

Letter to the Chair of the Board of Trustees of the IFRS Foundation

31 August 2021

Mr. Erkki Liikanen
Chair, Board of Trustees
IFRS Foundation
Columbus Building, 7 Westferry Circus
Canary Wharf, London E14 4HD
United Kingdom

Dear Mr. Liikanen:

The IFRS Council of Japan is a conference body established for the purpose of gathering and exchanging the opinions of Japanese market participants related to International Financial Reporting Standards (IFRS), and comprises 9 organisations (Keidanren (Japan Business Federation), the Japanese Institute of Certified Public Accountants, Japan Exchange Group/Tokyo Stock Exchange, Inc., the Securities Analysts Association of Japan, Accounting Standards Board of Japan, Financial Accounting Standards Foundation (FASF), Financial Services Agency (FSA), Ministry of Economy, Trade and Industry, and Ministry of Justice). Furthermore, Government Pension Investment Fund, Japanese Bankers Association, Japan Securities Dealers Association, the Life Insurance Association of Japan, the General Insurance Association of Japan, Japan Investment Advisers Association and Ministry of the Environment also support the objectives of this letter (Please refer to the Appendix).

Contributions to the IFRS Foundation

Japan has been contributing to the activities of the IFRS Foundation (including its predecessor, the IASC Foundation) from various aspects since its establishment. Regarding the development of accounting standards by the International Accounting Standards Board (IASB), we have been making personnel and technical contributions. Moreover, we have been making continuous financial contributions to the IFRS Foundation since its establishment. In 2020, Japan has provided 11.4% (approximately £2,061,000) of the total amount of contributions from each jurisdiction to the IFRS Foundation.

The FASF makes contributions to the IFRS Foundation representing Japan. The source of the contributions is funds raised by the FASF from a wide range of stakeholders, including listed companies, accounting firms, and other private institutions (such as user groups) that participate in the capital markets.

We support the new initiatives proposed by the IFRS Foundation to develop global sustainability standards. Therefore, we are willing to make the same kind of personnel and technical contributions to the development of sustainability standards by the International Sustainability Standards Board (ISSB), as we have been making for the development of accounting standards by the IASB. Furthermore, we are willing to make

continuous financial contributions for both (a) the funds for the establishment and the first few years of operations (that is, the seed capital) and (b) the funds for the medium and longer term operations of the ISSB, for our fair share (such as the pro rata share based on GDP) by raising funds from a wide range of stakeholders, including private institutions, as we have done in the past. Also, in ongoing budget formulation process of the government for Fiscal Year 2022, Japan FSA has included expenses relevant to the development of the sustainability standards by the ISSB that will be contributed from Japan in its budgetary request, which is submitted by each government ministry and agency to the budgetary authority every summer. We are aware that the Government of Canada and a coalition of Canadian public and private institutions have expressed their support to provide seed capital. We welcome this announcement, and we believe that it is desirable that more than one jurisdiction provide financial contributions. We expressed our intention above based on such belief.

Sustainability Reporting in the Asia-Oceania Region (Utilising the IFRS Foundation Asia-Oceania Liaison Office)

The Trustees of the IFRS Foundation have noted that they welcome the proposal to expand the Foundation's global footprint. On this point, we believe that the IFRS Foundation Asia-Oceania Liaison Office (AO Office) can contribute to expanding the global footprint of the IFRS Foundation in the context of the development of sustainability standards.

The IFRS Foundation established the AO Office in Tokyo in 2012. The AO Office has been supporting the application of IFRS standards in the AO region and has been assisting the IASB in its standard-setting activities. We believe that the role of the AO Office in sustainability reporting will become very important, such as supporting the ISSB's standard-setting activities, sharing of information regarding new standards and promoting them, supporting the application of new standards in the AO region and supporting the ISSB in expanding its engagement with stakeholders in the AO region, and we are willing to support the AO Office in its activities related to sustainability standards. Our understanding is that the AO Office's contribution to the development of sustainability standards is complementary to the proposal made by the Government of Canada and a coalition of Canadian public and private institutions to host the headquarters of the ISSB.

In addition, Japan is actively engaged in sustainability reporting, evidenced by the fact that it is the jurisdiction with the largest number of companies and organisations expressing their support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in the world. We believe that the AO office in Japan will enable the ISSB to gather experiences of the sustainability reporting in Japan more efficiently and, by sharing such experiences not only with the AO region but also with the world, global discussions will be enriched.

In accordance with the MoU signed with the IFRS Foundation, the FASF has contributed funds for the operations of the AO Office (approximately £358,000 per year) in addition to the contribution mentioned above. The term of the AO Office under the MoU expires in September 2022; however, the FASF strongly

hopes that the AO Office continues to operate in Tokyo after October 2022. The FASF has agreed to contribute the same amount of funds as in the past after October 2022 for five or ten years, with the understanding that the AO Office will support the activities of both the IASB and the ISSB as an office of the IFRS Foundation. We would appreciate the Trustees of the IFRS Foundation to give positive consideration to continue to have the AO office in Tokyo and to use the office as a hub for sustainability reporting in the AO region.

If you have any questions, please contact us.

Sincerely yours,

Eiji Hayashida

President, Financial Accounting Standards Foundation

on behalf of the IFRS Council of Japan

Appendix

Members of the IFRS Council

- Keidanren (Japan Business Federation)
- The Japanese Institute of Certified Public Accountants
- Japan Exchange Group/ Tokyo Stock Exchange, Inc.
- The Securities Analysts Association of Japan
- Accounting Standards Board of Japan
- Financial Accounting Standards Foundation
- Financial Services Agency
- Ministry of Economy, Trade and Industry
- Ministry of Justice

Other organisations that support the objectives of the letter

- Government Pension Investment Fund
- Japanese Bankers Association
- Japan Securities Dealers Association
- The Life Insurance Association of Japan
- The General Insurance Association of Japan
- Japan Investment Advisers Association
- Ministry of the Environment