

## Comment on IFRS Foundation's Consultation Paper on Sustainability Reporting

December 29, 2020

Japan Exchange Group, Inc.  
Tokyo Stock Exchange, Inc.

Dear IFRS Foundation Trustee Members,

Japan Exchange Group and Tokyo Stock Exchange welcome the opportunity to comment on the IFRS Foundation's Consultation Paper on Sustainability Reporting.

In recent years, many investors in Japan have come to consider the sustainability of a company's business operations as a vital factor in evaluating its mid- to long-term corporate value. Listed companies are also beginning to enhance their sustainability reporting for the benefit of shareholders and other stakeholders. With this in mind, in our role as a capital markets operator, we have been supporting listed companies' efforts to improve their sustainability reporting and encouraging dialogue between companies and investors.

The points that we consider to be important as a capital markets operator are outlined below.

### The role of the IFRS Foundation (Questions 1 and 9)

We consider that the main intended audience for sustainability reporting should be investors and other capital market participants. Given the reputation and high levels of trust that the IFRS Foundation has built with regards to financial reporting, we support the proposal to establish a separate body for sustainability standards under the IFRS Foundation governance structure.

### Members of the sustainability standards board (SSB) (Question 3)

We consider it imperative that the SSB's members should be made up not just of specialists in the ESG field but all the main capital market participants, including preparers of financial reports and investors.

### The SSB's remit (Questions 7 and 8)

We understand that climate change is an urgent and pressing issue globally, so of course it should be included in the SSB's remit. In addition, we think that it will be

necessary to look into issues other than climate change which could also be considered material to investors.

We are members of the IFRS Council of Japan and we agree with the content of the opinion on the Consultation Paper submitted by the IFRS Council of Japan to the IFRS Foundation. Our answers to the other questions are in line with the comments from the IFRS Council of Japan.<sup>1</sup>

With so many different sustainability reporting frameworks existing around the world, we are hopeful that the IFRS Foundation can create a unified reporting standard.

Yours Sincerely,

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<sup>1</sup>[http://eifrs.ifrs.org/eifrs/comment\\_letters//570/570\\_27160\\_TheIFRSCouncilOfJapanIFRSCouncilofJapan\\_0\\_IFRSCouncilofJapan.pdf](http://eifrs.ifrs.org/eifrs/comment_letters//570/570_27160_TheIFRSCouncilOfJapanIFRSCouncilofJapan_0_IFRSCouncilofJapan.pdf)