

## Chairman & President Statement

November 4<sup>th</sup>, 2021

The Japanese Institute of Certified Public Accountants

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Chairman and President

The IFRS Foundation's significant announcement on sustainability disclosure

- Formation of the International Sustainability Standards Board (ISSB), consolidation with CDSB and VRF, and publication of prototype disclosure requirements —

**On November 3, 2021, the IFRS Foundation announced significant developments on sustainability disclosure<sup>1</sup>:**

- **The formation of a new International Sustainability Standards Board (ISSB) alongside with the International Accounting Standards Board (IASB);**
- **The IFRS Foundation will complete consolidation of the Climate Change Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF) by June 2022;**
- **The publication of prototype climate disclosure and general disclosure requirements on sustainability disclosure developed by the Technical Readiness Working Group (TRWG)<sup>2</sup>.**

**JICPA welcomes these significant announcements, paying tribute to the efforts of those involved in the IFRS Foundation.**

ISSB will set out to develop standards on climate change disclosure based on TRWG prototypes with an aim to issue an exposure draft by March 2022. It is also planned to conduct agenda consultation on reporting other sustainability issues. We sincerely hope that the sustainability reporting standards developed in ISSB will contribute to the sustainable value creation cycle from a medium-to long-term perspective by effectively addressing various sustainability issues, including climate change.

Over the last decade, JICPA has been directly involved as a member in developing IIRC (VRF)'s International Integrated Reporting Framework<sup>3</sup> and CDSB's Climate Change

Reporting Framework<sup>4</sup>. We have also engaged in dialogue with stakeholders in Japan and supported dissemination of the frameworks.

Through the consolidation of the IFRS Foundation with CDSB and VRF, the knowledge and experience in disclosure of non-financial information accumulated by CDSB and VRF will be effectively combined with the IFRS Foundation's established system and process for standard setting and the development of financial reporting standards. With this in place, we are confident that the consolidation will enable the development of more coherent and higher quality corporate reporting standards. We will continue to contribute to the efforts of IFRS Foundation and ISSB based on our accumulated knowledge and experience in IFRS, integrated reporting and climate-disclosure, and strong network of stakeholders.

In Japan, the Disclosure Working Group of the Financial System Council has been discussing the disclosure of sustainability information in Annual Securities Report. Furthermore, the Financial Accounting Standards Foundation (FASF) is preparing to develop a corresponding structure by amending its articles of incorporation to include matters related to sustainability reporting standards. Given the accelerating pace of global standard setting, Japan needs to urgently work on issues to achieve high-quality sustainability reporting. JICPA is firmly determined to actively contribute to developing sustainability reporting standards and practices through solid collaboration with relevant parties.

Finally, Japan has set a target of reducing greenhouse gas emissions by 46% from 2013 levels by 2030, aiming to achieve carbon neutrality or net zero emissions by 2050. To achieve this goal, both public and private sectors are undertaking various initiatives. As a group representing the auditing and accounting profession, JICPA will contribute to achieving carbon neutrality by 2050 on an ongoing basis through solid collaboration with relevant parties at home and abroad<sup>5</sup>.

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<sup>1</sup> <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/>

<sup>2</sup> <https://www.ifrs.org/groups/technical-readiness-working-group/#resources>

<sup>3</sup> <https://www.integratedreporting.org/resource/international-ir-framework/>

<sup>4</sup> <https://www.cdsb.net/what-we-do/reporting-frameworks/environmental-information-natural-capital>

<sup>5</sup> In October 2021, the Accounting Bodies Network (ABN), a member of the Prince of Wales's Accounting for Sustainability Project (A4S), issued a joint statement on its commitment to net zero emissions titled "ABN NET ZERO COMMITMENT." The Japanese Institute of Certified Public Accountants (JICPA) is also one of the signers of the joint statement.

<https://jicpa.or.jp/english/news/2021/20211006dfi.html>