



**The Japanese Institute of
Certified Public Accountants**

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Mr. Richard Samans
Chairman of CDSB
Carbon Disclosure Project Headquarters
40 Bowling Green Lane, London,
EC1R ONE, United Kingdom

Comments on Consultation about CDSB Framework

Dear Mr. Richard Samans,

We at the Japanese Institute of Certified Public Accountants welcome the opportunity to comment on consultation about CDSB Framework. We wish to express our appreciation for the enormous efforts made by the CDSB to the long process from the inception of this project, in response to requests from various stakeholders worldwide, to the publication of this consultation.

1. Introductory questions

a. We agree with the CDSB's mission and objectives.

b. We basically agree.

However, we also recognize that it is important to make the framework able to disclose information which reflects climate change-related characteristics in each industry or jurisdiction so that it can support appropriate evaluation by investors.

c. We agree.

d. We recognize that using Information Technology for GHG emissions inventories can contribute to the reduction of the disclosure costs and the improvement of the usability of information in the long term. However, it could be a burden for companies due to its introduction costs at an early stage.

- e. Since risks and relevant KPIs are different among industries, it is desirable to develop measurable and comparable KPIs which reflect the characteristics of each industry.

2. Practicalities relating to mainstream reporting

- c. i. It seems challenging to calculate GHG emissions in time for the issuance of annual filings, which are required to be issued within two or three months after the end of each fiscal year. In particular, the calculation of Scope 2 emission needs to be done with the emission factors calculated and provided by electric companies for the year.

The calculation of reliable emission information can be difficult in developing countries which have not developed GHG emissions inventories. It is expected that CDSB explores alternative approaches such as using national level emission factors.

The estimation of GHG emissions of the future is especially difficult under the circumstance which many factors affect the amount of emissions.

- c. ii. Please refer to the table about the regulatory requirement of Japanese annual filings at the end of this document. The table is included in the Annex of JICPA's recommendation about climate change-related disclosure.

- d. i. It would be useful to companies to indicate the possible sources of the information. The basis of the conclusion shown in the framework also needs to be stated for the better understanding.

3. Current reporting practices

- d. The consistency with relevant emission reporting frameworks such as jurisdictional reporting systems or emission trading systems is necessary for the efficient introduction of climate change-related disclosure.

It is already being considered in Japan, US and Europe. However, in order to ensure the reliability and comparability of the emission information, it is important to stipulate the essential elements which the criteria or the standards have to fulfill. The elements of suitable criteria which are required under the Assurance Framework would be helpful.

5. Reporting boundaries (Section 5 of the CDSB Framework)

In order to make the disclosures useful to investors, we think climate change reporting boundaries should in principle agree with those for financial reporting; that is, climate change

disclosures should include information on a parent, the subsidiaries under control and the associates under significant influence. However, since there may be cases where a parent faces difficulty in collecting sufficient information from the associates due to the lack of control, we think it should be alternatively allowed to limit the reporting boundaries to the parent and the subsidiaries. In this case, financial information should be quantitatively reconciled and presented to meet the climate change reporting boundaries.

We understand the introduction of “alternative consolidation methods” would significantly help reduce reporting burdens of corporations; however, we are concerned it would also significantly impair the usefulness of information for investors or increase their cost for analysis. We think that, if the use of “alternative consolidation methods” is accepted, 1) reconciliations should be made as much as possible in quantitative terms rather than in qualitative terms, and 2) “alternative consolidation methods” should be a transitional step, which is allowed only for a limited period of time before applying a regular consolidation method for financial reporting.

Yours sincerely,

Mitsuru Komiyama & Kiyoshi Nakanishi

Executive Board Member - Management Advisory Service and Research Committee

The Japanese Institute of Certified Public Accountants

(Comparison of the Contents between the Annual Securities Report and the Climate Change-Related Information)

Contents of the Annual Securities Report (abstract)	Contents of the climate change-related information	Expected responses
Section I [Entity Information]	---	---
Chapter 2 [Business Overview]	---	---
3 [Issues to be Considered]	3. Actions taken to address climate change <ul style="list-style-type: none"> • Principles regarding the climate change actions • Governance • Response to material Issues • Situation with investments relating to climate change (facilities, products, R & D) 	While establishing detailed items, promoting description in Description Notice ()
4 [Business Risks]	1. Climate change risk-related information <ul style="list-style-type: none"> • Regulatory risks • Physical risks • Market & reputation risks 	Promoting description in Description Notice
6 [Research & Development Activities]	(3. Details about investments from the Actions taken to address climate change)	As is ()
7 [Analysis of Financial Position and Operating Results]	(2. Actual GHG emissions and others that particularly have significant impacts on management)	As is ()
Chapter 4 [Situation of the Reporting Entity]	---	---
6 Corporate Governance]	(3. Any details about governance from the Actions taken to address climate change)	As is ()
Not Applicable	2. GHG emissions <ul style="list-style-type: none"> • Actual GHG emissions • Emission controls • Segment information (by business, geographical) • Analysis of GHG emissions 	Consider an appropriate disclosure method

By publishing guiding principles or manuals on management response procedures and disclosure contents, it will promote an entity's understanding and proper disclosure.