

News Release

FOR IMMEDIATE RELEASE

Provision of the First Template Function Adapted to the IFRS Sustainability Disclosure Standards in Japan (IFRS S1 and S2) on the Sustainable Finance Platform

Engagement Support Service, a Digital Platform that Promotes ESG Investing

Tokyo, December 10, 2024 – The Association for Promotion of Sustainable Finance Platform (AP-SFPF) and Hitachi, Ltd. (Hitachi) today announced that we will begin providing the first template feature adapted to the IFRS sustainability disclosure standards in Japan (IFRS S1 and S2^{*1}) formulated by the International Sustainability Standards Board (ISSB), on the Sustainable Finance Platform - Engagement Support Service (SFP-ESS), a digital platform that promotes ESG investing by establishing seamless connections between asset management companies and listed companies.

Specifically, Hitachi's SFP-ESS, developed under license from the IFRS Foundation, will be enhanced with a template designed to facilitate reporting in accordance with IFRS S1 and S2 and the SASB Standards^{*2} (Templates). AP-SFPF will offer the Templates to asset management companies and listed companies in Japan as the service provider.

By starting to provide the Templates, AP-SFPF and Hitachi will support listed companies in Japan in their disclosure of information in conformance with IFRS S1 and S2 and communication between listed companies and asset management companies. This will enable global institutional investors to properly evaluate sustainability-conscious corporate activities in the ESG perspective and contribute to the enhancement of the companies' corporate value.

AP-SFPF is a general incorporated association that was established to connect diverse stakeholders and promote effective and efficient communication, solving issues and considering projects to contribute to the continued development of the ESG market. It was established in July 2023 by eight companies, which mainly include financial institutions: MS&AD Insurance Group Holdings, Inc., Sompo Japan Insurance Inc., Tokio Marine & Nichido Fire Insurance Co., Ltd., Nippon Life Insurance Company, Hitachi, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, and MUFG Bank, Ltd.

*1 Disclosure standards announced by the IFRS Foundation in June 2023. The standards consist of IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures).

*2 The Sustainability Accounting Standards Board (SASB) Standards provide industry-specific ESG disclosure guidance focused on financial materiality. As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards.

Background of the start to adapt the SFP-ESS for IFRS S1 and S2

Recently, investors' interest in companies' sustainability initiatives has been growing and companies are implementing sustainability initiatives and disclosing information about them. However, there are various disclosure standards in Japan and global. This has created an issue regarding disclosures. The people in charge of disclosing information, especially people at listed companies engaging in business globally, are not sure which standards to refer to and unable to determine investors' expectations regarding the disclosure of information, in addition to being short of resources. To solve this situation, the ISSB announced IFRS S1 and S2 in June 2023 as global baseline standards for the disclosure of sustainability-related information.

In Japan, the Sustainability Standards Board of Japan (SSBJ) is formulating the Japanese version of S1 and S2 (the SSBJ standards), which are made to comply with all of the requirements of IFRS S1 and S2, the standards for disclosing sustainability-related information

in Japan. The finalized standards are planned to be published by March 2025. In addition, the Financial Services Agency made it mandatory to disclose sustainability-related information in securities reports in the fiscal year ended March 31, 2023. It is also considering the gradual application of the SSBJ standards to companies listed on the Prime Market starting in the fiscal year ending March 31, 2027. Therefore, listed companies are facing urgent tasks, such as the collection of sustainability-related information and the development of a disclosure process in line with IFRS S1 and S2, to prepare for the disclosure of information becoming mandatory in the future and to enhance their corporate value.

In response, AP-SFPF exchanged opinions with more than 100 companies, including asset management companies and listed companies, and began to offer a beta version of the SFP-ESS and verify its value in October 2023 to reduce the workload of the people at listed companies in charge of disclosing information and promote ESG investing in Japan. By using the Templates to adapt the SFP-ESS to IFRS S1 and S2, AP-SFPF and Hitachi will help listed companies smoothly disclose ESG information and contribute to improving their corporate value.

Outline of SFP-ESS

The SFP-ESS is a two-sided platform on which asset management companies and listed companies making ESG investments are connected seamlessly to deepen their mutual understanding of each other. Asset management companies present their needs regarding the ESG information it expected that listed companies disclose in line with the SASB*2 Standards. Listed companies refer to this registered information, which enables them to understand the needs of asset management companies and use the information when formulating their disclosure policies.

Listed companies enter their data into the platform and send it, publishing it alongside comments by following the disclosure items in the Templates. This facilitates asset management companies' side-by-side comparison of listed companies as the viewers and also enables them to understand data, including the details.

Features of the Templates adapted to IFRS S1 and S2

Regarding IFRS S1 and S2, documents explaining the disclosure standards themselves, the IFRS Sustainability Disclosure Taxonomy*3, and support materials including a guide for the voluntary application of ISSB Standards have been published. However, Japanese documents are limited, and each company is left to decide how they will disclose the information they should disclose in their integrated reports and other reports. To support the practical tasks done by these listed companies, the Templates come with an input interface available in Japanese, so that digital data can be entered and saved on the platform in accordance with definitions in the taxonomy. Specifically, the Templates help listed companies understand and respond to IFRS S1 and S2 using the following three features.

*3 The IFRS Sustainability Disclosure Taxonomy is a framework for digitally tagging sustainability-related financial disclosures. Its goal is to digitalize information and facilitate investors' and stakeholders' comparison and assessment of companies' sustainability performance.

