

The Sustainability Standards Board of Japan (SSBJ) submitted its response online to the Exposure Draft of the European Sustainability Reporting Standards (ESRS) for Certain Non-EU Undertakings in Accordance with Article 40a of the Accounting Directive to EFRAG on 26 October 2026 by completing the online questionnaire.

This document reproduces the SSBJ's responses to the questions included in PART 2 – SURVEY QUESTIONS – HIGH LEVEL FEEDBACK and PART 3 – SURVEY QUESTIONS – DETAILED FEEDBACK.

Narrative responses are shown in blue text and enclosed within double-line borders. Questions for which no response is required based on the selected options are shown with strikethrough text.

Questions that are optional and to which no response has been provided are highlighted in grey.

PART 2 – SURVEY QUESTIONS – HIGH LEVEL FEEDBACK

TOPIC 1: Revised ESRS as basis for ESRS-40a ED; approach to deleting datapoints or reformulating paragraphs as required by CSRD

Background and context

EFRAG has developed the ESRS-40a ED in accordance with the EC's mandate and guidance, with a focus on transparency regarding impacts of third-country groups with significant activities in the EU. The use of the revised ESRS text as the basis for the ESRS-40a ED was identified as the most appropriate way to implement the provisions of the CSRD, as well as a pragmatic solution, enabling consistency and supporting a level playing field between EU and non-EU companies providing products and services to EU customers.

For all the standards in the ESRS-40a ED (other than the Standard ESRS-40a 1 ED), an analysis of all datapoints in revised ESRS was performed to determine whether:

- a. the datapoint covers an aspect pertaining to areas that should be excluded from the ESRS-40a ED, i.e. risks, opportunities, resilience and dependencies (RORD) and financial effects;
- b. the datapoint covers an aspect to be included as it relates to impacts;
- c. the datapoint covers aspects – including financial information – maintained in the text as they provide useful contextual information to understand the impacts and how they are managed; and
- d. the datapoint covers impacts, risks and opportunities and should be reformulated so that only information related to impacts are included in the ESRS-40a ED.

Questions

21) Do you agree with the way EFRAG has implemented the provisions of the Accounting Directive (Articles 40a–40d), particularly in deleting RORD-related disclosures and financial effects, as well as maintaining financial information that provides useful contextual information to understand impacts and how they are managed?*

☐ Yes.

☐ No.

~~22) i. If no, would you retain any disclosure requirements that have been removed?*~~

~~☐ Yes.~~

~~☐ No.~~

~~Because you answered "Yes." in the previous question, answering in Excel in Part 4 of this questionnaire is required. [FEEDBACK AT DR/DATAPOINT LEVEL].~~

~~23) ii. Do you have comments on added (i.e. not in revised ESRS) or amended paragraphs?*~~

~~☐ Yes.~~

~~☐ No.~~

~~Because you answered "Yes." in the previous question, answering in Excel in Part 4 of this questionnaire is required. [FEEDBACK AT DR/DATAPOINT LEVEL].~~

24) i. If yes, Please specify why*

Given that ESRS-40a is to be applied by third-country groups that do not have securities admitted to trading on a regulated market in the EU, the Sustainability Standards Board of Japan (“the SSBJ” or “we”) think that it is reasonable that EFRAG is proposing an ESRS-40a Exposure Draft (“the ED”) that covers impacts only and deletes the datapoints that cover RORD and financial effects. In addition, we agree that financial information may provide useful contextual information for understanding impacts.

We note that many of the Japanese companies subject to SSBJ Standards under the Japanese securities laws and regulations will also be subject to ESRS-40a. In Japan, listed companies that exceed the market capitalization threshold are required to disclose sustainability information in accordance with SSBJ Standards from years ending March 2027 or later (which depends on the market capitalization). Considering this situation, we would like to work with EFRAG so that Japanese companies can minimize their burden arising from complying with both SSBJ Standards and ESRS-40a. Our comments on the ED are prepared specifically from

this perspective.

We also note that several Japanese investors have indicated that Japanese companies should focus primarily on preparing sustainability disclosures in accordance with SSBJ Standards and that the implementation of ESRS-40a should not hinder their progress.

