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AN INSTITUTIONAL INVESTORS GUIDE TO JAPAN'S

# SSBJ No.2



EMMI

This guide serves as an educational resource for institutional investors seeking to understand and prepare for the climate-related disclosure requirements under Japan's emerging corporate sustainability regime, specifically the Sustainability Standards Board of Japan (SSBJ) Climate-related Disclosures Standard.

To clarify the nomenclature here: The Sustainability Standards Board of Japan (SSBJ) operates under the Financial Accounting Standards Foundation (FASF) and is responsible for developing Japan's sustainability standards. This family of standards includes the Application Standard, the General Disclosures Standard, and the Climate-related Disclosures Standard, which together incorporate and adapt the ISSB's IFRS S1 and S2 standards for use in Japan.

Throughout this guide:

- 'SSBJ Standards' refers to the suite of Japanese sustainability standards
- 'Climate Standard' refers specifically to the theme-based standard aligned to IFRS S2

## Scope clarification for institutional investors

While the SSBJ does not currently prescribe mandatory application criteria, the standards were developed with the expectation that they will apply to companies listed on the Prime Market of the Tokyo Stock Exchange (TSE).

Application by institutional investors:

- Banks, asset managers, and insurers: Indirectly affected as users of standardized climate data from investee companies
- Private market participants: Benefit from harmonization with ISSB for comparable disclosures
- Voluntary adopters: Entities not subject to mandatory application can still use SSBJ Standards for internal risk management, investor relations, and assurance readiness

Institutional investors benefit from understanding SSBJ Climate Standards as they shape the national climate disclosure ecosystem, enable integration of Japanese portfolio data into global risk frameworks, and inform stewardship and compliance strategies.



## Table of Contents

<b>1. Introduction</b>	<b>3</b>
Purpose of this guide	3
Important reference documents for SSBJ Standards, as at June 2025	3
Foundational concepts for SSBJ Climate Disclosures	4
<b>2. Scope &amp; Applicability</b>	<b>5</b>
In-scope entities	5
Voluntary application considerations	5
Regulatory expectations	5
<b>3. Core Disclosure Areas (SSBJ Climate Standard)</b>	<b>6</b>
Governance	6
Strategy	6
Risk management	6
Metrics and targets	6
Clause-by-clause summary of SSBJ Climate Disclosure requirements	7
<b>4. Assurance Expectations &amp; Transition Reliefs</b>	<b>9</b>
Transition timeline and phase-in allowances	9
Assurance readiness	10
Reliefs include	10
<b>5. Integration with Other Financial Regulations &amp; Methodological Standards</b>	<b>11</b>
<b>6. Emmi's Carbon Diagnostics for SSBJ Reporting</b>	<b>12</b>
<b>7. Implementation Timeline</b>	<b>14</b>
<b>8. Next Steps for Institutional Investors</b>	<b>15</b>
Emmi's Solution	16





# 1. Introduction

## Purpose of this guide

This guide is tailored for institutional investors preparing to (or expecting to) analyze disclosures aligned with the SSBJ No.2 (Climate-related Disclosures Standard), Japan's adaptation of IFRS S2. It provides a clause-relevant summary of requirements, enabling integration into risk systems, regulatory compliance, and stewardship frameworks.

It is essential to understand that the SSBJ Standards are built on the global baseline set by the ISSB and are intended to ensure international comparability. As such, the Japanese Climate Standard is underpinned by globally recognised principles including governance, strategy, risk management, and metrics, each evaluated through both financial and environmental lenses.

## Important reference documents for SSBJ Standards, as at June 2025

The following resources provide the authoritative basis for understanding SSBJ Climate Standards:

SSBJ Standards Overview: [https://www.ssb-j.jp/jp/wp-content/uploads/sites/7/20250305\\_e.pdf](https://www.ssb-j.jp/jp/wp-content/uploads/sites/7/20250305_e.pdf)

News Release (March 5, 2025): [https://www.ssb-j.jp/en/wp-content/uploads/sites/7/news\\_release\\_20250305\\_e.pdf](https://www.ssb-j.jp/en/wp-content/uploads/sites/7/news_release_20250305_e.pdf)

Schedule of Differences (SSBJ vs. ISSB): [https://www.ssb-j.jp/en/wp-content/uploads/sites/7/ssbj\\_20250331\\_01\\_e.pdf](https://www.ssb-j.jp/en/wp-content/uploads/sites/7/ssbj_20250331_01_e.pdf)

Table of Concordance (SSBJ vs. IFRS): [https://www.ssb-j.jp/en/wp-content/uploads/sites/7/ssbj\\_20250331\\_02\\_e.pdf](https://www.ssb-j.jp/en/wp-content/uploads/sites/7/ssbj_20250331_02_e.pdf)

SSBJ Homepage (English): [TOPページ用コンテンツ](#)

## Foundational concepts for SSBJ Climate Disclosures

To align with international disclosure frameworks, the SSBJ Climate-related Disclosures Standard incorporates several key principles from IFRS S2. Institutional investors should understand the following core concepts:

**Enterprise value focus:** The Climate Standard centres on sustainability-related risks and opportunities that could reasonably be expected to affect an entity's enterprise value over the short, medium, and long term.

