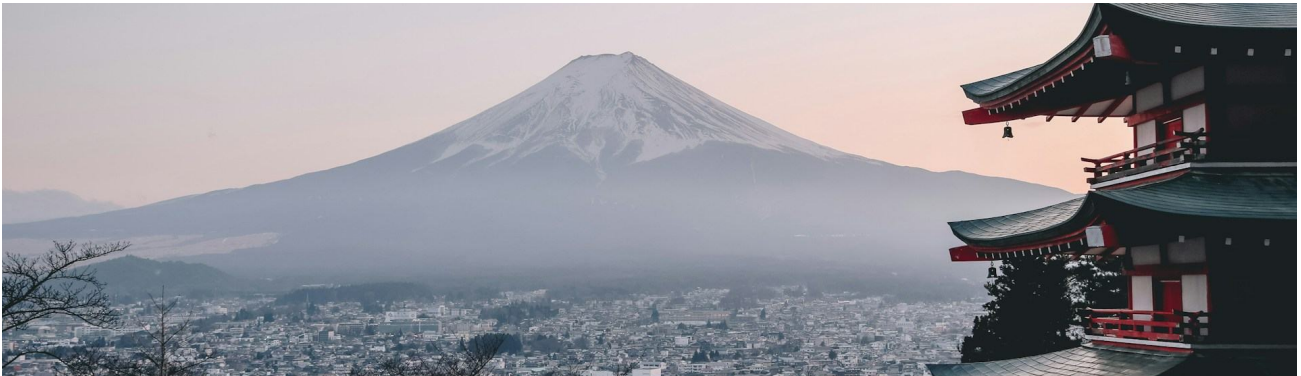


A photograph of a traditional Japanese shrine entrance. A dirt path leads through a dense forest of tall, slender trees towards a large, bright red torii gate. The path is flanked by several traditional Japanese lanterns with dark roofs and white lanterns. Sunlight filters through the trees, creating a dappled light effect on the path and foliage. The overall atmosphere is peaceful and natural.

Cognitud

Japan's SSBJ Unveils ISSB-Aligned Sustainability Standards



The Sustainability Standards Board of Japan (SSBJ) has published its finalized sustainability disclosure standards, which aligns with the IFRS Foundation's International Sustainability Standards Board (ISSB) guidelines. This development demonstrates Japan's commitment to improve corporate disclosure in ESG matters.

Establishment of ISSB and SSBJ

The ISSB was established in November 2021 to develop IFRS Sustainability Disclosure Standards, with the goal of enabling investors to receive detailed information regarding companies' sustainability risks and opportunities. The SSBJ started operations in July 2022 as an initiative funded by Japan for developing international disclosure standards.

Development of Japan's Sustainability Disclosure Standards

In March 2024, the SSBJ released exposure drafts of its sustainability disclosure standards emphasizing that SSBJ has incorporated all the requirements of ISSB standards. The SSBJ comprises the following 3 standards as opposed to ISSB's 2 standards-

Structure of the New Standards



Application of the Sustainability Disclosure Standards

Establishes fundamental guidelines for companies in preparing sustainability-related disclosures



General Disclosures

Aligning with the ISSB's IFRS S1 framework, General Disclosure focuses on sustainability risks and opportunities



Climate-related Disclosures

Presents reporting guidance for climate-related risks, based on the principles of IFRS S2



Comparison to Previous Reporting Standards

Prior to these changes, Japanese firms used to follow the Tokyo Stock Exchange's 2021 updated corporate governance code, which required climate-related disclosures following the Task Force on Climate-related Financial Disclosures (TCFD) recommendations on a 'comply-or-explain' basis. The new SSBJ standards, in line with ISSB guidance, offer a more extensive and mandatory framework, increasing the consistency and comparability of sustainability information disclosed by corporations.

Future Outlook

The SSBJ's adoption of ISSB-compatible reporting standards equips Japan to achieve increased corporate transparency thus building investor trust in the marketplace. The standardized method of sustainability disclosure enhances Japanese businesses' global market competitiveness and will help Japan build its position as a sustainable financial leader by integrating ESG reporting into its corporate governance system which will lead to both economic stability and responsible corporate conduct in the long term.

