September 25, 2009

RE: Comments on the Exposure Draft of CDSB Reporting Framework

<Fundamental opinions in regard of CDSB Reporting Framework>

1. This Framework should respect existing national reporting frameworks, and the decision to adopt this Framework or not should be based on the country-specific judgments.
2. This Framework should be a principles-based global reporting framework and should consistently maintain an approach that allows each company to determine what type of information to be disclosed.
3. The following concept should be reflected:
   To confirm, this Framework is intended to complement national rules on financial reporting and/or other corporate disclosure including climate-change related information. It should be interpreted that requirements in the national rules are regarded to meet the requirements in this Framework when the national rules have similar requirements to the Framework's. Such flexibility is vital.

<Specific modifications to the Framework>

1. Boundary of reporting entities covered by this Framework
   According to "Section7.2", "Reporting Template1" and "Reporting Template4" in this draft, the climate-change related information including GHG emissions is required to cover the group of entities for which consolidated financial statements are prepared.
   In case of Japan, companies, whose total amount of GHG emissions or energy consumptions exceed each certain threshold value, are regarded as reporting entities by Mandatory Greenhouse Gas Accounting and Reporting System under the Law Concerning the Promotion of Measures to Cope with Global Warming, a domestic law. When investors use the climate-change related information to make investment decisions, they would not have high needs of GHG information which is collected from "all" emission sources, including even minor ones. We hope that the rational means like Japanese case could be applied to this Framework. This could enable the reporting entities to minimize reporting burdens, provided in "Section 9.2".

2. Greenhouse Gas (GHG) Emissions
   (a) Information to be disclosed
   "Reporting Template 4" indicates companies should disclose "Total gross direct (Scope 1) GHG emissions" and "Total gross indirect (Scope 2) GHG emissions associated with the use of purchased electricity, steam, heating and cooling", while Japanese Government requires companies to report "Total gross indirect GHG emissions" and "Indirect GHG emissions of each gas" according to Mandatory Greenhouse Gas Accounting and Reporting System under the Law Concerning the Promotion of Measures to Cope with Global Warming.
   In addition, considering that each country has taken a different approach to adopt which direct emissions or indirect emissions to be reported according to own schemes, detailed items described in the Template 4 should be used as examples, also disclosed information should be based on local schemes in each country. This approach comes up to the outline of this Framework that allows companies to determine what type of information to be disclosed.

(b) Information to be considered for disclosure

"Reporting Template 4" gives four items as further information to be considered for disclosure. They should be regarded as examples, also disclosed information should be determined based on the local schemes in each country, taking account of the flexible nature of this Framework. This approach comes up to the outline of this Framework that allows companies to determine what type of information to be disclosed.

(c) Disaggregation/segmentation of data

"Reporting Template 4" gives four items and says "a segment breakdown of Scope 1 direct emissions and Scope 2 indirect emissions in CO_2 equivalent metric tonnes should be provided for the main countries or regions in which the reporting organization operates". However they should be regarded as examples and determined based on the local schemes in each country, taking account of the differences of each scheme. This approach comes up to the outline of this Framework that allows companies to determine what type of information to be disclosed.

3. Disclosing time and accuracy of disclosed information

"Section4.1" says that disclosures under this Framework should be made on an annual basis for the same period covered by the mainstream report. Looking at year-round schedule, however, it could happen that reporting time of the climate-change related information in local reporting scheme in each country is later than disclosing time described in this Framework. Actually in Japan, companies are obliged to submit their financial statements within three months from end of fiscal year, under Financial Instruments and Exchange Act. Meanwhile, deadline to submit GHG emissions to authority of Japanese government is the end of June, which is stipulated by the Law Concerning the Promotion of Measures to Cope with Global Warming. Thus, in some cases, it is quite difficult on a practical level for reporting companies under local scheme to provide the updated information in their financial statements before deadline set by such local scheme. Considering that such deadline has been set with taking account of the needed time for practical works, the institutional-forced situation, where companies are obliged to disclose the updated information in their financial statements before deadline set by such local scheme as a result of introducing this Framework into each country, should be avoided. We hope that the above-mentioned concept would be reflected in "Section4.1" of this draft.