

Sent via electronic mail

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Subject: UPP comments on SSBJ public consultation on sustainability disclosure standards for Japan Exposure Drafts

Dear members of The Sustainability Standards Board of Japan (SSBJ),

We appreciate the opportunity to comment on the SSBJ public consultation on sustainability disclosure standards for Japan Exposure Drafts. We welcome the efforts of the SSBJ to develop corporate sustainability disclosure standards based on the International Financial Reporting Standards (IFRS) Foundation's International Sustainability Standards Board (ISSB) IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1).

UPP is a jointly sponsored pension plan created by and for Ontario's university sector with over 40,000 members, and \$11.7 billion in assets under management. As a long-term investor, UPP seeks to invest responsibly and promote the health of the financial, social, and environmental systems on which capital markets rely in order to deliver strong, sustainable value to members today and tomorrow. UPP is growing a resilient fund to secure pension benefits for members today and for generations to come and is open to all employers and employees within Ontario's university community.

As an institutional investor we believe that sustainable returns in a long-term horizon can be achieved exclusively with comprehensive integration of sustainability and climate change risks in the investment process. UPP invests across several asset classes globally and we encourage standardized high-quality reporting of sustainability-related information.

Adhering to ISSB Standards ensures the disclosure of sustainability related information worldwide, thus, reporting entities can be held accountable for transparent disclosure. For UPP and other institutional investors globally, this means a reduction of risk and uncertainty, which in turn affects investment decision-making. UPP advocates for the adoption and enforcement of such standards in alignment with ISSB Standards and we are sharing our views, alongside other investors, on jurisdictional sustainability consultations around the world.

Limiting modifications to ISSB Standards reduces fragmentation and promotes comparability for investors but also streamlines and reduces the reporting burden for companies that may need to comply with multiple reporting requirements.

UPP is supportive of these key disclosure criteria that are included in ISSB global baseline standard:

- Unified approach to the definition of materiality across jurisdictions;
- Reporting timeline aligned with financial statements and clear inclusion of a connection between the reported information and financial statements;
- Reporting included in general-purpose financial reporting;
- Provision of the information across governance, strategy, risk management, metrics and targets reporting dimensions;

- Reporting should include disclosures about opportunities as well as risks including all sustainability-related risks and opportunities with potential to affect the entity's cash flows, access to finance or cost of capital over the short, medium or long term;
- Industry-specific disclosures;
- Exploration of alignment with Sustainability Accounting Standards Board (SASB) standards;
- Disclosure of scopes 1, 2 and 3 in alignment with GHG Protocol and publication of financed emissions;
- Disclosure of climate-related scenario analysis, targets and transition plan.

We welcome the Sustainability Standards Board of Japan (SSBJ) work on adopting ISSB standards locally and we recognize the effort that was put to align SSBJ's Exposure Drafts and IFRS S1 and IFRS S2. UPP would like to provide the following comments on the exposure drafts and emphasize the following aspects. We consider them to be essential components of the ISSB Standard but they are currently not included in the exposure drafts:

1. **Reporting period:** UPP recommends aligning the GHG calculation period with the financial reporting period in cases when a difference might occur due to reporting as per Japanese Act on Promotion of Global Warming Countermeasures. The SSBJ Exposure Drafts allow entities to use a different reporting period under certain circumstances, such as when the jurisdiction requires an entity to disclose certain metrics where the calculation period is different from the financial reporting period. SSBJ Exposure Draft states that if an entity is subject to the Japanese Act on Promotion of Global Warming Countermeasures and chooses to report the GHG emissions measured under that Act, the entity shall use the latest GHG emissions data that has been submitted to the authorities as of the date authorized for the issuance of the sustainability related financial disclosures. For some reporting entities, this could result in having a difference of over one year, between the sustainability-related reporting period and the calculation period of GHG emissions under the Act mentioned above.
2. **Resources and Relationships and Dependencies and Impacts:** UPP recommends including sections B4-B5 from IFRS S1 in the SSBJ final rule as those sections provide important examples of how an entity's resources and relationship and an entity's dependencies and impacts can affect an entity's supply chain or activities and outputs. The SSBJ appears to have interpreted IFRS S1 B4-B5 as a concept of 'impact materiality' and therefore have not included these paragraphs in their Exposure Draft. IFRS S1 The inclusion of B4-B5 is important to align the scope of the sustainability information reported on with that required by the ISSB's global baseline.
3. **Timing of reporting (IFRS S1 para 64):** UPP recommends aligning the timing of financial statements with the reporting of sustainability-related information and not providing an opportunity for such reporting to occur at a different time. While the SSBJ ED requires that the entity report sustainability-related disclosures at the same time as the related financial statements, it also permits entities to report on sustainability-related information at a different time from the entity's financial statements when there are specific requirements in law and regulation which prohibit or permit entities to do so (or when entity applies the standard on a voluntary basis). Timing alignment is essential to investors because it ensures that all material information for decision making is available at the same time.

Summary

UPP strongly supports the development of the Exposure Drafts and the full adoption of ISSB Standards. It is critically important that jurisdictions around the world adopt a consistent and comparable global baseline of climate-related and sustainability-related financial disclosures to meet the needs of capital and financial markets. Consultation on SSBJ Exposure Drafts is a significant milestone in the establishment of reporting that provides the global baseline of information required by ISSB Standards in Japan. However, further alignment could be reached in relation to the approach towards "Resources and Relationships" and "Dependencies and Impacts" in the SSBJ Exposure Drafts.

Do not hesitate to contact me at brian.minns@universitypensionplan.ca or +1 416-417-2587 if you require any additional information.

Thank you,

Brian Minns

Senior Managing Director, Responsible Investing