

**The LIAJ's Comments on the ED**  
***IFRS Sustainability Disclosure Standard***

***Methodology for Enhancing the International  
Applicability of the SASB Standards and  
SASB Standards Taxonomy Updates***

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**The Life Insurance Association of Japan (LIAJ)**

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**Responses to the questions on ED “METHODODOLOGY FOR ENHANCING THE INTERNATIONAL APPLICABILITY OF THE SASB STANDARDS AND SASB STANDARDS TAXONOMY UPDATES”**

<b>Question 1: Methodology objective</b>
<p>This Exposure Draft describes the proposed methodology to amend non-climate-related SASB Standards metrics to enhance their international applicability when they contain a jurisdiction-specific reference.</p> <p>(a) Are the scope of the intended enhancements and the objective of the proposed methodology stated clearly in paragraph 9? If not, why not?</p> <p>(b) Are the constraints of the objective as listed in paragraph 9 (preserving structure and intent, decision-usefulness and cost-effectiveness) appropriate? Why or why not?</p> <p>(c) Should any other objective(s) or constraint(s) be included in the proposed methodology? If so, what alternative or additional objective(s) or constraint(s) would you suggest? How would these add value to the proposed methodology?</p>
<b>Comment</b>
<ul style="list-style-type: none"><li>· We, The Life Insurance Association of Japan (or the “LIAJ”), would like to extend our gratitude to the International Sustainability Standards Board (or the “ISSB”) for providing us with the opportunity to submit comments on the exposure draft “Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates” (hereafter the “ED”), published in May 2023.</li><li>· We support the scope of the intended enhancements of non-climate-related SASB Standards metrics, the objective and constraints of the objective of the proposed methodology to amend them when they contain a jurisdiction-specific reference as they are clearly stated in the ED.</li></ul>

**Question 2: Overall methodology**

This Exposure Draft explains the proposed methodology to amend the SASB Standards metrics to enhance their international applicability when they contain jurisdiction-specific references.

- (a) Do you agree that the proposed methodology would enhance the international applicability of the SASB Standards metrics? If not, what alternative approach do you suggest and why?

**Comment**

- The LIAJ agrees that among the proposed methodology, Revision Approaches 1, 2 and 3 would enhance the international applicability of the SASB Standards metrics.
- However, we believe that the application for Revision Approaches 4 and 5 would require due consideration as they are not necessarily considered to contribute to the enhancement of the international applicability of the SASB Standards metrics (please refer to our comment on Question 3 for further detail).

### Question 3: Revision approaches

This Exposure Draft explains five revision approaches to enhance the international applicability of non-climate-related SASB Standards metrics. Every disclosure topic, metric and technical protocol amended using the methodology will apply these five revision approaches, either individually or in combination. The methodology begins with Revision Approach 1, which uses internationally recognised frameworks and guidance to define relevant terms of reference.

- (a) Do you agree that replacing jurisdiction-specific references with internationally recognised frameworks and guidance—if identified—should be the first course of action? If not, why not?
- (b) If Revision Approach 1 is not feasible, do you agree that using the remaining four revision approaches would enhance the international applicability of the SASB Standards? Why or why not?
- (c) Could the revised metrics resulting from any specific revision approaches or combination of approaches pose problems for the preparers applying them? Why or why not?
- (d) Do you agree with the criteria for determining which of the proposed revision approaches applies in different circumstances? Why or why not? What changes to the criteria would you recommend and why?

