

September 1, 2023

International Sustainability Standards Board
Columbus Building
7 Westferry Circus, Canary Wharf
London, E14 4HD



Japanese Bankers Association

JBA comments on the ISSB Request for Information: “*Consultation on Agenda Priorities*”

Dear Sirs/Madams:

The Japanese Bankers Association¹ (JBA) appreciates the opportunity to provide our comments on the International Sustainability Standards Board’s (ISSB) Request for Information: “*Consultation on Agenda Priorities*”² released on May 4, 2023.

We hope that our comments will contribute to further discussions at the ISSB.

Responses to specific questions

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.

¹ The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of September 1, 2023, the JBA has 114 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 76 Associate Members (banks & bank holding companies), 51 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 245 members.

² <https://www.ifrs.org/news-and-events/news/2023/05/issb-seeks-feedback-on-its-priorities-for-the-next-two-years/>

(a)

Our ranking of the activities is as follows:

1. Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
2. Beginning new research and standard-setting projects
3. Enhancing the Sustainability Accounting Standards Board (SASB) Standards
4. Researching targeted enhancements to the ISSB Standards

(b)

1. Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2

We evaluated the ISSB's activities to compile, finalise and publish the ISSB Standards (IFRS S1 and IFRS S2) in a short time frame based on the views and practices of respective jurisdictions. Since the ISSB Standards are the global baseline, the key future action for ensuring the implementation of the ISSB Standards will be for each jurisdiction to establish their own standards that introduce the ISSB Standards. To this end, it is essential for each jurisdiction to first understand the ISSB Standards. In some cases, adjustments may need to be made to ensure alignment with national standards. IFRS S1 and IFRS S2 are the first standards published by the ISSB, and may present unexpected new issues.

2. Beginning new research and standard-setting projects

After supporting the implementation of ISSB standards, the ISSB should then focus on expanding the topics of sustainability issues it covers. Sustainability reporting standards addressing the matters that are not covered in IFRS S1 and IFRS S2, such as the Corporate Sustainability Reporting Directive (CSRD), have been published. For the ISSB Standards to be truly regarded as the global baseline, studies on additional topics need to be conducted.

3. Enhancing the Sustainability Accounting Standards Board (SASB) Standards

Industry-based guidance needs to be developed as disclosures vary across industries. We welcome the initiative to consider actions to enhance the international applicability of the SASB Standards and the implementation of public consultation. In order to avoid confusion in the operation of SASB Standards, which are already referred to as international standards under IFRS S1, priority should be given to eliminating items that do not represent international standards.

However, to make industry-based guidance mandatory in the future, the ISSB should develop their own requirements, clarify the purpose of metrics disclosures and enhance the international applicability of industrial classification.

(c)

No. However, there are sustainability reporting standards, including the CSRD in the EU, that may require statutory disclosures with timelines and topics different from the ISSB Standards. In addition, global entities may be required to apply multiple sustainability reporting standards. Given such developments, interoperability of these standards should be discussed as soon as practicable.

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?

(a)

No. The ISSB Standards are still at the initial stage with only two standards that are currently published. Therefore, it is uncertain whether the assessment criteria similar to those used by the IASB, which has developed a set of established standards and made a number of achievements in additional projects, would appropriately work for the ISSB.

(b)

No. However, it is useful to adopt assessment criteria similar to those of the IASB after the ISSB has built a certain track record.

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?
 - (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.
 - (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).

(a)

Human Capital. While all topics are important, the ISSB should focus its limited capacity on prioritising a single project, working on human capital in a concentrated effort.

We believe that the disclosure of human capital will become increasingly important in the future, as investors’ needs for this disclosure have heightened, and human capital briefly delineate entities’ non-financial value.

We consider human capital to be one of the sustainability-related reporting matters that have a certain level of common needs across jurisdictions. Disclosure of human capital is one of the elements necessary for enhancing corporate value. As with climate change, topics for which a certain level of foundation has been established at respective jurisdictions should be prioritised.

