



# Discussions in Japan, Sustainability Reporting, and Digital

June 13<sup>rd</sup> 2022

Nomura Research Institute  
Chie Mitsi Senior Researcher

## Disclaimer

The opinions expressed in this presentation is the presenter's own and do not necessarily reflect those of the organizations to which the presenter belongs.





A close-up photograph of a flowering hydrangea bush. The image is filled with numerous clusters of small, five-petaled purple flowers. The leaves are large, green, and have serrated edges. The lighting is bright, highlighting the vibrant colors of the flowers and foliage.

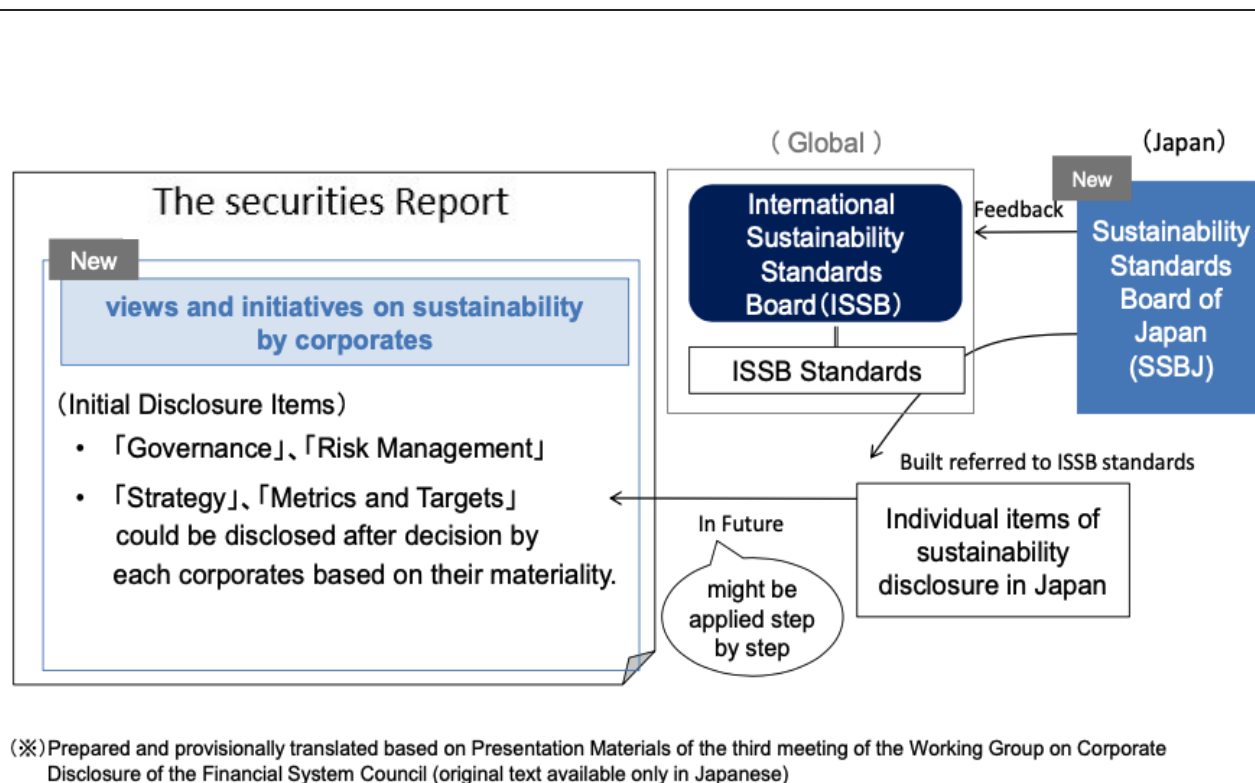
# Sustainability Disclosure Discussion in Japan



# Sustainability Disclosure Standards in Japan

## ■ Current Discussions in Japan

- METI discussion for ISSB - Since 2021 June
  - METI published "Preliminary Thoughts on the TRWG Sustainability Disclosure Prototypes on March 25"
- Establishment of **SSBJ** (Sustainability Standards Board of Japan) -2022 May
- Amendment of Disclosure Regulation by FSA Maybe this Autumn



