

**The LIAJ's Comments on Request for Information**  
***IFRS Sustainability Disclosure Standard***  
***Consultation on Agenda Priorities***

**31 August 2023**

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

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## Responses to the questions on Request for Information: Consultation on Agenda Priorities

<b>Question 1: Strategic direction and balance of the ISSB's activities</b>
<p>Paragraphs 18–22 and Table 1 provide an overview of activities within the scope of the ISSB's work.</p> <p>(a) From highest to lowest priority, how would you rank the following activities?</p> <ul style="list-style-type: none"><li>(i) beginning new research and standard-setting projects</li><li>(ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2</li><li>(iii) researching targeted enhancements to the ISSB Standards</li><li>(iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards</li></ul> <p>(b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.</p> <p>(c) Should any other activities be included within the scope of the ISSB's work? If so, please describe these activities and explain why they are necessary.</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 Request for Information, “Consultation on Agenda Priorities” (hereafter the Consultation), published in May 2023.</li><li>· For the ISSB Standards to function as a global baseline, we believe that it is important that the ISSB Standards be adopted in as many jurisdictions and as early as possible. In addition, the adoption of IFRS S1 and IFRS S2 would set a precedent for implementation for subsequent standards. Over and above, new research and standard setting would be important so that we do not fall behind against the rapidly changing sustainability agenda.</li><li>· Based on our views above, we rank the ISSB's activities as follows:<ol style="list-style-type: none"><li>1. Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2</li><li>2. Enhancing the Sustainability Accounting Standards Board (SASB) Standards</li><li>3. Beginning new research and standard-setting projects</li><li>4. Researching targeted enhancements to the ISSB Standards</li></ol></li><li>· Additionally, we support the idea that activities listed in the Consultation cover the full agenda and we do not believe there are any other activities that should be included within the scope of the ISSB's work.</li></ul>

**Question 2: Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan**

Paragraphs 23–26 discuss the criteria the ISSB proposes to use when prioritising sustainability-related reporting issues that could be added to its work plan.

- (a) Do you think the ISSB has identified the appropriate criteria?
- (b) Should the ISSB consider any other criteria? If so what criteria and why?

**Comment**

- We recognise the criteria for assessing whether new research or standard-setting projects should be added to the ISSB's work plan proposed in the Consultation as reasonable and sufficient, and therefore support them.

**Question 3: New research and standard-setting projects that could be added to the ISSB's work plan**

Paragraphs 27–38 provide an overview of the ISSB's approach to identifying sustainability-related research and standard-setting projects. Appendix A describes each of the proposed projects that could be added to the ISSB's work plan.

- (a) Taking into account the ISSB's limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?
- (i) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project.
- (ii) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A or suggest another project (or projects).

**Comment**

- While all of the proposed research projects are considered important, we believe the project on human capital should be prioritised since the timely development of a global baseline for disclosure regarding human capital would be highly helpful for investors, as progress has already been made in many jurisdictions toward such disclosure.

**Question 4: New research and standard-setting projects that could be added to the ISSB’s work plan: Biodiversity, ecosystems and ecosystem services**

The research project on **biodiversity, ecosystems and ecosystem services** is described in paragraphs A3–A14 of Appendix A. Please respond to these questions:

- (a) Of the subtopics identified in paragraph A11, to which would you give the highest priority? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors.

You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

- (i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- (ii) your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.
- (b) Do you believe that sustainability-related risks and opportunities related to this topic are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.

- (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A13 should be utilised and prioritised by the ISSB in pursuing the project? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

**Comment**

- As for the life insurance industry in Japan, we find all of the identified subtopics related to biodiversity, ecosystems and ecosystem services (BEES) important and do not prioritize any of them over other subtopics.
- Moreover, it is clear that sustainability-related risks and opportunities related to BEES would be influenced by business models and geographic locations. As such, we believe that measures to capture

the performance on these sustainability-related risks and opportunities would need to be tailored to specific business models and geographic locations to which they relate.

- For example, in a region where hydro-energy or solar energy is developed to reduce GHG emission, there may be adverse impact to the ecosystem. From a geographical viewpoint, while diverse water resources form the basis of various businesses and are deeply important for island countries like Japan, it may be less relevant for landlocked countries.
- Hence, as for the life insurance industry in Japan, we believe that there are no particular standards that should be referenced as a priority for this project. However, we believe that the IFRS Sustainability Disclosure Standard would become more useful as a global baseline when developing standards by considering the latest developments on the TNFD framework, such as its planned publication of the final disclosure framework on biodiversity and environment in September 2023, as well as by taking note of encouraging signs of global efforts to enhance biodiversity-related disclosure.

