRS-based reporting to the consolidated bases of global companies.

Considering that many global companies conducting business in Europe will be required to comply with ESRS in their disclosure practices, it is essential for the International Sustainability Standards Board (ISSB), aiming to be an international standard and a global baseline for sustainability reporting, to ensure interoperability with CSRD and ESRS. This aspect holds significant urgency in prioritizing future activities, and it should be given strong consideration.

(b) N/A

QUESTION 3—NEW RESEARCH AND STANDARD-SETTING PROJECTS THAT COULD BE ADDED TO THE ISSB'S WORK PLAN

Paragraphs 27–38 of the Request for Information provide an overview of the ISSB's approach to identifying sustainability-related research and standard-setting projects. Appendix A describes each of the proposed projects that could be added to the ISSB's work plan.

(a) Taking into account the ISSB's limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?

- *Single project*

- *More than one project*

(i) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project. Please explain your response.

- *Biodiversity, ecosystems and ecosystem services*

- *Human capital*

- *Human rights*

- *Integration in reporting*

- *Other—please explain*

(ii) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A or suggest another project (or projects). Please explain your response.

- *Biodiversity, ecosystems and ecosystem services*

- *Human capital*

- *Human rights*

- *Integration in reporting*

- *Other—please explain*

JBCE'S ANSWER

Each project presented in this consultation addresses important topics, and as JBCE, we refrain from commenting on the prioritization of individual projects.

However, as mentioned in the responses to Questions 1 and 2, disclosure standards regarding these areas are already established in the legislated CSRD and ESRS. Many global companies are required to comply with these standards. Considering the ongoing deliberation of the projects presented in this consultation, it is crucial to emphasize the necessity of ensuring interoperability with CSRD and ESRS. This is essential to guarantee the convenience and comparability of information for investors and various stakeholders, as well as to rationalize and streamline corporate disclosure practices from an efficiency standpoint.

QUESTION 4—NEW RESEARCH AND STANDARD-SETTING PROJECTS THAT COULD BE ADDED TO THE ISSB’S WORK PLAN: BIODIVERSITY, ECOSYSTEMS AND ECOSYSTEM SERVICES

JBCE’S ANSWER

N/A

QUESTION 5—NEW RESEARCH AND STANDARD-SETTING PROJECTS THAT COULD BE ADDED TO THE ISSB’S WORK PLAN: HUMAN CAPITAL

JBCE’S ANSWER

N/A

QUESTION 6—NEW RESEARCH AND STANDARD-SETTING PROJECTS THAT COULD BE ADDED TO THE ISSB’S WORK PLAN: HUMAN RIGHTS

JBCE’S ANSWER

N/A

QUESTION 7—NEW RESEARCH AND STANDARD-SETTING PROJECTS THAT COULD BE ADDED TO THE ISSB’S WORK PLAN: INTEGRATION IN REPORTING

JBCE’S ANSWER

N/A

QUESTION 8—OTHER COMMENTS

Do you have any other comments on the ISSB's activities and work plan?

JBCE'S ANSWER

JBCE would like to request that ISSB, as it progresses with its future deliberations, organizes the overall framework of the IFRS Sustainability Reporting Standards it ultimately aims to develop and clarifies the relationship with disclosure standards in other jurisdictions, including CSRD and ESRS.

ABOUT JBCE

Founded in 1999, Japan Business Council in Europe (JBCE) is a leading European organization representing the interests of about 100 multinational companies of Japanese parentage active in Europe. Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceutical, textiles, and glass products.

For more information: <https://www.jbce.org/> / E-mail: info@jbce.org

EU Transparency Register: [68368571120-55](https://ec.europa.eu/transparency/regexp1/index.html)