FASF: Financial Accounting Standards Foundation  
ASBJ: Accounting Standards Board of Japan

経済産業省  
Ministry of Economy, Trade and Industry

Preliminary Thoughts on the TRWG Sustainability Disclosure Prototypes

25 March 2022

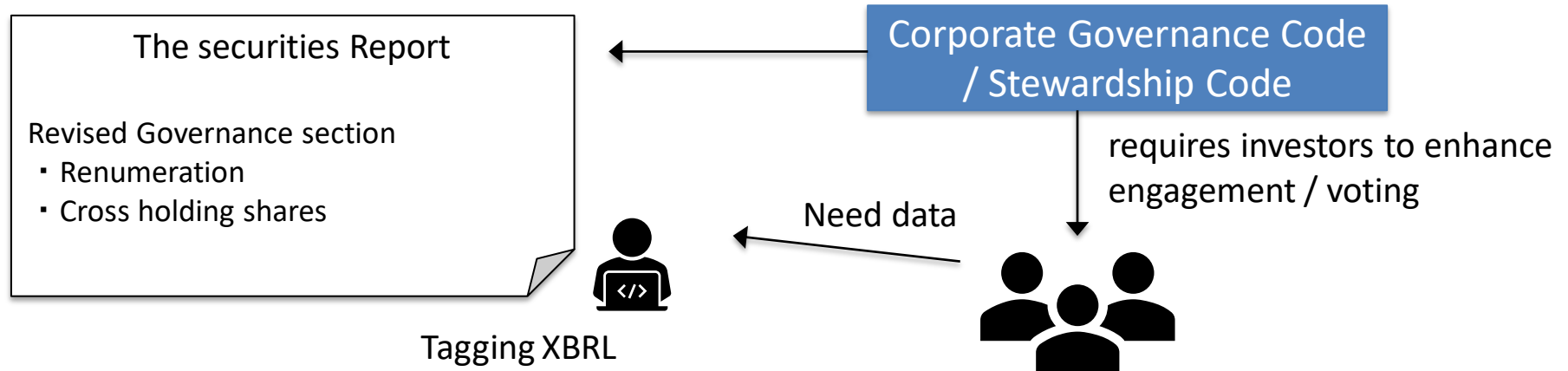
Study Group on Disclosure Policies for Non-financial Information

- In the Study Group on Disclosure Policies for Non-financial Information, we have been working on preliminary reviews on the prototype by the Group of five published in December 2020 since last June. We have been reviewing the TRWG (Technical Readiness Working Group) prototypes since last November.
- Additionally, we conducted a questionnaire survey to more than 300 industrial organizations regarding the TRWG prototypes while informing about the trends of the IFRS Foundation's initiative to develop international sustainability standards and the contents of the TRWG prototypes. To date, the study group secretariat has received opinions and comments from more than 40 industrial organizations and companies.
- This paper summarizes the basic views of the Study Group on the following three points, based on the reviews in the Study Group and the numerous numbers of opinions from industrial organizations and companies.

# Non-financial information in Japan

## ■ Previous discussions of the non-financial information, in Japan.

- Government activities
  - TCFD consortium, - Since 2019 May
  - Corporate Governance Code, Since 2015
    - Revising the securities Report, Corporate governance report