Regardless of which topic is chosen, criteria used in determining which topics should be given priority should be presented in advance.

Question 4—New research and standard-setting projects that could be added to the ISSB’s work plan: Biodiversity, ecosystems and ecosystem services

The research project on biodiversity, ecosystems and ecosystem services is described in paragraphs A3–A14 of Appendix A to the Request for Information. Please respond to these questions:

(a) Of the subtopics identified in paragraph A11, to which would you give the highest priority? Please select as many as applicable.

Please explain your choice and the relative level of priority with particular reference to the information needs of investors.

You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

- (i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- (ii) your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.

(b) Do you believe that sustainability-related risks and opportunities related to biodiversity, ecosystems and ecosystem services are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.

(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A13 should be utilised and prioritised by the ISSB in pursuing the project? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. If you would like to suggest materials that are not specified, please select ‘Other’ and

give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

(a)

- Freshwater and marine resources and ecosystems use.
- Land-use and land-use change.
- Pollution (including emissions into air, water and soil).
- Resource exploitation (for example, material sourcing and circular economy).

While the subtopics illustrated are all high priority as key drivers of biodiversity loss, subtopics that relate to as many entities as possible should be selected from an “outside-in” perspective.

Particularly “Freshwater and marine resources and ecosystems use” and “Land-use and land-use change” are a top priority among the subtopics as the degree of risks and opportunities through dependency of business activities on this natural capital are high in a wide range of sectors, which are also expected to have significant impact through business activities. Water resources, in particular, are natural capital that will be significantly affected by climate change and are also considered a high priority from the perspective of the climate change-biodiversity nexus.

Enhancing disclosure on “Resource exploitation” especially on circular economy, is an essential element in solving climate change and biodiversity issues and should be addressed in an integrated manner. Therefore, it is considered a high priority in line with the above two topics.

While “Pollution” may relate to many entities, “Invasive non-native species” do not necessarily relate to many entities. This topic, therefore, should not be selected as a subtopic.

(b)

Yes. Sustainability-related risks and opportunities associated with biodiversity, ecosystems, and ecosystem services could be considered to differ between different sectors and different geographic locations. The extent and pathways through which biodiversity-related risks and opportunities are affected could vary depending on whether the primary operations in each sector are located upstream or downstream in the value chain. As with climate change, the pathways for transitioning toward a nature positive society may also differ from sector to sector. The status of nature and baselines for measuring and comparing impacts on nature, as well as human involvement in nature conservation, may also vary by country and region. In some regions, drought is an issue for water resources, while biodiversity risks from flooding are an issue in other areas. It should be acceptable to set indicators and evaluation methods based on the characteristics of different sectors and different geographic locations.

In this regard, we perceive that frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and analyses by individual companies are still being developed. It is therefore desirable to establish a phased approach in a manner consistent with the TNFD.

However, it is questionable whether it would be practical for the ISSB to develop individual measures to reflect these differences in terms of the workload of the ISSB and disclosing entities. The ISSB could set sector and jurisdiction-wide standards, and entities could disclose important items according to their own business type and location.

(c)

- The Climate Disclosure Standards Board (CDSB) Framework application guidance for biodiversity and water-related disclosures
- The SASB Standards
- The Global Reporting Initiative (GRI) standards (for example, GRI 304 – Biodiversity)
- The Taskforce on Nature-related Financial Disclosures (TNFD)
- The Partnership for Biodiversity Accounting Financials (PBAF)
- The Science Based Targets Network

Considering the objective of delivering the global baseline for sustainability-related financial disclosures, the ISSB should leverage and build upon those that are recognised as global standards to a certain extent.

In particular, although it is not mandatory, we understand that a number of entities are participating in the TNFD Forum to discuss natural capital-related financial disclosures, taking into account the consistency with TCFD recommendations. We believe that standard-setting in a way consistent with the TNFD will reduce burden on individual companies.