**Question 5: New research and standard-setting projects that could be added to the ISSB’s work plan: Human capital**

The research project on **human capital** is described in paragraphs A15–A26 of Appendix A. Please respond to the following questions:

- (a) Of the subtopics identified in paragraph A22, to which would you give the highest priority? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors.

You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

- (i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- (ii) your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.
- (b) Do you believe that sustainability-related risks and opportunities related to this topic are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.

- (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A25 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

**Comment**

- As for the subtopics related to human capital, the importance of DEI has already been widely recognised as disclosure standards for certain jurisdictions have come into effect, or are expected to be implemented in the near future. Against this backdrop, the timely development of a global baseline on DEI disclosure would be required. We recognise that subtopics not specified in the Consultation such as investing in human resources and employee engagement have similar aspects to DEI and are

highly important for sustainable business development. As such, we rank the subtopics to be prioritised as follows:

1. DEI
2. Investing in human resources
3. Employee engagement

- We do not believe that sustainability-related risks and opportunities related to human capital would be different between industries or geographic locations and therefore, measures to capture performance on these risks and opportunities specific to the industry or geographic location would not need to be considered separately.
- Furthermore, as human capital forms the basis of any business, the efforts to enhance it would be considered a universally important agenda that determines the sustainability of business despite differences in the level of development regarding sustainability-related risks and opportunities related to human capital between jurisdictions/industries.
- Hence, as for the life insurance industry in Japan, we believe that there are no particular standards that should be referenced as a priority for this project.

**Question 6: New research and standard-setting projects that could be added to the ISSB’s work plan: Human rights**

The research project on **human rights** is described in paragraphs A27–A37 of Appendix A. Please respond to these questions:

- (a) Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB’s research? You can suggest as many subtopics or issues as you deem necessary. To help the ISSB analyse the feedback, where possible, please provide:
  - (i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
  - (ii) your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.
- (b) Do you believe that sustainability-related risks and opportunities related to this topic are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.

- (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A36 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

**Comment**

- As for the life insurance industry in Japan, we find all of the identified subtopics related to human rights important and do not prioritize any of them over other subtopics.
- While issues related to human rights need to be addressed by society as a whole, they are largely attributed to factors specific to regional history and culture and therefore, measures to capture performance on these sustainability-related risks and opportunities related to human rights would need to be considered by tailoring to specific regional backgrounds.
- In addition, we believe that the project on human rights should be considered as part of the project on human capital because the scope of the project on human rights may overlap with that of the project on human capital.

- Hence, as for the life insurance industry in Japan, we believe that there are no particular standards that should be referenced as a priority for this project.

**Question 7: New research and standard-setting projects that could be added to the ISSB’s work plan: Integration in reporting**

The research project on **integration in reporting** is described in paragraphs A38–A51 of Appendix A. Please respond to the following questions:

- (a) The integration in reporting project could be intensive on the ISSB’s resources. While this means it could hinder the pace at which the topical development standards are developed, it could also help realise the full value of the IFRS Foundation’s suite of materials. How would you prioritise advancing the integration in reporting project in relation to the three sustainability-related topics (proposed projects on biodiversity, ecosystems and ecosystem services; human capital; and human rights) as part of the ISSB’s new two-year work plan?
- (b) In light of the coordination efforts required, if you think the integration in reporting project should be considered a priority, do you think that it should be advanced as a formal joint project with the IASB, or pursued as an ISSB project (which could still draw on input from the IASB as needed without being a formal joint project)?
  - (i) If you prefer a formal joint project, please explain how you think this should be conducted and why.
  - (ii) If you prefer an ISSB project, please explain how you think this should be conducted and why.
- (c) In pursuing the project on integration in reporting, do you think the ISSB should build on and incorporate concepts from:
  - (i) the IASB’s Exposure Draft Management Commentary? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.
  - (ii) the Integrated Reporting Framework? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.
  - (iii) other sources? If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work.
- (d) Do you have any other suggestions for the ISSB if it pursues the project?

**Comment**

- When pursuing the integration with financial reporting as a priority, we believe that the ISSB would be able to draw on the long-standing experience and insights of the IASB, as their cooperation would also be essential. However, we do not have a particular preference as to having this project advanced as a formal joint project or pursued as a single ISSB project.
- Hence, as for the life insurance industry in Japan, we do not take an explicit position on building on and incorporating concepts from the IASB’s Exposure Draft Management Commentary, the Integrated Reporting Framework or other sources when pursuing the integration in reporting project.