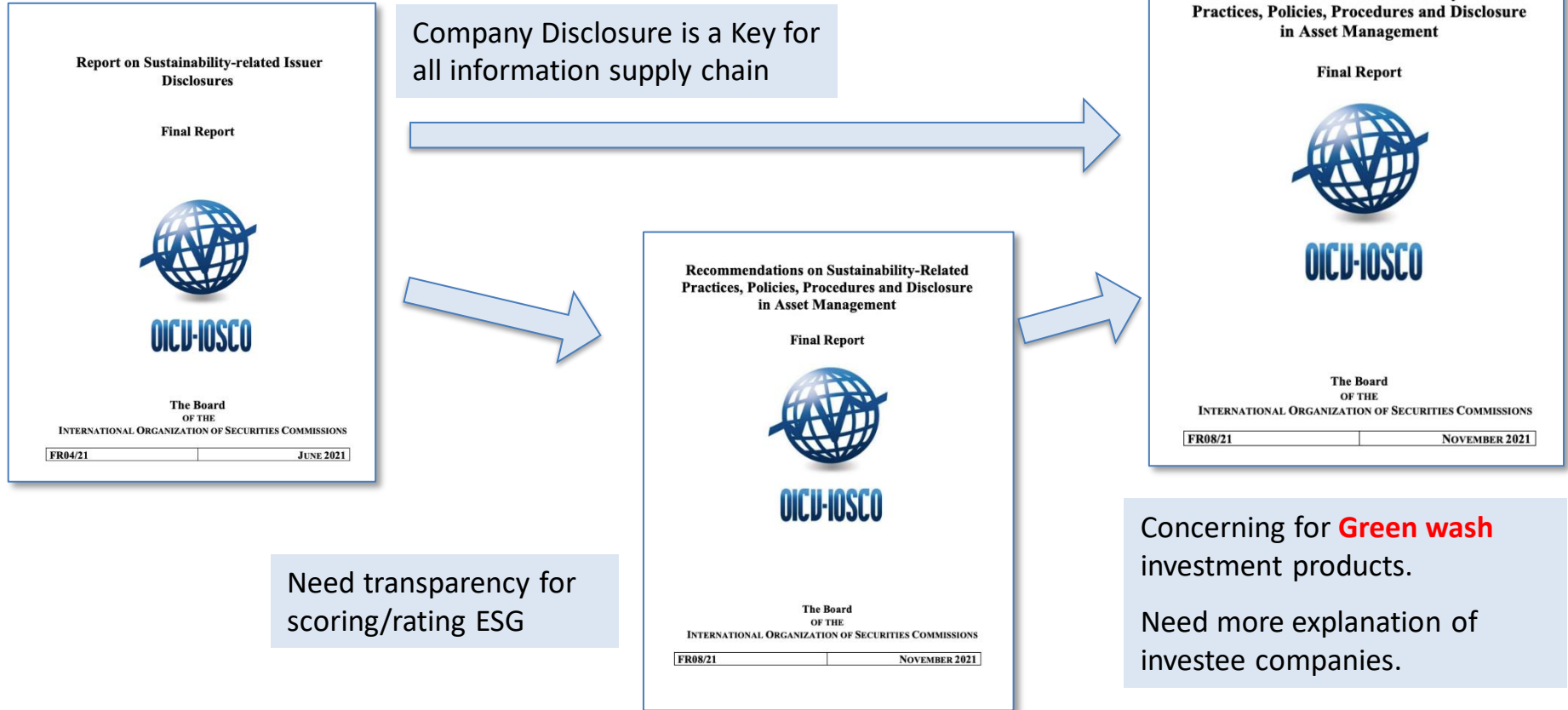
- Companies prefer GRI, since the Rating(index) agency is often referring to it.

Score up!  
Be a member of the index!



# What do we expect from ISSB standards?

## ■ Understanding IOSCO 3 recommendations.



## ■ Activities of Japan FSA.

- Published reports "Supervisory expectation" for ESG disclosure of investment products.
  - But, no similar regulation with SFDR,
- Established a new committee to discuss ESG scoring/rating agency issues, under FSA