In addition, when disclosures prepared in accordance with SSBJ Standards are used as the starting point for preparing disclosures in accordance with ESRS-40a, we think that ESRS-40a should be absolutely clear to ensure that entities applying SSBJ Standards are not required to identify disclosures corresponding to the deleted RORD and financial effects-related datapoints and remove those disclosures, or reconsider the location of the disclosures. EFRAG should clarify that entities may retain disclosures on RORD and financial effects as part of ESRS-40a disclosures without being considered “obscuring” material information.

TOPIC 2 – Mixed approach: option to limit the ESRS-40a sustainability report transparency to EU-related impacts only (paragraphs 28–30 of the ESRS-40a 1 ED)

As an alternative to reporting on a global scope for all material sustainability topics, undertakings have the option to limit their disclosures on topics other than climate to EU-related impacts only. In this case, they apply the ‘mixed approach’, i.e. they report on a global scope for climate, and they report on their EU-related impacts for one or more topics other than climate.

According to EFRAG’s proposal, EU-related impacts are those arising from one or both of the following:

- (a) products and services that were or can be reasonably assumed to be sold or provided in the EU market, including by third parties (downstream value chain actors such as distributors and traders). This component of the EU-related impacts is referred to as the ‘customer component’;
- (b) impacts of the undertaking’s EU activities, if not already included in point (a). This component of the EU-related impacts is referred to as the ‘location-based component’.

Impacts captured in point (a) and impacts captured in point (b) above are all to be covered as EU-related impacts.

The definition of impacts is not limited to impacts of own operations but also includes upstream and downstream value chain impacts, wherever they arise (i.e. inside or outside the EU).

The option allows the undertaking to apply this ‘EU-related impacts’ scope at different levels of granularity: topic, sub-topic, or a group of impacts that are within a topic or sub-topic. However, companies may only apply the mixed approach under the following condition:

Paragraph 29 of the ESRS-40a 1 ED states:

‘[...] only where a meaningful identification of the *EU-related impacts* enabling a faithful representation of those *impacts* for the purpose of the ESRS-40a ED reporting, aligned with:

- (a) how the undertaking’s own operations, its products and its service offering are structured or managed; and
- (b) how its upstream and downstream value chain or chains are structured and operate.’

The mixed approach was introduced into the ESRS-40a ED at the request of the EC. Its introduction in the ESRS-40a ED was extensively discussed during the standard-setting process. Members expressed broadly shared reservations about the mixed approach, as it may weaken the level playing field for European companies, it may limit relevance and completeness of the information, it may reduce comparability, and it raises implementation challenges. These concerns are described in the Basis for Conclusions (Section Approval of the ESRS-40a Exposure Draft). While concerns were identified, seeking stakeholder feedback is an important first step before reaching conclusions.

Questions

25) Do you support the inclusion of a ‘mixed approach’ option in the ESRS-40a ED, which allows limiting disclosures to EU-related impacts only for some topics?*

☐ Yes.

☐ No.

26) i. Please select from this list of reasons (choose one or more):*

☐ It captures impacts that have a link with the EU.

☐ It provides a proportionate approach to third-country groups without imposing excessive costs connected to global reporting for all topics.

☐ It provides relevant information thanks to the condition in AR 6 for paragraph 29 (ESRS-40a 1 ED).

☐ It does not impair comparability and auditability of sustainability reporting.

☐ Other reasons (please specify): _____

27) i. Please select from this list of reasons (choose one or more):*

- ☐ It fails to secure level playing field for EU companies.
- ☐ Despite the condition in AR 6 for paragraph 29 (ESRS 40a 1 ED), it does not result in relevant and complete information, or it conflicts with faithful representation of impacts.
- ☐ It results in mixed scopes in the same report (global for climate, EU related for one or more groups of impacts/sub topics/topics), making it difficult for users to understand and use the information;
- ☐ The condition in AR 6 for paragraph 29 (ESRS 40a 1 ED) is too narrow and will have narrow application.
- ☐ The flexibility in paragraph 30 (ESRS 40a 1 ED) is too broad, as impacts are managed consistently at topical level.
- ☐ The flexibility in paragraph 30 (ESRS 40a 1) is too broad, and it will result in lack of comparability across companies.
- ☐ Reporting on EU related impacts raises significant practical challenges.
- ☐ Other reasons (please specify): _____

28) ii. Please explain your reasoning and, if applicable, provide suggested improvements. *

We support the inclusion of the option to apply the mixed approach in ESRS-40a. Some Japanese companies that will be applying SSBJ Standards have indicated their interest in applying the mixed approach to help limit the amount of information that would need to be collected and reported, compared with the global approach. The mixed approach could help minimize the burden arising from complying with both SSBJ Standards and ESRS-40a.

