

# PRI RESPONSE

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## SUSTAINABILITY STANDARDS BOARD OF JAPAN (SSBJ) EXPOSURE DRAFT “REVISED PROPOSALS RELATED TO THE CALCULATION PERIOD FOR THE REPORTING OF METRICS”

January 2025

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## ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Sustainability Standards Board of Japan's (SSBJ) call for feedback on [Exposure Draft "Revised Proposals Related to the Calculation Period for the Reporting of Metrics"](#).

## ABOUT THIS CONSULTATION

The SSBJ issued three Exposure Drafts (EDs) in March 2024, which outlined the sustainability-related financial reporting standards to be applied in Japan. The EDs were subject to public feedback until July 2024, to which PRI made a [submission](#) as well.

The SSBJ is currently considering the submissions made to the public feedback process as it finalizes the Exposure Drafts, aiming for issuance by the end of March 2025. In its discussions, the SSBJ has identified that the preliminary conclusions from their deliberation on how to address the calculation period for reporting metrics requires another round of public feedback. The [newly proposed ED](#) is open to public feedback until 10 January 2025.

### For more information, contact:

Kazuma Osaki  
Head, APAC Policy  
[kazuma.osaki@unpri.org](mailto:kazuma.osaki@unpri.org)

Aina Urano Menneken  
Policy Specialist, Climate  
(Japan)  
[aina.menneken@unpri.org](mailto:aina.menneken@unpri.org)

Benjamin Taylor  
Senior Analyst, Driving  
Meaningful Data  
[benjamin.taylor@unpri.org](mailto:benjamin.taylor@unpri.org)

## KEY RECOMMENDATIONS

The PRI welcomes the SSBJ's proposed amendments to the ED. This proposal is consistent with PRI's recommendation from the preliminary consultation. The newly proposed provisions will ensure that the calculation period of sustainability-related financial reporting is consistent with that of financial reporting. This will provide investors with information that is more consistent across sustainability and financial reporting and more comparable across entities both domestic and global, ultimately strengthening the decision-usefulness of reports based on the SSBJ Standards.

Beyond supporting the proposed ED comprehensively, PRI also encourages the SSBJ to consider clarifying how entities should address potential discrepancies between reporting compliant to the Act on Promotion of Global Warming Countermeasures (the Act) and that with the SSBJ Standards. Similarly to calculation period, organizational boundaries are likely to be different between what is required by the proposed "Application of the Sustainability Disclosure Standards" standard provision to align the reporting entity with that of the financial statement – given that consolidated reporting boundaries for some reporting entities will not be consistent with their reporting compliant to the Act, guidance will be helpful in a similar manner to what is considered for calculation period.

## DETAILED RESPONSE

The PRI understands that the ED's proposal largely:

- Provides that if the calculation period for the reporting of metrics is not the same as the reporting period of the sustainability-related financial disclosures (and the related financial statements), priority will be given to aligning the period.
- The proposed requirement will require the calculation period to be adjusted using a reasonable method to align the calculation period with the reporting period of sustainability-related financial disclosures (which, according to the “Application of the Sustainability Disclosure Standards”, must align with that of the statutory financial report).

The PRI's positions from the previous consultation align with this proposal. We noted that:

- The PRI supports the proposal to allow for entities to report information based on the calculation period for the Act on Promotion of Global Warming Countermeasures provided requirements on maximum discrepancy and declaration of the matter were met.
- However, to ensure the decision-usefulness of reported metrics for investors, and building upon fundamental accounting principles, PRI also recommended that where entities implement this provision, they should also be required to provide an estimate of the metrics over the period covered by the financial statement, with a disclaimer and cross reference to the relevant law or regulation mandating reporting of the metric over a different period.

PRI is a strong advocate for the adoption of both ISSB Standards by governments around the world. This is because the ISSB Standards are underpinned by the structure and concepts of accounting standards from the International Accounting Standards Board (IASB) and build on the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommended framework, among other well established voluntary sustainability reporting frameworks. The ISSB Standards have also been endorsed by the International Organization of Securities Commissions (IOSCO).<sup>1</sup> A strong global baseline that enables comparability and consistency amongst the reporting outputs across jurisdictional standards will provide investors across the globe with decision-useful sustainability information.

This proposal by the SSBJ will bring reporting by Japanese entities one step closer to being functionally aligned with the ISSB Standards – the PRI is very supportive of this outcome. Although beyond the scope of this consultation, the PRI encourages the SSBJ to also consider providing clarity and guidance on other unintended discrepancies that reliance on other legislations and regulatory rules such as the Act on Promotion of Global Warming Countermeasures can have on a reporting entity's ability to uphold conceptual foundations from the “Application of the Sustainability Disclosure Standards” standard to ensure boundaries a reporting entity align with that of financial statements. Given there is a potentially significant difference between consolidated financial statements and individual entity based GHG reporting requirements similarly to reporting period, the SSBJ may

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<sup>1</sup> IOSCO's [endorsement](#) recommends that its member jurisdictions consider ways in which they might adopt, apply or otherwise be informed by the standards.

consider clarification and guidance to ensure entities are informed of the need and potential ways of bridging the difference.

*The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Sustainability Standards Board of Japan (SSBJ) further to develop sustainability-related financial reporting standards in Japan.*

*Please send any questions or comments to [policy@unpri.org](mailto:policy@unpri.org).*

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