**Materiality:** Disclosures are based on the principle of single materiality (financial materiality), reflecting users' need to assess enterprise value.

**Time horizons:** Entities must define and disclose the timeframes used in their analysis of climate risks and opportunities (e.g., short-term, medium-term, long-term) and ensure consistency across the governance, strategy, risk management, and metrics sections.

**Scenario analysis:** Required to assess the resilience of the entity's strategy under at least two climate scenarios, including one aligned with a 1.5°C pathway. Results must include financial (quantitative) implications and qualitative context.

**GHG protocol alignment:** Emissions disclosures (Scopes 1, 2, and 3) must be aligned with the Greenhouse Gas (GHG) Protocol Corporate Standard and, where applicable, the Scope 3 Value Chain Standard. Financed emissions are emphasized for financial institutions.

**Transition plan transparency:** Entities must disclose any existing transition plan, including targets, CapEx alignment, and use of carbon offsets, if applicable.

**Internal carbon pricing:** When internal carbon pricing is used, entities must disclose the rationale, the price per tonne, and how it influences decision-making and strategy.

## 2.

# Scope & Applicability

### In-scope entities

- Entities listed on the Prime Market of the Tokyo Stock Exchange (TSE) are expected to be subject to future mandatory requirements.
- Voluntary application is available to all other entities, including those not subject to the Financial Instruments and Exchange Act reporting.
- Application is permitted for annual reporting periods ending on or after March 31, 2025.

Disclosures Structure: The SSBJ Standards include three core components:

- **Application standard:** Principles for preparing sustainability-related financial disclosures
- **General standard:** High-level disclosures across all sustainability topics (aligned with IFRS S1 core content)
- **Climate standard:** Detailed disclosure obligations related to climate change (aligned with IFRS S2)

### Voluntary application considerations

- Entities may opt in without enforcement but are expected to apply the standards holistically.
- Early voluntary adopters may qualify for transition reliefs.

### Regulatory expectations

- The Financial Services Agency (FSA) is expected to enforce phased application based on market segment and size.
- SSBJ standards are designed to integrate into existing Japanese law and regulations but do not yet prescribe legal application thresholds.



### 3.

## Core Disclosure Areas (SSBJ Climate Standard)

This section introduces the foundational pillars of climate-related disclosures required by the SSBJ Climate Standard. Institutional investors should be familiar with these categories, which align with global frameworks and provide a structured lens into how companies approach climate governance, strategy, risk, and measurement.

Aligned with IFRS S2, the Climate Standard requires disclosures across four pillars:

#### Governance

- Oversight by board and management
- Role of sustainability committees or delegated groups

#### Strategy

- Climate-related risks/opportunities and their impact across short-, medium-, and long-term
- Strategic resilience across 1.5°C and >2°C scenarios
- Business model vulnerability and adaptation actions

#### Risk management

- Identification and prioritisation of climate-related risks
- Integration with broader risk management framework

#### Metrics and targets

- Scope 1, 2, and 3 emissions (gross, absolute, mtCO<sub>2</sub>e)
- Internal carbon pricing, if used (rate, application, assumptions)
- Climate-related financial effects (asset/liability level, where possible)
- Targets, timeframes, and methodologies

## Clause-by-Clause Summary of SSBJ Climate Disclosure Requirements

This section provides a clause-aligned view of the required disclosures under the SSBJ Climate Standard. It is designed to help institutional investors identify relevant datapoints, interpret company reporting, and map disclosures to portfolio-wide analytics and assurance workflows.

Clause	Topic	Required disclosure
1–5	Governance	Board and management oversight of climate-related risks and opportunities. Role of committees and accountability structures.
6–11	Strategy	Description of climate-related risks and opportunities and their impact on business model, strategy, and financial planning over multiple time horizons.
12–14	Climate resilience & scenarios	Disclosure of resilience to climate scenarios (minimum 2, including 1.5°C-aligned). Methods, assumptions, and outcomes must be disclosed.
16–27	Risk management	Processes for identifying, assessing, and managing climate-related risks. Integration with enterprise risk management.
29(a)	GHG emissions	Scope 1, Scope 2 (location-based mandatory; market-based optional), and Scope 3. Use of GHG Protocol. Include financed emissions where applicable.
29(b–d)	Transition/ physical risks & opportunities	Amount and/or magnitude of assets/business activities exposed to transition risks, physical risks, and aligned with climate-related opportunities.