### Comment

- The LIAJ agrees that replacing jurisdiction-specific references with internationally recognized frameworks and guidance is necessary for the SASB Standards to be utilised as a global baseline.
- Since the SASB Standards are originally intended to be applied in a specific jurisdiction, it is not easy to be used as a global baseline. We understand that, if Revision Approach 1 is not feasible, the ISSB might need to consider applying the remaining four revision approaches without endangering the objective and concept of the ISSB standards. However, we believe that the application of Revision Approaches 4 and 5 would require due consideration for the following reasons:
  - Revision Approach 4 of the ED states that “to consider whether the metric associated with the jurisdiction-specific reference can be removed without leaving the disclosure topic incomplete.” However, if a specific metric can be removed based on this approach, its disclosure should not be required in the first place. Furthermore, removing a specific metric should be considered before applying this approach, as removing it should be determined based on its usefulness rather than the possibility of replacing it based on international references.
  - Revision Approach 5 of the ED states that “if Revision Approach 4 has been proposed or a sub-metric has been removed when implementing Revision Approaches 1-3, the next option is to consider drafting a similar replacement metric.” The LIAJ does not consider this approach to be appropriate as a way to make the SASB Standards more international since it implies that there is a possibility that this will result in additional new metrics for the SASB Standards, which is beyond the aim of making them more international. We understand that the SASB Standards has the possibility of replacing the industry-based disclosure requirements of the IFRS Sustainability Disclosure Standards in the future. Therefore, the new metrics should be considered during the future development of the industry-based disclosure requirements and not during the process of making the SASB Standards more international.

· As for the criteria for determining the type of the proposed revision approaches to be applied, we agree with the proposals in the ED.

**Question 4: SASB Standards Taxonomy Update objective**

This Exposure Draft describes the proposed approach to updating the SASB Standards Taxonomy to reflect amendments to the SASB Standards.

- (a) Do you agree with the proposed methodology to update the SASB Standards Taxonomy to reflect changes to the SASB Standards? Why or why not? If you do not agree, what alternative approach would you recommend and why?

**Comment**

- The LIAJ agrees with the proposed methodology to update the SASB Standards Taxonomy to reflect the changes to the SASB Standards.

**Question 5: Future SASB Standards refinements**

This Exposure Draft focuses specifically on the first phase of narrow-scope work to amend the SASB Standards metrics in accordance with the proposed methodology to enhance their international applicability when they contain jurisdiction-specific references. In subsequent phases, the ISSB will consider further enhancements to the SASB Standards to improve their decision-usefulness, balance their cost-effectiveness for preparers and ensure their international relevance.

- (a) What other methods, considerations or specific amendments would be useful to guide the ISSB's future work of refining the SASB Standards to support the application of IFRS S1? Why would they be useful?
- (b) Do you have any specific comments or suggestions for the ISSB to consider in planning future enhancements to the SASB Standards?

**Comment**

- The LIAJ welcomes the ISSB's main policy and appreciates its consideration to review the SASB Standards originally intended for specific jurisdictions to be accepted more globally based on comments provided during the IFRS S1 General Requirements for Disclosure of Sustainability-Related Financial Information and IFRS S2 Climate-Related Disclosures consultations in 2022.
- However, for the international applicability enhancement of the SASB Standards, the aim stated in the ED focusing on the enhancement of the non-climate-related SASB Standards alone is not sufficient. The issue that it lacks a global consensus, for example, on the Sustainable Industry Classification System (SICS) adopted by the SASB Standards remains. Since the ED does not include a process to review the SICS, we believe that the ISSB should consider consultations on the process and methodology for making the industry classification more international when developing the industry-based disclosure requirements of the IFRS Sustainability Disclosure Standards in the future, as the SICS is not always accepted in all jurisdictions. Moreover, the ISSB should consider recognizing the differences between countries and jurisdictions when developing individual metrics to be disclosed according to the industry-based disclosure requirements. We would also like to ask the ISSB to consider the application based on these differences, as well as to clearly define the purpose of disclosing each metric as to enable verifying its appropriateness.
- Furthermore, when other higher numbered approaches could be applied, it would be useful to review the SASB Standards metrics adopting the approach other than Revision Approach 1 while continuing to monitor the developments of internationally applicable frameworks, standards or definitions.
- In addition, companies are required to consider the SASB Standards when specific standards do not exist when preparing for disclosing sustainability-related risks and opportunities and applying the IFRS S1. Hence, the ISSB should fully consider the consistency with the revised SASB Standards when developing topic-specific standards, as this is more in line with the ISSB's mission to create a global baseline. As a result, we believe that this would lessen the burden of companies that need to prepare for the process of providing the information related to the sustainability-related financial disclosure when developing the ISSB's new standards.