



THE GENERAL INSURANCE ASSOCIATION OF JAPAN

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IFRS Foundation
Columbus Building
7 Westferry Circus
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London E14 4HD
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RE: IFRS Foundation Consultation Paper on Sustainability Reporting

Dear IFRS Foundation Trustee Members,

The General Insurance Association of Japan (hereinafter "GIAJ") appreciates the opportunity to comment on the *Consultation Paper on Sustainability Reporting* (hereinafter "Consultation Paper").

In Japan, the number of companies working on sustainability information disclosure is increasing year by year. For example, more than 300 companies and institutions from Japan support the Task force on Climate-related Financial Disclosures (TCFD) as of October 13, 2020, making Japan the largest contributor in the world. GIAJ is among the institutions from Japan supporting the TCFD.

For the comments regarding individual questions, please refer to the attachment. We hope that our comments will contribute to the discussions at the IFRS Foundation Trustees and the Task Force. If you have any questions, please feel free to contact us.

Sincerely yours,

Question 1
<p>Is there a need for a global set of internationally recognised sustainability reporting standards?</p> <p>(a) If yes, should the IFRS Foundation play a role in setting these standards and expand its standard-setting activities into this area?</p> <p>(b) If not, what approach should be adopted?</p>
GIAJ comments
GIAJ has no comments on this question.

Question 2
<p>Is the development of a sustainability standards board (SSB) to operate under the governance structure of the IFRS Foundation an appropriate approach to achieving further consistency and global comparability in sustainability reporting?</p>
GIAJ comments
GIAJ has no comments on this question.

Question 3
<p>Do you have any comment or suggested additions on the requirements for success as listed in paragraph 31 (including on the requirements for achieving a sufficient level of funding and achieving the appropriate level of technical expertise)?</p>
GIAJ comments
<p>GIAJ agrees and supports the requirements for success as proposed in the Consultation Paper. In particular, we believe that the governance structure, and ensuring the diversity of human resources are important for the successful development of the international sustainability reporting standards by the IFRS Foundation.</p>

Question 4
<p>Could the IFRS Foundation use its relationships with stakeholders to aid the adoption and consistent application of SSB standards globally? If so, under what conditions?</p>
GIAJ comments
<p>GIAJ believes that it is important for the IFRS Foundation to leverage the global network of stakeholders it has built to develop high quality and globally acceptable sustainability reporting standards.</p> <p>In order to leverage the existing network of the IFRS Foundation, it is imperative that the IFRS Foundation</p>

obtains sufficient support from a wide range of stakeholders. In leveraging the existing network, the IFRS Foundation should take into account the opinions of global stakeholders, the circumstances of each jurisdiction, the standard setting work given the legal systems and practices in each region, and application issues once the standards are developed.

Question 5

How could the IFRS Foundation best build upon and work with the existing initiatives in sustainability reporting to achieve further global consistency?

GIAJ comments

GIAJ agrees that the IFRS Foundation would work with existing private sector organizations to develop sustainability reporting standards based on their initiatives. We believe that it is not only inefficient for the IFRS Foundation to develop the sustainability reporting standards from scratch, but further complicates the current situation where a large number of sustainability reporting standards already exists.

In addition, GIAJ believes that the IFRS Foundation should avoid adopting a rules-based approach but adopt a principles-based approach similar to IFRS Standards when developing sustainability reporting standards. This is to increase the possibility of enabling global dissemination and promotion, while allowing companies a certain degree of flexibility.

With regard to sustainability reporting, while comparability is an important aspect from the perspective of users, there are also benefits in diversity such as individual companies' proactive efforts to enhance ingenious disclosure and reporting reflecting the unique characteristics of the sector. Hence, there are different views among investors on how much comparability should be secured. It may also be technically difficult to ensure comparability in sustainability reporting in the same manner as comparability in financial reporting. In the standard-setting work by the SSB, GIAJ believes that it is necessary to consider a specific method of balancing between a principles-based approach and comparability considering the work already performed by the existing initiatives.

Question 6

How could the IFRS Foundation best build upon and work with the existing jurisdictional initiatives to find a global solution for consistent sustainability reporting?

GIAJ comments

Please refer to our answers to Question 5.

Question 7

If the IFRS Foundation were to establish an SSB, should it initially develop climate-related financial disclosures before potentially broadening its remit into other areas of sustainability reporting?

GIAJ comments

GIAJ has no comments on this question.

Question 8

Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?

GIAJ comments

GIAJ has no comments on this question.

Question 9

Do you agree with the proposed approach to materiality in paragraph 50 that could be taken by the SSB?

GIAJ comments

In light of the advantages of the IFRS Foundation, GIAJ supports the proposal that the IFRS Foundation provide useful sustainability information that is most relevant to investors and other market participants. If the primary audience of the sustainability reporting is extended beyond capital market participants, the IFRS Foundation will need to radically reconfigure its mission and structure, which may undermine the reputation and credibility that the IFRS Foundation has built up. In addition, in addressing sustainability issues including climate change, it is critical that private funds flow into the sustainable arena further. For these reasons, it is important to provide sufficient information to investors and other capital market participants to meet their needs regarding sustainability reporting.

GIAJ supports the direction that the scope of materiality is based on the impact on the corporate finance, that is, single materiality, assuming that the primary audience for sustainability reporting is capital market participants, with investors at the center. This is also beneficial for sustainability reporting standards when coordinating with IFRS Standards. GIAJ understands that single materiality can be interpreted to have a certain range: it may include not only financial information but also forward-looking information that is financially material. Therefore, it is important to work through sufficient dialogue to determine what is relevant information for investors and other capital market participants.

Question 10

Should the sustainability information to be disclosed be auditable or subject to external assurance?
If not, what different types of assurance would be acceptable for the information disclosed to be reliable and decision-useful?

GIAJ comments

Special care is required in making sustainable information subject to external assurance or audit as there are various conceptual and practical issues that should be resolved. Sufficient discussions with related parties and accumulation of practice are needed.

Question 11

Stakeholders are welcome to raise any other comment or relevant matters for our consideration.

GIAJ comments

GIAJ has no comments on this question.