We also note that some stakeholders have identified the need for the following in making the mixed approach a more effective option to minimize the burden:

- (i) Clarification and guidance regarding the condition relating to ‘meaningful identification.’
- (ii) Allowing an appropriate degree of flexibility in applying the mixed approach, given that entities may manage their activities by reference to geographic areas that do not strictly correspond to the EU, such as Europe as a whole (which may include, for example, the UK and Switzerland).

In addition, we are not fully convinced that the global approach should be required for ESRS-40a E1 *Climate Change* merely because many third-country jurisdictions have adopted standards aligned with IFRS S2, as explained in paragraph BC47 of the ED. In our view, the mixed approach could also be considered for climate-related matters, provided that the proposed conditions for applying the mixed approach are met.

~~29) ii. Please explain your reasoning and, if applicable, provide suggested improvements.*~~

~~30) iii. Please specify why and which challenges you anticipate.*~~

AR 6 for paragraph 29 (Meaningful identification of EU-related impacts)	(New) When assessing whether a meaningful identification of EU-related impacts is possible, the following are examples of factors that the undertaking may consider: a) existence of a separate business segment dedicated to serving the EU market; b) products or services specifically designed for the EU market; c) separate management of EU-related impacts; or d) value chains dedicated to products and services that were or are reasonably assumed to be sold or provided in the EU market.
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Paragraph 30, ESRS-40a 1

(New) The undertaking may apply the option in paragraph 28 either:

- (a) to all the impacts related to a specific topic (e.g. all impacts related to ESRS-40a E2 Pollution);
- (b) to all the impacts related to a specific sub-topic (e.g. all the impacts related to pollution to air);
- (c) to a group of impacts related to a topic or sub-topic.

31) Definition of EU-related impacts. Paragraph 28(a) of the ESRS-40a 1 ED refers to EU-related impacts (customer component) as: ‘impacts that arise from products and services that were or can be reasonably assumed to be sold or provided in the EU market, including by third parties (downstream value chain actors such as distributors and traders)’.

Do you agree with this formulation, which remains at the principles-based level? *

☐ Yes.

☐ No.

~~32) Please recommend alternative factors to be considered by the undertaking that could be included in the Standard.*~~

33) For preparers, Do you intend to apply the mixed approach?*

☐ Yes.

☐ No.

34) i. To which topic/sub-topic or group of impacts do you intend to apply the mixed approach?

As we are responding in our capacity as a standard-setter, we are not responding to this question, which is directed to preparers.

35) ii. How would you apply it?*

As we are responding in our capacity as a standard-setter, we are not responding to this question, which is directed to preparers.

36) For users, Considering the transparency requirements for applying the mixed approach in paragraph 4(a) and AR 1 of the ESRS-40a 2 ED, and the specific provisions added in paragraphs 28–30, AR 6 and AR 7 of the ESRS-40a 1 ED, do you expect to be able to understand and compare a sustainability report that applies different reporting boundaries (e.g. global vs EU-related scope) across topics or sub-topics?

Please find the paragraphs mentioned above [here](#).

☐ Yes.

☐ No.

37) Please explain why.*

We acknowledge that the inclusion of the mixed approach option and allowing flexibility in its unit of application may reduce comparability across ESRS-40a sustainability reports. Nevertheless, we support including the mixed approach option, given the importance of helping Japanese companies to minimize the burden arising from complying with both SSBJ Standards and ESRS-40a.

38) Please suggest possible amendments.*

Please refer to our response to above question.

PART 3 – SURVEY QUESTIONS – DETAILED FEEDBACK

If necessary, please refer to the text of the ESRS-40a ED in Annex 1 and the text of the Basis for Conclusions for the ESRS-40a ED in Annex 2.

TOPIC 1 – Revised ESRS as the basis for the ESRS-40a ED and approach to deleting datapoints or reformulating paragraphs as required by the CSRD

39) Despite the focus on impacts and the deletion of RORD, do you agree with the reference to fair presentation in the reporting objective of the ESRS-40a ED in paragraph 5 of the ESRS-40a 1 ED: ‘the objective of the ESRS-40a ED sustainability report, taken as a whole, is to present fairly (see Chapter 2) all the undertaking’s material sustainability-related impacts and how the undertaking manages them’? For further considerations, please refer to the Basis for Conclusions (BC87–BC 90).

