

IFRS Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

## Comment letter for the third Agenda Consultation of IASB

We are pleased to have this opportunity to respond to the third agenda Consultation of IASB. We always appreciate IASB and staff's efforts for enhancing this global standard, IFRS.

As a group of financial data users (asset managers, analysts, researchers, database managers, academic etc....), preparers and public accountants in Japan, we have been holding workshops to discuss disclosure and ESG issues with average over 40 attendees in the past several years. In our workshops held on July 2nd (to discuss the Intangible Assets), on 25th August (to discuss the Climate-related risks), we have discussed challenges and future state on these topics.

Based on the discussions in the workshops, we would like to provide our comments on this consultation.

We would be happy if our comments will be able to contribute to your future development of the standards.

### Question 1.

No comment.

### Question 2.

No comment.

### Question 3

Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board's work plan.

- (a) What priority would you give each of the potential projects described in Appendix B—high, medium or low—considering the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority.

It is difficult to understand and prioritise all 22 projects. But we would like IASB to prioritise these 2 projects below. The following is our thoughts.

### **Intangible assets**

The Intangible assets are one of the important factors in representing the sustainability of a company, and are becoming more and more important while the discussion of the International Sustainability Standard Board (ISSB) is also about to start soon.

Most of our workshop participants expressed their hope for disclosure of explanations about intangible assets as a source of corporate value, being more interested in it rather than evaluation of intangibles by the company. Some participants felt that it is not enough and expressed their hope for additional disclosure of some numerical values with helpful metrics. They also suggested that it is good that because intangible assets are recognised as a part of BS, management accountability for evaluation is required. The amount of Goodwill is growing and the transparency of intangible assets is becoming increasingly important.

At the same time, the non-financial explanation may be helpful especially when it becomes a link between financial and non-financial. Today, large portions of the company’s value come from intangible assets.

Overall, we felt it is also important to clearly define the role of IASB in relation with that of ISSB, for the development of the disclosure of intangible asset,

Summary of our workshop discussion is below:

[IASB Agenda Consultation 2021: Intangible Assets: Notes from a Digital Reporting Workshop](#)

### **Climate-related risks**

Currently, it appears that many companies are unable to reflect climate change risks sufficiently in their financial statements, which may result in inconsistency between financial statements and non-financial disclosures. There seem to be many companies

who believe that IFRS does not enable to reflect climate change risks to their balance sheet because the potential impact is too long and too uncertain.

We would like to recommend the following three points regarding development/enhancement of IFRS in relation to climate change risks:

1. Consider revising some standards to explicitly state what should be disclosed about climate change impacts to make it easier for companies and auditors to disclose/audit related information.
2. Take necessary measures such as encouraging longer estimation periods, reviewing the gap between corporate understanding and investor expectations regarding the uncertainty of long-term forecasts, and accordingly reviewing the wording of some standards (such as IAS36).
3. Ensure that the explanation of climate change risk required by the ISSB standards will be consistently made in the financial statements. Review IFRS for this purpose along with the process of standards development by ISSB.

As ISSB development will begin soon, we believe the three points above need to be addressed immediately. One of the expectations that the IFRS Foundation sets ISSB is consistency with FS. We believe IFRS is to be developed in consistency with the standards development by ISSB. The Intangible assets are one of the important factors in representing the sustainability of a company, and are becoming more and more important while the discussion of the International

Summary of our workshop discussion is below:

[IASB Agenda Consultation 2021\(2\) : Climate-Related Risks: Notes from a Digital Reporting Workshop](#)

- (b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyse the feedback, when possible, please explain:
- (i) the nature of the issue; and
  - (ii) why you think the issue is important.

No comment.

#### Question 4

No comment.

September 27<sup>th</sup> 2021

Data User workshop group

三井 千絵 Chie Mitsui, CMA (Certified Member Analyst of the Securities Analysts Association of Japan)

Senior Researcher, Nomura Research Institute

**The organiser of these workshops and wrote this comment letter on behalf of the attendees to the workshops.**

### Our past comment letters

We (same group) have sent comments on the past IASB public consultations:

1. Disclosure initiative Principles of disclosure in October 2017  
[http://eifrs.ifrs.org/eifrs/comment\\_letters//242/242\\_20505\\_CHIEMITSUIIndividual\\_0\\_Comment\\_for\\_Pod.pdf](http://eifrs.ifrs.org/eifrs/comment_letters//242/242_20505_CHIEMITSUIIndividual_0_Comment_for_Pod.pdf)
2. Trustees' review of Structure and effectiveness in 2015  
[http://eifrs.ifrs.org/eifrs/comment\\_letters/56/56\\_6024\\_ChieMitsuiIndividual\\_0\\_56\\_5929\\_ChieMitsuiNomuraResearchInstitute\\_0\\_CL34NomuraResearchInstitute.pdf](http://eifrs.ifrs.org/eifrs/comment_letters/56/56_6024_ChieMitsuiIndividual_0_56_5929_ChieMitsuiNomuraResearchInstitute_0_CL34NomuraResearchInstitute.pdf)
3. ED/2014/06 Disclosure Initiative Proposed Amendments to IAS 7 in 2015  
[http://eifrs.ifrs.org/eifrs/comment\\_letters//47/47\\_6734\\_ChieMitsuiIndividual\\_0\\_CM\\_Comment\\_150401.pdf](http://eifrs.ifrs.org/eifrs/comment_letters//47/47_6734_ChieMitsuiIndividual_0_CM_Comment_150401.pdf)
4. Trustee consultation – Sustainable Reporting  
[http://eifrs.ifrs.org/eifrs/comment\\_letters//570/570\\_27529\\_ChieMitsuiFinancialDataUserWorkshopGroup\\_0\\_ReponsetoIFRSFoundation.pdf](http://eifrs.ifrs.org/eifrs/comment_letters//570/570_27529_ChieMitsuiFinancialDataUserWorkshopGroup_0_ReponsetoIFRSFoundation.pdf)