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Mr. Richard Samans
Chairman of CDSB
Carbon Disclosure Project Headquarters
40 Bowling Green Lane, London,
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Comments on CDSB Reporting Framework Exposure Draft

Dear Mr. Richard Samans,

We comment on the CDSB Reporting Framework Exposure Draft as follows.

1. Boundary of the reporting company

"Boundary of the reporting company" is explained in the section "Contextual Disclosure" in the Exposure Draft. However, as the boundary of reporting company is one of the essential components of the reporting framework, a separate section should be prepared along with "Scope of applicability" and "Reporting period".

2. Components of information

The components of climate change-related information to be disclosed in Mainstream Financial Reports are stipulated in "Reporting Templates" in the Exposure Draft. However, we think that the Framework should distinctively explain what kinds of information are to be disclosed to achieve the "decision-usefulness", especially the "relevance", in the separate section titled such as "Components of information" in the Framework. If CDSB Framework places importance on consistency with IASB Conceptual Framework for Financial Reporting and the Management Commentary, it is essential to provide a description on what kinds of information and how they contribute to the investor's assessment "of the entity's ability to generate net cash inflows and management's ability to protect and enhance the capital providers' investments"[1] is essential. The individual components to be disclosed should be based on such explanation.

[1] IASB Conceptual Framework for Financial Reporting Exposure Draft

3. Guiding Principles: Cost

We support the idea that the Guiding Principles of the CDSB framework are designed to be consistent with the qualitative characteristics of information in the IASB Conceptual Framework for Financial Reporting. But the CDSB framework excludes the “Cost” from the Constraining Principles which the IASB Framework adopts as Constraints against the Qualitative Characteristics. We think “Cost” should be included in Constraining Principles due to the following reasons.

・IASB ED of Management Commentary fully adopts the qualitative characteristics in the ED of Conceptual Framework for Financial Reporting. There seems to be no reasonable basis that the climate-change related information should adopt characteristics different from those of Management Commentary.

・Disclosure involves a certain amount of cost. There may be cases that the cost for disclosing some kind of information or enhancing the reliability reaches considerable level. The examples might be the case of requiring companies to calculate with low uncertainty the Scope 3 emission or Scope 2 emission in the developing countries. If the framework requires the company to disclose such information or make sure the information is equipped with an impracticable level of reliability, the benefits to investors can be eliminated, and the smooth disclosure might be impeded.

If there are concerns that the material information would not be disclosed with an excuse of the high cost for disclosure, it can be one of the preventions to require the companies to explain the facts and reasons not to disclose material information when they did not disclose them due to the enormous of cost.

4. ISA720

8 ”Assurance” refers to ISA720. It should be noted that the application of ISA720 is not an assurance engagement, because the description in the section can be misunderstood that the section explains assurance requirements by the users of framework who are not familiar with assurance.

5. Reporting Template 4, Disclosure Guide

We doubt that it would be useful for investors if a company discloses information about measures of direct (Scope 1) and indirect (Scope 2) GHG intensity by reference to the company’s “revenue”, for the following reasons:

- There are various financial information that would tend to indicate a company’s size or

amount of activity such as revenue, net income, total assets or net assets etc. We understand there is no general consensus as to which quantitative information is the most appropriate in calculating GHG intensity. Under the circumstances, if the CDSB reporting framework were to highlight only revenue-based GHG intensity and request uniform application by all reporting companies, we think it entails a risk of delivering an unintended message that the revenue-based intensity information is specially useful and important;

- there can be a case where there exists a difference in application of generally accepted accounting principles (GAAP), with one case presenting gross revenue while the other presenting it net, thus making a comparison of revenue-based GHG intensities under different applications more difficult; and
- readers who wish to use revenue-based GHG intensity can easily obtain it by performing calculation by themselves using financial figures available under current disclosure system.

We think that, when calculating GHG intensity, it should be left for each reporting company to decide which financial figure to select as a denominator or a numerator, rather than to request uniform application.

Yours sincerely,

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