Question 5—New research and standard-setting projects that could be added to the ISSB’s work plan: Human capital

The research project on human capital is described in paragraphs A15–A26 of Appendix A to the Request for Information. Please respond to these questions:

(a) Of the subtopics identified in paragraph A22, to which would you give the highest priority? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors.

You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

(i) a short description of the subtopic (and the associated sustainability-related risks and opportunities);
and

(ii) your view on the importance of the subtopic with regard to an entity's sustainability-related risks and opportunities and the usefulness of the related information to investors.

(b) Do you believe that sustainability-related risks and opportunities related to human capital are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.

(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A25 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

(a)

- Worker wellbeing (including mental health and benefits)
- Diversity, equity and inclusion (DEI)
- Employee engagement
- Workforce investment
- The alternative workforce
- Labour conditions in the value chain
- Workforce composition and costs

All of the matters identified as subtopics are useful information for investors.

As business strategy differs among entities, matters that each entity focuses on in the context of human capital differ. Therefore, it is desirable that subtopics be selected based on whether they are considered to be standard and ensuring flexibility.

The ISSB should also understand that practices differ across jurisdictions and sectors. For example, in terms of DEI, we understand that some jurisdictions tend to focus on racial diversity, but there is less need for this in

Japan due to differences in environment and historical background.

There is a view that human capital should be integrated with human rights. However, these two topics have different characteristics and therefore should be treated separately.

(b)

No. We agree that, while uniform standards need to be developed to enable comparability, sustainability-related risks and opportunities related to human capital are substantially different across industries, sectors and jurisdictional regimes and labor practices.

Therefore, it is important to provide uniform standards, while allowing flexibility. It is however questionable whether it would be practical for the ISSB to develop individual measures to reflect these differences in terms of the workload of the ISSB and disclosing entities. The ISSB could set sector and jurisdiction-wide standards, and entities could disclose important items according to their own business type and location.

(c)

- The SASB Standards and related research and standard-setting projects
- The CDSB Framework for reporting environmental and social information
- The Integrated Reporting Framework
- The Capitals Coalition
- The International Labour Organization (ILO)
- The Global Reporting Initiative (GRI)

We believe that uniform standards should be formulated by using existing (multiple) standards as bases to explore the common elements of each standard and reporting. The key is to develop standards which are principle-based that ensure flexibility.

We suggest “Guidelines for the Visualisation of Human Capital”³ published in Japan as an additional reference point. Since Japan has its own unique characteristics from its historical background, we request the ISSB to refer to, as much as possible, guidelines developed in Japan based on such historical background.

Question 6—New research and standard-setting projects that could be added to the ISSB’s work plan: Human rights

The research project on human rights is described in paragraphs A27–A37 of Appendix A to the Request for Information. Please respond to these questions:

- (a) Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB’s research? You can suggest as many subtopics or issues as you deem necessary. To help the

³ <https://www.cas.go.jp/jp/houdou/pdf/20220830shiryou1.pdf> (Japanese Only)

ISSB analyse the feedback, where possible, please provide:

(i) a short description of the subtopic (and the associated sustainability-related risks and opportunities);
and

(ii) your view on the importance of the subtopic with regard to an entity's sustainability-related risks and opportunities and the usefulness of the related information to investors.

(b) Do you believe that sustainability-related risks and opportunities related to human rights are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.

(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A36 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

(a)

Since issues related to human rights differ across jurisdictions and sectors, such issues need to be worked on as part of disclosures on actions for human rights, such as human rights due diligence, in line with the UN Guiding Principles (UNGP), as opposed to discussing individual subtopics.

Since the human rights topic may overlap with the scope of human capital, these two should be clearly defined.

In addition, we believe that there is no global understanding of the relationship between human rights risks and information that is useful to investors. We believe that this point should be discussed in the topic "Integration in Reporting."

