Boston Trust Walden
Principled Investing.

July 29th, 2024

Sustainability Standards Board of Japan
Fukoku Seimei Building 20F, 2-2
Uchisaiwaicho, 2-Chome, Chiyoda-ku
Tokyo, Japan 100-0011

Re: Comment on Exposure Drafts of SSBJ Sustainability Disclosure Standards

Dear Chair Kawanishi,

Boston Trust Walden Company is an independent, employee-owned investment management firm with approximately $15.8 billion in assets under management[1]. Our firm has been integrating environmental, social, and governance (ESG) factors into investment decisions since 1975—one of the longest track records of any institutional investment manager.

At Boston Trust Walden, we seek to invest in enterprises with strong financial underpinnings, sustainable business models, prudent management practices, and a governance structure that supports these objectives. Consideration of ESG factors is part of our fiduciary duty to ensure client assets are invested in a set of securities well situated to produce attractive risk-adjusted returns over a long-term investment horizon.

Since 2017, Boston Trust Walden has served as a member of the Sustainable Accounting Standards Board (SASB) Investor Advisory Group, now the ISSB Investor Advisory Group, to support the development of a globally recognized framework for consistent, comparable, and reliable disclosure of financially material, decision-useful sustainability-related information. We are supportive of jurisdictional efforts to adopt disclosure requirements aligned with the IFRS Sustainability Disclosure Standards and welcome the opportunity to provide comment to the ongoing consultation.

With respect to the ongoing consultation by the Sustainability Standards Board of Japan (SSBJ), Boston Trust Walden would like to highlight the following key points for consideration.

- **We applaud the SSBJ for substantially aligning the Exposure Drafts of the Sustainability Disclosure Standards (proposed SSBJ EDs) with the requirements of IFRS S1 & S2, save for certain alternatives that companies may choose to apply.** Access to consistent, comparable, and reliable information is critical to our ability to comprehensively incorporate ESG factors into investment decisions. While the growth in the absolute number of companies producing some form of sustainability reporting has been noteworthy, the quality of disclosure remains inconsistent and generally lacks decision-useful context that investors need to accurately price securities. We recognize the proposed SSBJ EDs represent a significant milestone in pursuit of the goal for a global baseline of sustainability-related information.

- **We encourage the SSBJ to limit any substantial changes to the proposed SSBJ EDs that deviate from IFRS S1 & S2.** Maintaining faithfulness to IFRS S1 & S2 through the ongoing consultation is critical to enhancing investor access to timely, consistent, and comparable sustainability disclosures while reducing jurisdictional fragmentation and simplifying reporting obligations for issuers.

[1] AUM as of June 30. 2024, includes AUM of wholly-owned subsidiary Boston Trust Walden Inc.

A growing number of jurisdictions and regulators have adopted or are actively considering adopting sustainability disclosure standards based on IFRS S1 & S2. For example, California's Climate-Related Financial Risk Act and Climate Corporate Data Accountability Act, the Basel Committee on Banking Supervision's proposed Pillar 3 disclosure framework for climate-related financial risks, and the Office of the Superintendent of Financial Institutions' (OSFI) update to Guideline B-15 are all grounded in the reporting requirements of IFRS S2. The ISSB has also published guidance to aid reporters in meeting disclosure requirements through the European Financial Reporting Advisory Group's (EFRAG) Corporate Sustainability Reporting Directive (CSRD).

By maintaining faithfulness to IFRS S1 & S2 and limiting any substantial changes to the proposed SSBJ EDs that deviate from IFRS S1 & S2, the proposed SSBJ EDs will strengthen the comparability of information for investors while also streamlining reporting requirements and reducing the reporting burden for preparers.

- **We encourage the SSBJ to include guidance regarding 'resources and relationships' (IFRS S1, paragraph B4) and 'dependencies and impacts' (IFRS S1, paragraph B5) within the SSBJ Application Exposure Draft (Application ED).** This guidance, omitted from the Application ED, provides critical framing for the scope of information companies are expected to consider when evaluating material sustainability risks and opportunities. Cross-jurisdictional consistency in the assessment of sustainability risk and opportunities is as critical to achieving a global baseline for sustainability-related financial disclosures as consistency in the resulting information disclosed. While the SSBJ has interpreted paragraphs B4 and B5 of IFRS S1 to relate to a concept of 'impact materiality,' and therefore presumably less applicable to the long-term value creation of companies, we note that the IFRS Foundation is actively developing educational materials to further explain these paragraphs within the concept of materiality as defined in IFRS S1.

- **We encourage the SSBJ to amend the proposal in paragraph 69 of the Application ED to require reporters to publish sustainability-related financial disclosures at the same time as the financial statements to which they relate.** Given the scope of the proposed SSBJ EDs seek only to include material sustainability-related financial information on significant sustainability-related risks and opportunities, we believe it is necessary that reporting occurs in parallel with traditional financial reporting. Doing so enables investors to integrate such information more readily and accurately within investment decision making. Notably, IFRS S1 already provides transition relief on this issue to enable jurisdictions and companies to adequately prepare.

  Investors and companies both need credible risk information to make prudent financial decisions. In practice, for both investors and companies, it is challenging to integrate sustainability-related financial information into decision-making processes comprehensively and holistically without considering this information in tandem with financial statements. Moreover, requiring sustainability-related financial disclosures be provided alongside the financial statements enhances the likelihood of assurance, maximizing user trust and confidence in the information disclosed.

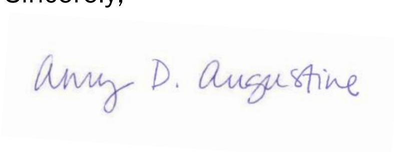
- **Relatedly, we encourage the SSBJ to remove allowances to include sustainability-related financial disclosures covering different reporting periods than the financial statements to which they relate.** While we recognize that these allowances were introduced to reduce the data collection and reporting burden for companies where regulations require a different data calculation period than the traditional reporting period of its sustainability-related disclosures (and the related financial statements), we believe this jurisdictional-specific deviation from the requirements of IFRS S1 may jeopardize the consistency and comparability of financially material, decision-useful sustainability-related information on a global basis. Again, it is challenging for both investors and companies to integrate sustainability-related financial information into decision-making processes comprehensively and holistically if the reporting period is not directly aligned with corresponding financial statements.

We encourage the SSBJ to consider implementing temporary reliefs, rather than permanent deviations from IFRS S1, for the instances cited in paragraph 71 of the Application ED and paragraph 53 of the Climate Exposure Draft. Doing so would provide companies the necessary time to amend data collection and reporting protocols while enhancing the decision-useful nature of information provided within the SSBJ Sustainability Disclosure Standards.

As an asset manager integrating sustainability-related information into investment decision-making since 1975, we are greatly encouraged by the prospects of the IFRS Sustainability Disclosure Standards to improve the consistency, comparability, reliability, and decision-usefulness of sustainability-related risks and opportunities disclosure globally. These aims will only be fulfilled if individual jurisdictions adopt the requirements of the IFRS Standards in full, prioritizing any use of temporary reliefs over the omission of certain disclosure requirements.

We encourage the Sustainability Standards Board of Japan's consideration of our feedback and are available to discuss further, if helpful. We can be reached at aaugustine@bostontrustwalden.com and jfernandez@bostontrustwalden.com.

Sincerely,



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