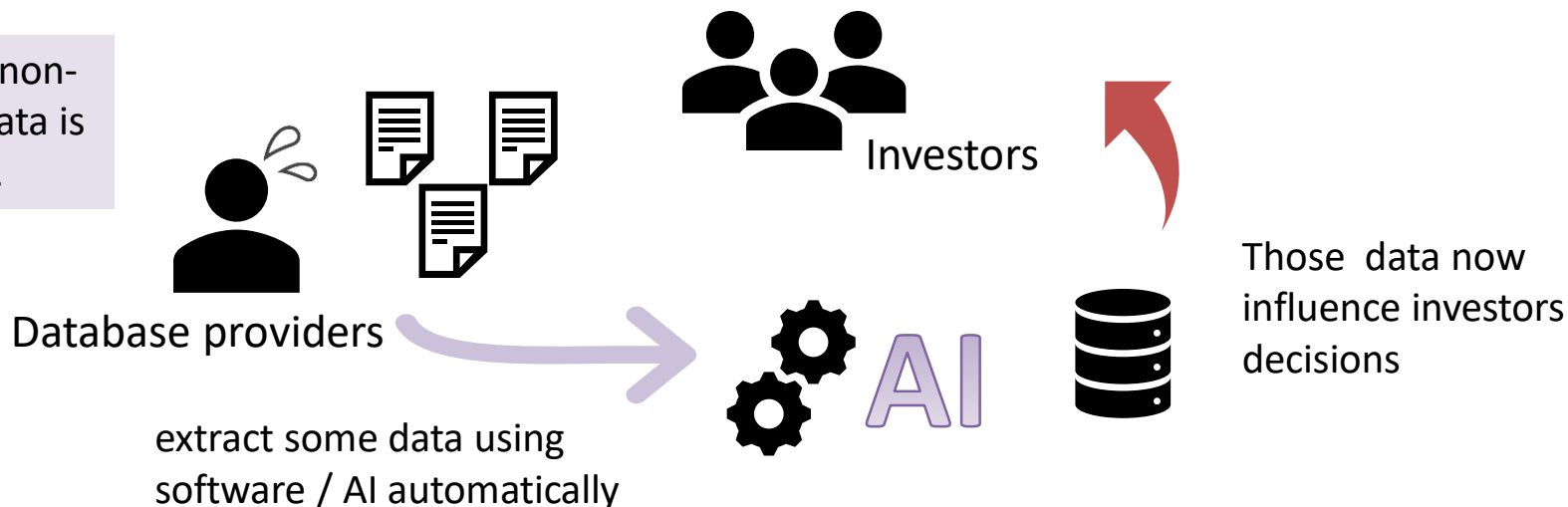
Could digitalise help the issues?



# Digital Reporting

## ■ Use of non-financial information

Collecting non-financial data is not easy....



**\*Text vs Picture / Counting number of words (The meaning of the words might be different in context)**

## ■ What kind of tags for the non-financial information?

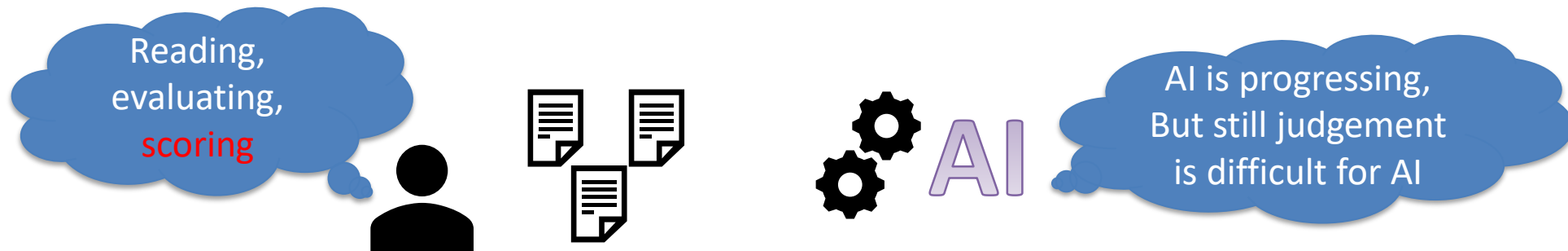
1. Name of person, name of positions, name of organisations, services-products, locations,
2. Number of shares, employees, suppliers, subsidiaries, affiliates, Patents, buildings, factories, remunerations, dividends, paid holidays, overtime work,
3. KPIs, emissions, gender-gap, pay-gap, scorings/ratings,
4. Policies, governance structures, strategies, risks, business model, purposes, cultures,