☐ Yes

☐ No

40) Please explain.

TOPIC 2 – Mixed approach: option to limit the ESRS-40a ED sustainability report transparency to EU-related impacts only (paragraphs 28–30 of the ESRS-40a 1 ED

41) Under the ED, companies can also apply the mixed approach option when reporting about human rights impacts. This means that they can restrict reporting to EU-related human rights impacts. Do you think human rights impacts should be excluded from the mixed approach and reported globally, regardless of where they occur or whether they are connected to products and services sold to the EU? (see the Basis for Conclusions, sub-chapter detailed discussions of key topics, BC46–BC61)

☐ Yes, human rights impacts should be reported on a global scope.

☐ No, reporting can be limited to EU-related impacts.

42) Please explain, also with reference to the specific circumstances you have in mind.

43) Under the ED, companies can limit the disclosure to EU-related impacts without considering whether the impacts can be geographically contained (both in terms of where the impacts occur and where their effects are experienced). Do you agree with this approach? (see the Basis for Conclusions, sub-chapter detailed discussions of key topics, BC46–BC61)

☐ Yes.

☐ No.

44) Please explain, also with reference to the specific circumstances you have in mind.

45) Do you think that fair presentation can be achieved under the mixed approach? (see Basis for Conclusions, sub-chapter detailed discussions of key topics, BC46–BC61)

☐ Yes.

☐ No.

46) Please explain.

47) Do you agree with the flexible formulation of the option, which allows companies to choose the scope of reporting (global or EU-related impacts) at topic, sub-topic or group-of-impacts level, irrespective of how other topics, sub-topics or groups of impacts within the same topic are treated?

☐ Yes.

☐ No.

48) i. Please explain

49) ii. SUB-QUESTION FOR PREPARERS: If you replied 'Yes.' to the above question, are you considering, within the same topic, reporting at EU-related level for some groups of impacts or sub-topics, and reporting at global level for some other groups of impacts or sub-topics?

☐ Yes.

☐ No.

50) iii. Please explain for which topic this would happen and the rationale behind this choice.

51) For preparers and assurance providers, do you anticipate implementation challenges when applying the mixed approach?

☐ Yes.

☐ No.

52) i. If "Yes.", please select one or more of the following.

☐ How to demonstrate the condition in AR 6 for paragraph 29 of ESRS-40a 1 ED

☐ How to identify the products and services that were or can be reasonably assumed to be sold or provided in the EU market, including by third parties;

☐ How to perform a materiality assessment focused on EU-related only impacts (chapter 3 of ESRS-40a 1 ED)

☐ How to report on policies, actions and targets for EU-related impacts

☐ How to identify the most appropriate allocation key and report on metrics

☐ How to report in accordance with ESRS-40a 2 ED.

☐ How to report in accordance with ESRS-40a E2 ED

☐ How to report in accordance with ESRS-40a E3 ED

☐ How to report in accordance with ESRS-40a E4 ED

☐ How to report in accordance with ESRS-40a E5 ED

☐ How to report in accordance with ESRS-40a S1 ED

☐ How to report in accordance with ESRS-40a S2 ED

☐ How to report in accordance with ESRS-40a S3 ED

☐ How to report in accordance with ESRS-40a S4 ED

☐ How to report in accordance with ESRS-40a G1 ED

☐ Providing transparency on the use, assumptions and results of the mixed approach (paragraph 4(a), AR 1 for paragraph 4(a) of ESRS-40a 2 ED)

☐ Others - Write In: _____

53) ii. Please explain why and, if applicable, suggest improvements.

54) iii. Because you identified as a challenge 'How to identify the most appropriate allocation key and report on metrics', please specify which metrics you are referring to. Please specify why.

55) ESRS-40a 2 ED BP-1, paragraph 4(a), requires the undertaking to disclose whether the sustainability report has been prepared using the mixed approach and, if so, to explain – per topic, sub-topic, or group of impacts – how EU-related impacts were determined and how the

conditions set out in the ESRS-40a 1 ED, paragraphs 29 and 30, and AR 6 have been met. Do you consider these requirements to be clear, feasible and sufficient to ensure proper understanding of when and how the mixed approach is applied?

☐ Yes.