1. Disclosure items classified into three categories (major categories, intermediate categories, and subcategories)

The IFRS Sustainability Disclosure Taxonomy information is classified in detail into four core classifications (governance, strategy, risk management, and metrics and targets). However, the hierarchical structure differs from item to item. In response, a creative measure was devised to streamline data entry by the people in charge of the disclosure of information at listed companies by classifying the information into major categories,

intermediate categories and subcategories visualizing the hierarchical structure of the information. This helps the people in charge of disclosing information at companies understand information collection based on the definitions in IFRS S1 and S2 without difficulty.

2. Supplementary information from the IFRS Foundation regarding each disclosure item is provided when viewing the Templates.

The IFRS Foundation, provides application guidance which companies may want to refer to when entering information into the Templates.

3. Tables styles and options enabling an intuitive understanding of the information that needs to be disclosed are available

Optimal table styles are provided on an item-by-item basis to enable people to intuitively understand and enter the information required for each disclosure item. For example, there is an appropriate answer space for items that are yes or no questions. In addition, for items which require that risks be described, there is a multiple-choice section about the type of risk (physical or transition) and the time frame (short, medium, or long term), in addition to the space for describing the risk. This prevent the omission of information or the provision of insufficient information.

Future development

Moving forward, AP-SFPF and Hitachi will broadly expand the SFP-ESS with the Templates to listed companies and talk with multiple listed companies preparing to comply with IFRS S1 and S2 ahead of others. It will thus collect opinions and requests regarding the improvement of the convenience of the Templates and develop the Templates so that we are more useful and adapted to IFRS S1 and S2.

We will also work to functionally enhance the SFP-ESS in addition to developing the Templates. Specifically, they move forward with consideration and development to provide service features which will be needed in the promotion of the disclosure of information, dialogue, and engagement between asset management companies and listed companies, such as a feature enabling asset management companies to register their information disclosure needs, and to release these features one by one. We also plan to incorporate the finalized SSBJ standards which will be published by the SSBJ by March 2025.

Speaking at Director of Earned Revenue, IFRS Sustainability, Eli Reisman, said:

“The IFRS Foundation welcomes Hitachi as a licensee of its standards. The IFRS Foundation encourages companies voluntarily applying IFRS S1 and IFRS S2, in addition to the progress being made towards regulatory adoption or other use of IFRS S1 and IFRS S2 happening in 25+ jurisdictions globally. In order to facilitate this corporate disclosure, it’s imperative that various services and tools integrate the ISSB standards to support this process.”

Yasuki Imai, Vice President and Executive Officer, Head of Digital Systems & Services APAC Business, and CEO of Financial Institutions Business Unit, Hitachi, Ltd, said:

“In line with this approach to sustainability reporting, Hitachi and its only reseller of SFP-ESS, The Association for Promotion of Sustainable Finance Platform, aim to facilitate the application of IFRS S1, S2, and SASB standards and provide guidance on industry-specific disclosures through the SFP-ESS platform: SFP-ESS is a digital platform designed to support companies in their sustainability reporting efforts. This tool is intended to assist companies in navigating the reporting process, with the goal of enhancing the standardization and relevance of ESG reporting.”

AP-SFPF member company, Managing Executive Officer, Group Chief Sustainability Officer (CSuO), MS&AD Insurance Group Holdings, Inc., Naomi Motojima said:

“MS&AD Insurance Group Holdings, Inc. engages in investment, lending and insurance underwriting activities in consideration with ESG as a signatory to Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI). We consider “Symbiosis with global environment ~Planetary Health~” as an important issue for MS&AD group, and we are working on realizing “Action on climate change” and “Improvement of sustainability of natural capital” comprehensively to enhance the resilience of society. We help to solve ESG issues including climate change through insurance underwriting, investment and lending, and of course we also work to reduce our own Greenhouse gas (GHG) emissions. We regard them as missions that we have as an insurance and financing service provider. SFP-ESS is a platform that increases the mutual understanding of companies and financial institutions regarding ESG information disclosure. We hope that using the disclosure templates adapted to S1 and S2, which will be newly implemented, will facilitate the disclosure of information related to companies' ESG activities and lead to investors appropriately evaluating the companies. Further, from the standpoint of an investor, we find the development of a platform which enables users to compare the information disclosed by companies using a same index beneficial in the activities for the appropriate evaluation of the activities of the companies. Therefore, we welcome the release of the template feature.”

SFP-ESS website

<https://sfp-ess.org/en/service/>

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About the Association for Promotion of Sustainable Finance Platform (AP-SFPF)

The AP-SFPF was established in July 2023 to solve issues and consider projects, with financial institutions playing a leading role, to create new value and contribute to the continued development of the ESG market, eventually resulting in the sustainable development of society through the connection of various stakeholders to each other and the provision of a platform which will facilitate efficient and effective communication related to ESG issues.

Member companies: MS&AD Insurance Group Holdings, Inc., Sompo Japan Insurance Inc., Tokio Marine & Nichido Fire Insurance Co., Ltd., Nippon Life Insurance Company., Hitachi, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation., MUFG Bank, Ltd.

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About Hitachi, Ltd.

Hitachi drives Social Innovation Business, creating a sustainable society through the use of data and technology. We solve customers' and society's challenges with Lumada solutions leveraging IT, OT (Operational Technology) and products. Hitachi operates under the 3 business sectors of “Digital Systems & Services” – supporting our customers' digital transformation; “Green Energy & Mobility” – contributing to a decarbonized society through energy and railway systems, and “Connective Industries” – connecting products through digital technology to provide solutions in various industries. Driven by Digital, Green, and Innovation, we aim for growth through co-creation with our customers. The company's revenues as 3 sectors for fiscal year 2023 (ended March 31, 2024) totaled 8,564.3 billion yen, with 573 consolidated subsidiaries and approximately 270,000 employees worldwide. For more information on Hitachi, please visit the company's website at <https://www.hitachi.com>.

Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.