**Most difficult !**

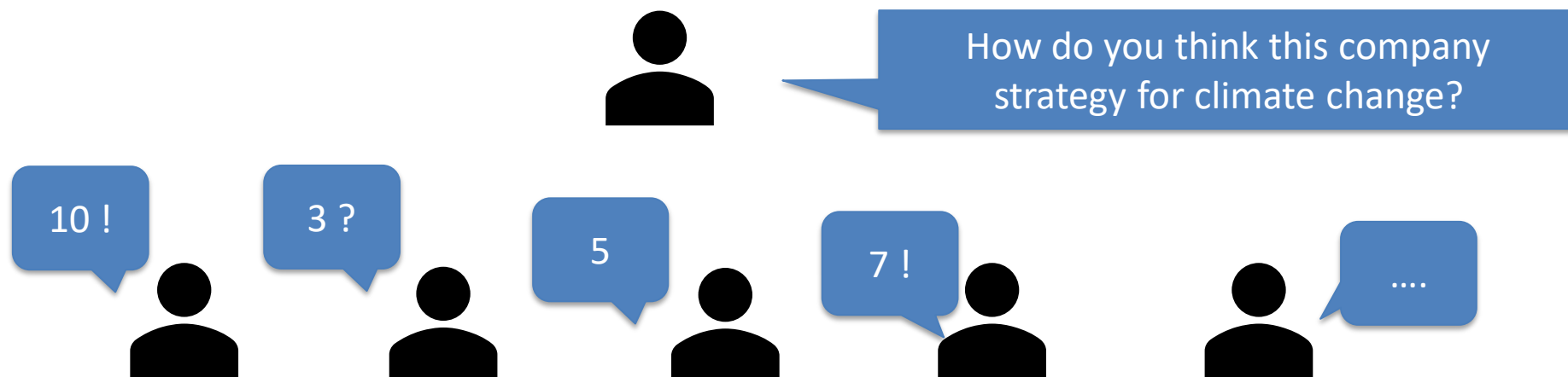
# Issue of the rating / scoring ESG

## Non-financial information

4. Policies, governance structures, strategies, risks, business model, purposes, cultures,



However, scoring is difficult to avoid a subjective judgment.