☐ No.

56) Please include your suggestions, if any, on how these requirements can be improved.

57) Do you agree with the specifications in the ESRS-40a 2 ED that provide guidance on how to apply this Standard when reporting on EU-related impacts?

☐ Yes.

☐ No.

58) i. If 'No.' to the previous question, please select one or more of the specifications below with which you disagree:

☐ GOV 1 (AR 11)

☐ GOV 2 (AR 12)

☐ GOV 3

☐ GOV 4

☐ SBM 1

☐ SBM 2 (AR 19)

☐ SBM 3 (AR 21)

☐ I-1 (AR 23)

☐ I-2 (AR 27)

☐ GDR-P (AR 34)

☐ GDR-A (AR 36)

☐ GDR-M (AR 44 to AR 47)

☐ GDR-T (AR 52)

59) ii. Please explain why you selected this option and, if applicable, provide suggestions for improvement.

60) Do you agree with the specifications in the ESRS-40a ED topical standards that provide

guidance on how to apply this Standard when reporting on EU-related impacts?

☐ Yes.

☐ No.

61) i. If 'No.' to the previous question, please select the specifications below with which you disagree.

☐ ESRS-40a E2 AR 4 (primary microplastics)

☐ ESRS-40a E2 AR 9 and 10 (SoC and SVHC)

☐ No specifications in ESRS-40a E3 (specification in GDR-M applies)

☐ No specifications in ESRS-40a E4 (specification in GDR-M applies)

☐ No specifications in ESRS-40a E5 (specification in GDR-M applies)

☐ ESRS-40a S1 (paragraph 8, AR 1, AR 2, AR 20, AR 39)

☐ ESRS-40a S2 (paragraph 8)

☐ ESRS-40a S3 (paragraph 7)

☐ ESRS-40a S4 (paragraph 7)

☐ ESRS-40a G1 (paragraph AR 7 metric for corruption and bribery)

☐ ESRS-40a G1 (paragraph AR 7 11 metric for political influence)

☐ ESRS-40a G1 (paragraph AR 7 13 metric for payment practices)

62) ii. Per each item selected, please explain why and, if applicable, provide suggestions for improvement.

63) Breakdown for own workforce. Do you think it would be useful for users of sustainability reports if companies that opt for the mixed approach were required to disaggregate the quantitative metrics in Disclosure Requirements S1-6 to S1-16 – e.g. health and safety metrics such as number and rate of work accidents – by workforce inside and outside the EU? (A company's workforce includes employees and non-employees.)

☐ Yes.

☐ No.

64) i. If 'Yes.', should all quantitative metrics in S1-6 to S1-16 have to be disaggregated in that way or only some?

☐ All.

☐ Only some.

65) ii. If for 'Only some.', please specify which ones.

Topic 3: Interoperability, presentation and incorporation by reference

Background and context

The presentation requirements in ESRS-40a ED are carried forward from ESRS without modifications.

Several jurisdictions whose law governs the ultimate third-country parent company subject to Article 40a reporting, have introduced, or are in the process of introducing, mandatory sustainability reporting supported by standards based on IFRS S1 and IFRS S2. In general, these standards cover sustainability-related financial risks and opportunities and are complementary, and in some cases underpin the information provided in accordance with ESRS-40a ED.

EFRAG acknowledges that the ESRS-40a ED and jurisdictional requirements based on IFRS S1 and IFRS S2 include a significant number of common disclosure requirements. To ease reporting and avoid double reporting, the current ESRS-40a ED allows incorporation by reference. However, it was acknowledged that clear requirements shall be set for when incorporation by reference is acceptable, so that undertakings disclose meaningful and auditable information (language, same assurance level, etc.) In addition, considering the difference between materiality approaches (ISSB standards on financial materiality, while the ESRS-40a ED focuses on impact materiality), structuring these different disclosures while enabling understandability is critical.

Further details are provided in Chapter 9.3 *Incorporation by Reference* of the ESRS-40a 1 ED.

66) Questions

Do you agree with the presentation requirements in ESRS-40a ED?

() Yes.

(○) No.

67) i. If "No.", please explain why.

From the perspective of minimizing the burden on Japanese companies arising from complying with both SSBJ Standards and ESRS-40a, we are particularly concerned with the following sources of burden that may arise in addition to preparing disclosures under SSBJ Standards:

(i) Providing disclosures required under ESRS-40a that are not required under SSBJ Standards.