(b)

No. While we agree that sustainability-related risks and opportunities related to human rights are substantially different across industries, sectors and jurisdictional regimes and practices, it is questionable whether it would

be practical for the ISSB to develop individual measures to reflect these differences in terms of the workload of the ISSB and disclosing entities. The ISSB could set sector and jurisdiction-wide standards, and entities should disclose important items according to their own business type and location.

(c)

- The International Labour Organisation
- The UN Guiding Principles on Business and Human Rights and the associated UN Guiding Principles Reporting Framework
- The United Nations Declaration on the Rights of Indigenous Peoples

We understand that the above materials are important and compliance with these rules are required for most of the global companies. In particular, jurisdictions are making progress in taking actions on human rights in line with the UNGP. Therefore, we request the ISSB to further proceed with discussions on the ISSB Standards based on the UN Guiding Principles Reporting Framework.

Question 7—New research and standard-setting projects that could be added to the ISSB’s work plan: Integration in reporting

The research project on integration in reporting is described in paragraphs A38–A51 of Appendix A to the Request for Information. Please respond to these questions:

- (a) The integration in reporting project could be intensive on the ISSB's resources. While this means it could hinder the pace at which the topical development standards are developed, it could also help realise the full value of the IFRS Foundation’s suite of materials. How would you prioritise advancing the integration in reporting project in relation to the three sustainability-related topics (proposed projects on biodiversity, ecosystems and ecosystem services; human capital; and human rights) as part of the ISSB's new two-year work plan?
- (b) In light of the coordination efforts required, if you think the integration in reporting project should be considered a priority, do you think that it should be advanced as a formal joint project with the IASB, or pursued as an ISSB project (which could still draw on input from the IASB as needed without being a formal joint project)? Please explain how you think this should be conducted and why.
- (i) If you prefer a formal joint project, please explain how you think this should be conducted and why.
- (ii) If you prefer an ISSB project, please explain how you think this should be conducted and why.
- (c) In pursuing the project on integration in reporting, do you think the ISSB should build on and incorporate concepts from:
- (i) the IASB’s Exposure Draft Management Commentary? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.
- (ii) the Integrated Reporting Framework? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

(iii) other sources? If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

(d) Do you have any other suggestions for the ISSB if it pursues the project?

(a)

Lower priority. We recognise that integration with financial information is an important activity in building sound markets. However, since it is necessary to change data collection and analyse practices currently established in each entity, it should be considered as a medium-to long-term activity.

Standards for approaches and disclosures related to financial risks and opportunities arising from sustainability issues are still developing. The ISSB should first prioritise the implementation and penetration of finalised IFRS S1 and S2, as well as the development of standards for other topics.

In the future, by examining the relationship between non-financial and financial information and utilising the knowledge obtained, consideration and/or improvement of non-financial information standards will proceed efficiently.

Question 8—Other comments

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

The topics which should be prioritised may differ between the standpoints of disclosure entities and the standpoints of users. Regardless of which topics should be prioritised, we request the ISSB to have good communications with the standard setters in each jurisdiction so as to ensure consistency with the activities of respective jurisdictions in a manner similar to climate change.

While discussions on risk quantification and data have been preceding in climate change, natural capital and biodiversity are the topics that are more difficult to perform quantitative assessment and setting goals. Therefore, enhancement of data disclosed by entities is useful for financial institutions in analysing what aspects of customers' initiatives should be assessed and how risks should be managed.

In order for entities to provide investors with standardised, comparable information (goals and progress against the goals), it is necessary to set goals that are globally agreed and applicable at an individual company level for each sustainability agenda, such as the 1.5°C goal. In a situation where the scope of responsibility of entities has not been determined objectively, variation in the contents of entities' disclosures cannot be avoided, and as a result, disclosures may not provide much useful information for investors and financial institutions despite increasing reporting burden on entities.

Given these situations, regardless of which project is selected, disclosing entities should be given certain

discretion to reduce disclosure burden.

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We thank the ISSB for the opportunity to comment on the consultation and hope our comments will contribute to further consideration in the ISSB.

Yours faithfully,

Japanese Bankers Association