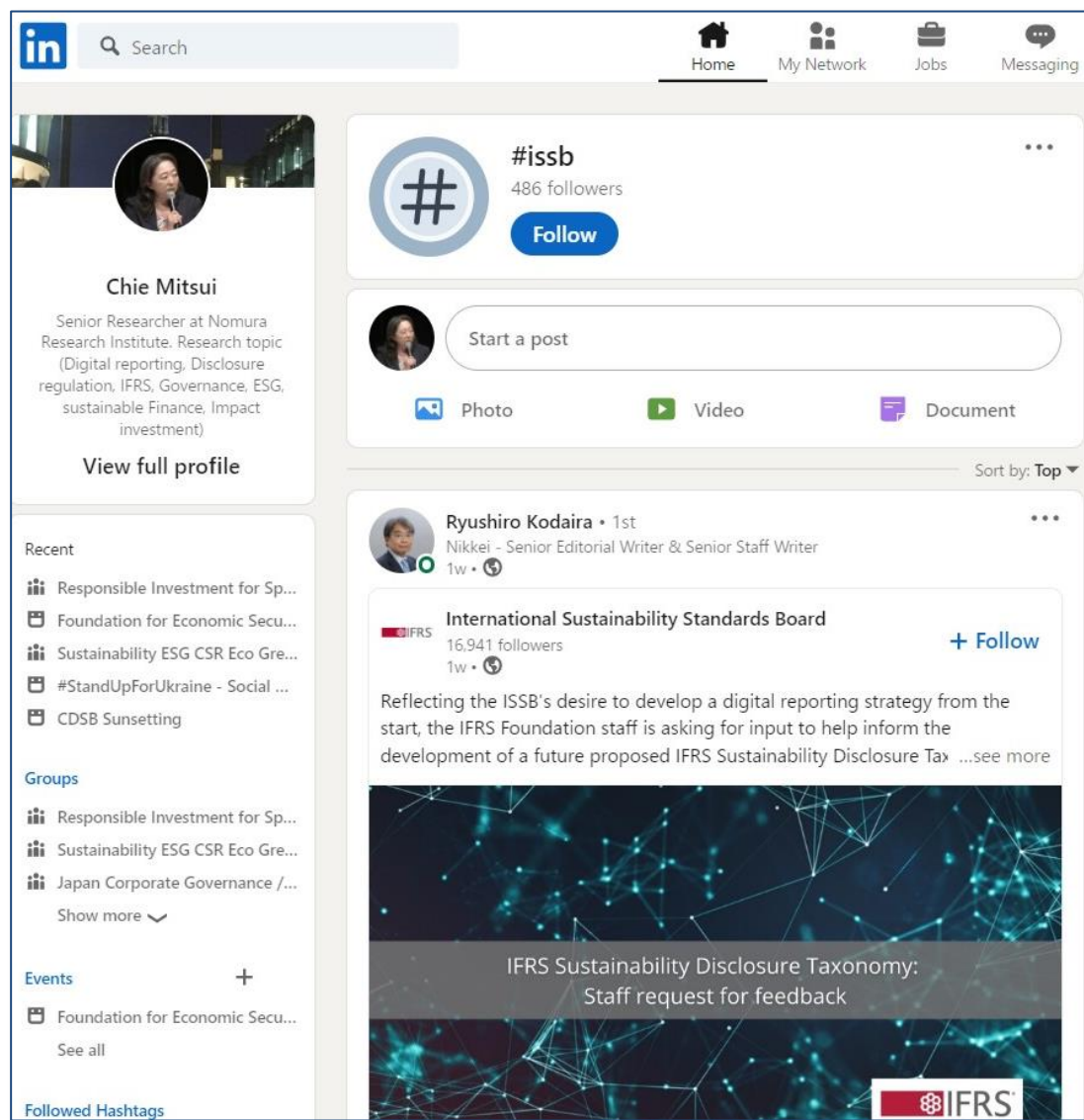
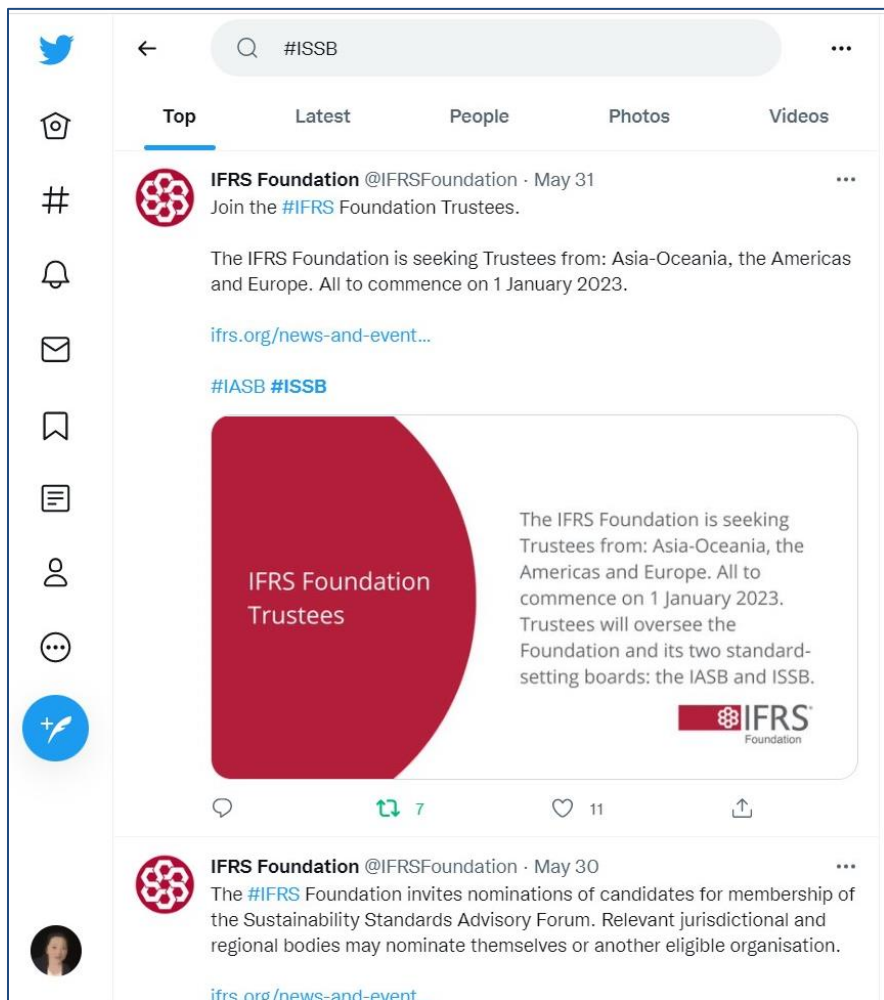
**This is the reason why the ESG rating agencies provide different scores to same companies, and have been said as "Black box" or "less transparency"**



