

July 26, 2021

Mr. Erkki Liikanen
Chair
Trustees of the IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf, London E14 4HD
United Kingdom



Japanese Bankers Association

JBA comments on the Proposed Targeted Amendments to the IFRS Foundation Constitution

Dear Mr. Erkki Liikanen:

The Japanese Bankers Association (JBA) appreciates the opportunity to provide comments on the Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards (hereafter “Amendments”), issued on April 30, 2021.¹ We expect our comments to be useful for discussion in IFRS.

As climate change is a true global challenge and various standards are being developed in several regions, the effort of creation of a globally harmonized framework is urgently needed. In this context, we welcome the IFRS Foundation, an international standard setting body for accounting standards, is establishing a new Board to set the sustainability reporting standards.

JBA general comments on the IFRS Foundation initiative

The JBA agrees on the need to establish the international sustainability disclosure standards. Such standards are important in terms of comparability and consistency of disclosure, and the JBA supports the IFRS Foundation's role in developing the standards. The JBA provided our response to the previous consultation from the IFRS Foundation, the consultation which asked whether to establish the new International Sustainability Standards Board (ISSB) to support the initiative of IFRS Foundation.

On the same day of the issuance of the Amendments, IFRS Foundation have published a Feedback Statement of their previous consultation. The JBA welcomes these feedbacks, in which the IFRS Foundation confirmed they seek the consistency and impartiality with the TCFD Disclosure Framework, and IFRS Foundation will take the “climate-first” approach.

The JBA believes the beneficiaries of sustainability disclosure ought to be investors. The “disclosure” is different with “regulatory reporting”, as the disclosure requires a compelling story with strategy and management action. For this reason, we believe the reporting standards need to strike the right balance between flexibly and comparability. The standards also need to take into account regional specificity. Accordingly, the framework, structure, and member allocation of the ISSB should be constructed to enable robust and fair discussions, not to be biased to the opinions of a specific jurisdiction.

In addition, the discussions to establish or recalibrate disclosure requirements have already been in process in several jurisdictions, and they go further than the standard-setters like IFRS Foundation, Basel Committee. If separate regional disclosure requirements are finalized in each jurisdiction, it would introduce regulatory fragmentation, undermine the comparability and unintendedly “let down” many investors. To avoid such a tragedy, the JBA would recommend the IFRS Foundation to establish the ISSB as soon as possible and start

¹ The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of July 26, 2021, JBA has 114 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 74 Associate Members (banks & bank holding companies), 58 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 250 members.

practical discussions. The JBA hopes the IFRS Foundation will take their leadership based on their long time reputation as the global accounting standard-setter.

In addition to these general comments, the JBA would like to provide some comments to specific questions from the IFRS Foundation as below;

Specific comments, answers to the questions from IFRS Foundation

Q1. Do you agree that the amendments proportionately reflect the Trustees’ strategic direction, considering in particular:

(a) the proposed amendments to the objectives of the Foundation, outlined in the proposed new section 2b of the Constitution, as set out in Appendix A; and

(b) the proposed amendments to reflect the structure and function of the new board, outlined in the proposed new sections 43–56 of the Constitution, as set out in Appendix A?

The JBA believes that the ISSB should maintain neutrality from political and commercial pressures and undertake its standard-setting activities as public activity, consistent with the activities by the International Accounting Standards Boards (IASB). Therefore, if the ISSB would be established in the different structure from the IASB, the JBA would like to request the IFRS Foundation to provide rationale of that decision. These include;

- i. Member allocation; Under the proposed Amendments, a greater number of “at-large” seats is allocated than the IASB; however, the jurisdiction-level member allocation is reduced by one. The JBA is of the view that the member allocation should be at least the same level as that of the IASB given, for example, that inputs from Asia-Oceania have significantly contributed to the IASB and reducing the member allocation may affect the number of inputs provided.
- ii. Vice-chair; the JBA would like to propose selecting 2(two) vice-chairs so that the ISSB can secure business continuity.
- iii. Majority vote; Requiring approval of “above majority” may prevent timely decision making. However, agendas for which opinions may be divided call for thorough discussions. The JBA supports “above majority”, instead of the proposed “simple majority,” from a perspective of ensuring reliability in the standard-setting.

Q2. On the potential naming of the new board and its associated standards, do you agree that ‘the International Sustainability Standards Board (ISSB)’ setting ‘IFRS sustainability standards’ accurately describes the function of the new board and its associated standards?

The JBA agrees with the naming of potential new board and new standard.

Q3. Do you agree with this proposed consequential amendment, outlined in proposed new sections 60 and 61 of the Constitution, as set out in Appendix A?

The JBA agrees that an Executive Director of the IFRS Foundation shall report to the Trustees with the chairs of the IASB and ISSB.

Q4. Are there any other matters you would like to raise in relation to the proposed targeted amendments to the Constitution?

NA

(End)