(ii) Adjusting disclosures that are required under SSBJ Standards to comply with ESRS-40a

where similar disclosure topics are covered under both standards but are not fully aligned. This includes assessing the extent to which such adjustments are necessary.

- (iii) Relocating or removing disclosures that are required under SSBJ Standards but are not required under ESRS-40a, such as information on RORD and financial effects, so that such information would not “obscure” the material information that is required to be disclosed under ESRS-40a.

We think that incorporation by reference proposed in the ED has limited effects on minimizing the burden. This is because Japanese companies would need to determine whether disclosures required under SSBJ Standards also comply with the requirements of ESRS-40a before they determine whether incorporation by reference can be used. We note that this determination may become an additional burden for Japanese companies because: (i) given the different concepts of materiality under the two sets of standards, it can be challenging to identify which disclosures are required under ESRS-40a beyond those required under SSBJ Standards and (ii) interpretation of the requirements of ESRS-40a may be necessary.

While EFRAG notes that a number of disclosures are common between ISSB Standards (on which SSBJ Standards are based) and ESRS-40a, it does not identify which disclosures are common and which are additional. Japanese companies applying SSBJ Standards would therefore need to make this determination themselves, which would create additional burden.

68) ii. If 'No.', please provide suggested amendments.

We recommend that EFRAG clearly identify: (i) the additional disclosures required under ESRS-40a beyond those required under SSBJ Standards and (ii) the disclosures required under SSBJ Standards that would require adjustments to comply with ESRS-40a. This clarification would ensure that, other than those identified by EFRAG, disclosures required under SSBJ Standards can be used without modification for the purposes of ESRS-40a. This would include retaining disclosures on RORD and financial effects without those disclosures being considered “obscuring” material information.

We observe that, within the differences between SSBJ Standards and ESRS-40a, some are relatively minor differences and others are slightly more significant. Accordingly, we are of the view that EFRAG should go a step further and require the disclosures of only those differences that are significant and thus are absolutely necessary for the purposes of third-country reporting. The result should be a short list of items that should be additionally provided or adjusted from disclosures required under SSBJ Standards. This would enable Japanese companies to make maximum use of disclosures already required under SSBJ

Standards.

69) Do you agree with the provisions in Chapter 9.3 on incorporation by reference, including as a possible way to achieve efficient reporting and to deal with double reporting when the group prepares a sustainability report in accordance with jurisdictional requirements based on IFRS S1 and IFRS S2, or in accordance with IFRS S1 and IFRS S2?

() Yes.

(○) No.

70) i. If 'No.', please specify if you disagree with.

[] Examples of sources (paragraph 120)

[○] Conditions for incorporation by reference (paragraphs 121–123)

[] Additional flexibility made available in the ED to third-country groups when incorporating by reference a substantial part of the ESRS-40a ED reported information (paragraph 124)

[] Requirement to add a content table (paragraph 125)

71) ii. If "No", please explain and, if applicable, provide suggested improvements.

Japanese companies are required to disclose sustainability information in the official language of Japan (i.e., Japanese), and are required to obtain assurance over such disclosures in that language.
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We recommend that the ESRS-40a clarify that assurance obtained over the original disclosures prepared in Japanese is sufficient to meet the requirement in paragraph 121(d) of ESRS-40a 1 ED, and that separate assurance over a translated version prepared in the official language of the EU would not be required.

72) For preparers, If you are in scope of the ESRS-40a ED and, at the same time, (will) prepare (from YE2028) a sustainability report in accordance with jurisdictional standards based on IFRS S1 and IFRS S2, do you anticipate:

() To be able to avoid double reporting, by using incorporation by reference from the sustainability report prepared at group level in accordance with jurisdictional requirements.

() To be able to comply in a single report with the two frameworks, ensuring clear identification of the information that meets respectively the requirements in each of the two sets of standards, including the information that meets the requirements that are common to the two sets of standards.

() Not to be able to avoid double reporting, which means having to produce the same information in two standalone reports.

73) In this case, please specify how you plan to support understandability and identification of disclosures that meet the disclosure requirements in the respective frameworks.

74) Please explain why and illustrate the challenges you anticipate.

75) Please provide suggestions for amendments.

76) Do you find the requirements for incorporation by reference sufficient to lead to an understandable and auditable report?

☐ Yes.