# Challenge to handle information that needed to read

- Tags to tell the contents, message, and categories

Hash tags!! #####



# Tags for non-financial reporting

EDINET taxonomy is following this structure, providing each sections as block tags. Then, enclose the part of the information in tags

## ▼ Cabinet Office Ordinance On Disclosure Of Corporate Information Etc Form No 3 Annual Securities Report

### Business results of group (Key index)

- Information about employees

### Overview of business

- Business policy, business environment, issues to address
- Business risks
- Significant events related to going concern risks, etc.
- Management analysis of financial position, operating results and cash flows
- Analysis and responses to significant events related to going concern risks, etc.
- Critical contracts for operation
- Research and development activities

### Information about facilities

- Overview of capital expenditures, etc.
- Major facilities
- Planned additions, retirements, etc. of facilities

### Information about reporting company

- Employee share option plans
- Rights plans
- Shareholding by shareholder category
- Dividend policy

### Information about directors (and other officers)

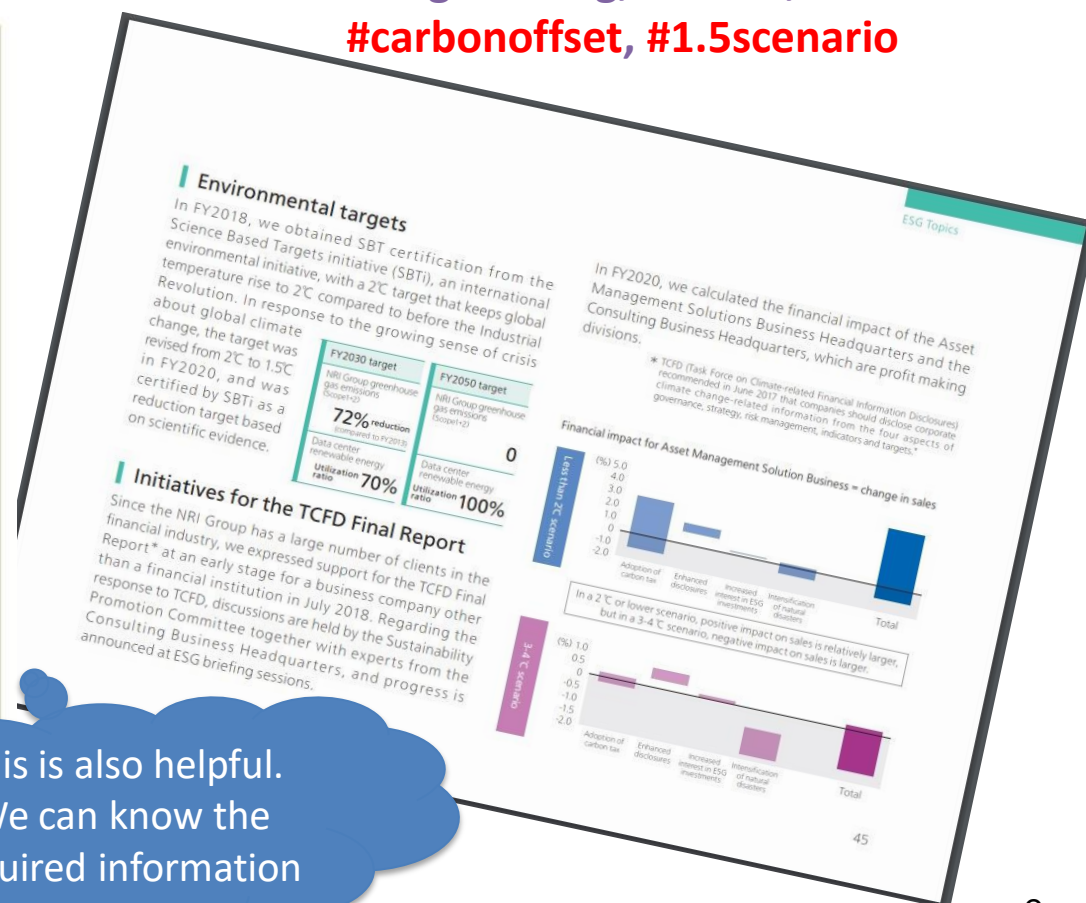
- Information about corporate governance
- Cross-share holding
- Remuneration, etc. paid by group to each director

### Details of remuneration to independent auditors

- Audit fees / Non-audit fees

### Financial Statements

But company might want to tag on the strategy section of the sustainability report to tell the story, using hashtag, such as, **#carbonoffset, #1.5scenario**



This is also helpful.  
We can know the required information



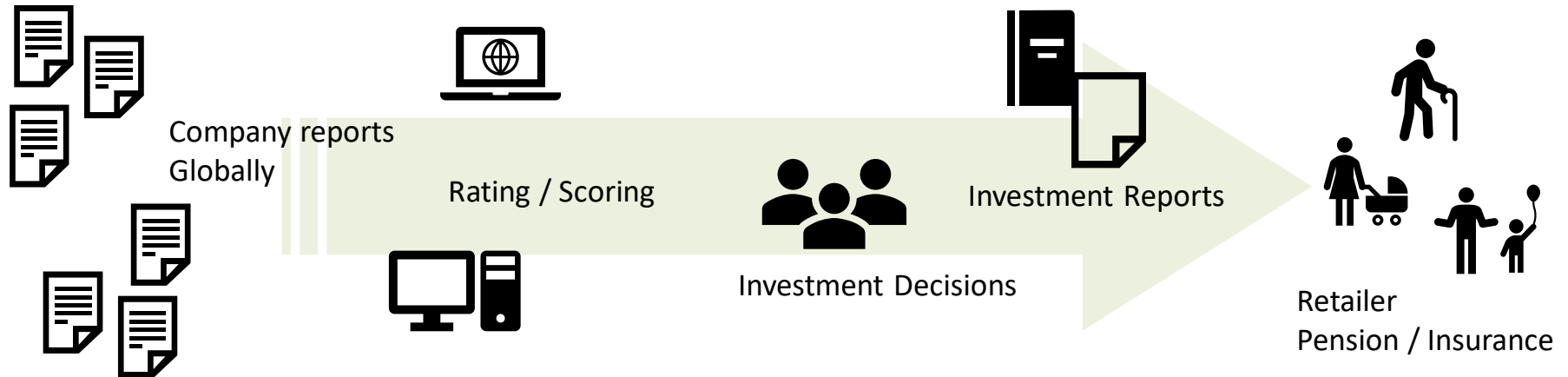
A close-up photograph of a hydrangea bush. The image is filled with numerous clusters of small, five-petaled purple flowers. The leaves are large, green, and have serrated edges. The lighting is bright, highlighting the vibrant colors of the flowers and foliage.

# Expectation ISSB Standards



# Data travel through the Societies

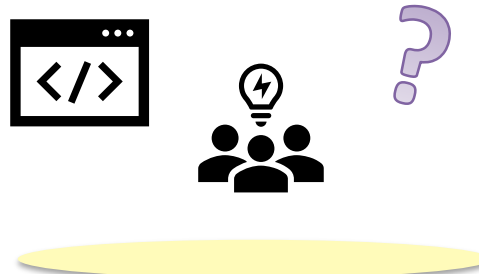
- The Sustainability reporting standards should consider what kind of information finally end-user will receive for Rating /Scoring, and evaluation by Asset managers.



ESG information travel through the societies

How we can make whole sustainability data/information supply chain?

.





A close-up photograph of a hydrangea bush. The image is filled with numerous clusters of small, five-petaled purple flowers. The petals have a delicate, slightly ruffled texture. Interspersed among the flowers are large, vibrant green leaves with serrated edges and prominent veins. The lighting is bright, highlighting the colors and textures of the plant. The text "Thank you for listening!" is superimposed in the center of the image in a white, sans-serif font.

Thank you for listening!