☐ No.

77) If applicable, please provide suggested improvements.

Topic 4: References to EU laws and regulations and their feasibility

Background and context

This questionnaire seeks stakeholders' views on the use of references to EU laws and regulations in the ESRS-40a ED for third-country undertakings. The current ESRS-40a ED approach relies on references to terms and concepts in EU laws and regulations, reflecting the expectation that third-country undertakings with significant EU activities have sufficient knowledge of those terms and concepts at group level. Accordingly, EU regulatory references are carried forward from ESRS, while also considering the level playing field, as ESRS reporters also have to apply these references when reporting on operations located outside the EU. Please note that the ESRS-40a ED only references certain terms and concepts in EU law for reporting purposes and does not impose these laws on non-EU groups.

Where EU references contain concepts and terms that are not applicable in the jurisdictions where the undertaking operates, undertakings may have to adjust their reporting processes to adopt such concepts and terms and, if relevant, are expected to disclose methodologies, assumptions and estimates to ensure comparability. Reliefs in Chapter 7.3 and 7.4 are applicable.

78) For preparers, Do you think that referring to terms and concepts from EU legislation as the default framework is feasible?

☐ Yes.

☐ No.

79) If not, please specify which disclosure requirements you are referring to.

Please find attached an Excel file containing a list of disclosure requirements where you can provide your comments. Please note that comments are allowed also on disclosure requirements not mentioned in this file.

Please, download the file [here](#).

A practical note, to correctly use the Excel file, please download it, complete the fields, and then upload the document.

Please upload the populated Excel File in this box.

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80) ESRS-40a 2 ED BP-1, paragraph 7, requires undertakings to disclose, where EU-derived concepts are applied to third-country operations using approximations or estimations, which disclosures are affected, how the information was prepared, what limitations arise, and which parts of the reporting boundary are concerned. Do you consider these requirements to be clear, feasible and sufficient to ensure proper understanding of how the undertaking treats differences between EU-derived concepts and other third-country concepts?

☐ Yes.

☐ No.

81) If no, please explain your reasoning.

Our understanding is that the proposals in the ED would require Japanese companies applying SSBJ Standards to understand the terms and concepts in EU laws and regulations, apply them to their own operations and value chain, and explain the related assumptions, estimates and limitations.

We are concerned that complying with such requirements would impose a significant practical burden, including significant costs associated with legal expertise and assurance. EFRAG

notes in paragraph BC69 of the ED that similar challenges may arise for EU companies in reporting their activities outside the EU. However, we believe that third-country companies are likely to face a greater burden than EU companies, because (i) EU companies generally should have a deeper knowledge of EU laws and regulations compared to third-country companies; (ii) for third-country companies the weight of activities outside the EU is generally more extensive than that of EU companies. In our view, the proposals in the ED may go beyond what is necessary to ensure a level playing field.

We are also concerned that requiring disclosures with reference to EU laws and regulations for activities outside the EU that are not subject to those laws and regulations may result in potentially misleading disclosures.

Accordingly, we think that it may be more practical and result in more useful information to require disclosures with reference to the laws and regulations which third-country companies are required to apply and to require qualitative explanation of key differences between those laws and regulations and the relevant EU laws and regulations.

In addition, regarding the datapoints that refer to EU laws and regulations included in Appendix A of the ED, we note that maintaining such a list may require frequent amendments to ESRS-40a whenever the referenced laws and regulations are updated.

Topic 5: Any other comment

82) Please provide any other comments or suggested improvements on ESRS-40a ED not covered in the questions above.

Japanese companies subject to ESRS-40a have significant concerns about the proposed effective date of 1 January 2028, because they think that beginning in 2028 may not provide sufficient time for them to prepare for the disclosures proposed in the ED.

In addition, because many Japanese companies are expected to initially apply SSBJ Standards around the same time, they would need to prepare for the initial application of both SSBJ Standards and ESRS-40a concurrently. Japanese users are particularly concerned that preparing for both sets of standards at the same time could hinder the progress in preparing for the initial application of SSBJ Standards.

Accordingly, we strongly recommend that the effective date of the third-country reporting regime and the mandatory application of ESRS-40a be deferred to allow third-country companies sufficient time to prepare for the disclosures under ESRS-40a. If such a deferral is not feasible, we recommend that transition requirements that would substantially reduce the

burden on companies during the first few years of application be introduced.