Clause	Topic	Required disclosure
29(e)	CapEx/financial alignment	Proportion of CapEx and financial resources aligned to climate transition or adaptation.
29(f)	Internal carbon pricing	Use of carbon pricing, methodology, and price per tonne.
33–36	Targets and tracking	Disclosure of climate-related targets (Scope 1–3, intensity, financial goals), timeframes, base year, and progress tracking.
40–45	Transition plan	If a plan exists: targets, funding strategy, decarbonisation levers, offsets, and Taxonomy alignment.
47–57	GHG methodology detail	Measurement approach, units, and if any methods other than the GHG Protocol were used, explain rationale and present dual disclosure.
84–85	Executive remuneration	Describe if/how executive remuneration is linked to climate-related targets. If not linked, this must be disclosed.

This clause-level table should be read in conjunction with the Climate Standard and in concordance with IFRS S2 for full application context.

## 4.

## Assurance Expectations & Transition Reliefs

### Transition Timeline and Phase-in Allowances

Institutional investors should be aware of the following transitional accommodations and implementation developments tied to the SSBJ Climate Standard:

- **Scope 3 emissions relief:** Entities may omit Scope 3 emissions disclosures in their first year of reporting under the Climate Standard.
- **GICS disaggregation flexibility:** In the first reporting year, financial institutions are not required to disaggregate financed emissions by GICS 6-digit industry codes; however, they must disclose if this option is used.
- **Disclosure timing relief:** Entities may submit climate-related disclosures separately from financial statements if Japanese law permits\*.
- **Comparative information optional:** First-time or voluntary adopters are not obligated to provide prior-year comparisons for disclosures in the initial reporting year.
- **Comparative information optional:** First-time or voluntary adopters are not obligated to provide prior-year comparisons for disclosures in the initial reporting year.
- **Application date:** The standards are effective for annual reporting periods ending on or after March 31, 2025.
- **Regulatory enforcement:** While voluntary for now, enforcement by the Financial Services Agency (FSA) is anticipated to begin in 2026 for entities listed on the TSE Prime Market, with further guidance to follow.

This section outlines what companies can expect regarding third-party assurance and the reliefs available during early adoption. Investors can use this information to evaluate readiness and assess the reliability of disclosures in the near term.

### Assurance readiness

- No mandatory audit requirement yet
- Entities should prepare audit trails, internal controls, and verifiable documentation

### Reliefs include

- Scope 3 emissions may be omitted in the first year
- Industry classification using GICS is optional for the first year
- Timing of disclosures may differ from financial reports if permitted under Japanese law\*

*\* Entities applying the SSBJ Standards are generally expected to report sustainability-related disclosures concurrently with their financial statements, similar to the ISSB requirements (see IFRS S1, paragraph 64).*

*However, the SSBJ provides jurisdiction-specific relief that allows entities to report sustainability disclosures separately from their financial statements if either of the following applies:*

- *Japanese law or regulation prohibits simultaneous disclosure, or*
- *Japanese law or regulation explicitly permits disclosure at a different time.*

*This flexibility is designed to reflect the current legal and regulatory environment in Japan, where integrated sustainability and financial reporting practices are still evolving.*



## 5.

## Integration with Other Financial Regulations & Methodological Standards

The SSBJ Climate Standard is designed to align with global frameworks. Investors should understand its interoperability with regulations such as:

**IFRS/ISSB Standards:**

SSBJ incorporates IFRS S1 and S2 requirements.

**SFDR (Sustainable Finance Disclosure Regulation):**

Allows integration with entity- and product-level reporting under EU rules.

**Japanese FSA guidance:**

Will govern enforcement and phasing.

**PCAF & GHG Protocol:**

Required methodologies for emissions attribution.

**Japan's Basic Policy on Climate Transition Finance:**

Issued by the Ministry of the Environment and METI, this policy supports integration of sectoral transition pathways into disclosure and financing practices.

**Bank of Japan & NGFS alignment:**

SSBJ scenarios and stress testing approaches are informed by NGFS climate pathways, which are supported by the Bank of Japan's participation and research.

## 6. Emmi's Carbon Diagnostics for SSBJ Reporting

Emmi's Carbon Diagnostics platform supports investors and companies in aligning with SSBJ Climate Standards.

### Capabilities include:

- **Advanced Scope 3 Engine:** Machine learning-based, applicable to both public and private markets
- **Financed Emissions Attribution:** Across asset classes with traceable methodology
- **Transition & Physical Risk Analysis:** Supports 10+ NGFS aligned scenarios
- **Audit-ready Outputs:** Built-in traceability
- **FactSet Integration:** Enables export, monitoring, and reporting across teams

Emmi capability	SSBJ alignment	Relevance for institutional investors
Advanced Scope 3	Supports disclosure of Scope 3 financed emissions (Clause 29a, 47-57)	Enables accurate emissions estimation where reported data is missing or unreliable
Financed emissions attribution	Aligned with financial institution guidance under IFRS S2 and SSBJ	Allows banks, insurers, and asset managers to meet obligations across asset classes
Transition & physical risk analysis	Clause 6-14: Climate strategy and scenario resilience	Informs investment risk models and supports 1.5°C pathway alignment
Internal carbon pricing modelling	Clause 29f: Required if internal pricing is used	Provides tools for validating and stress-testing company pricing assumptions

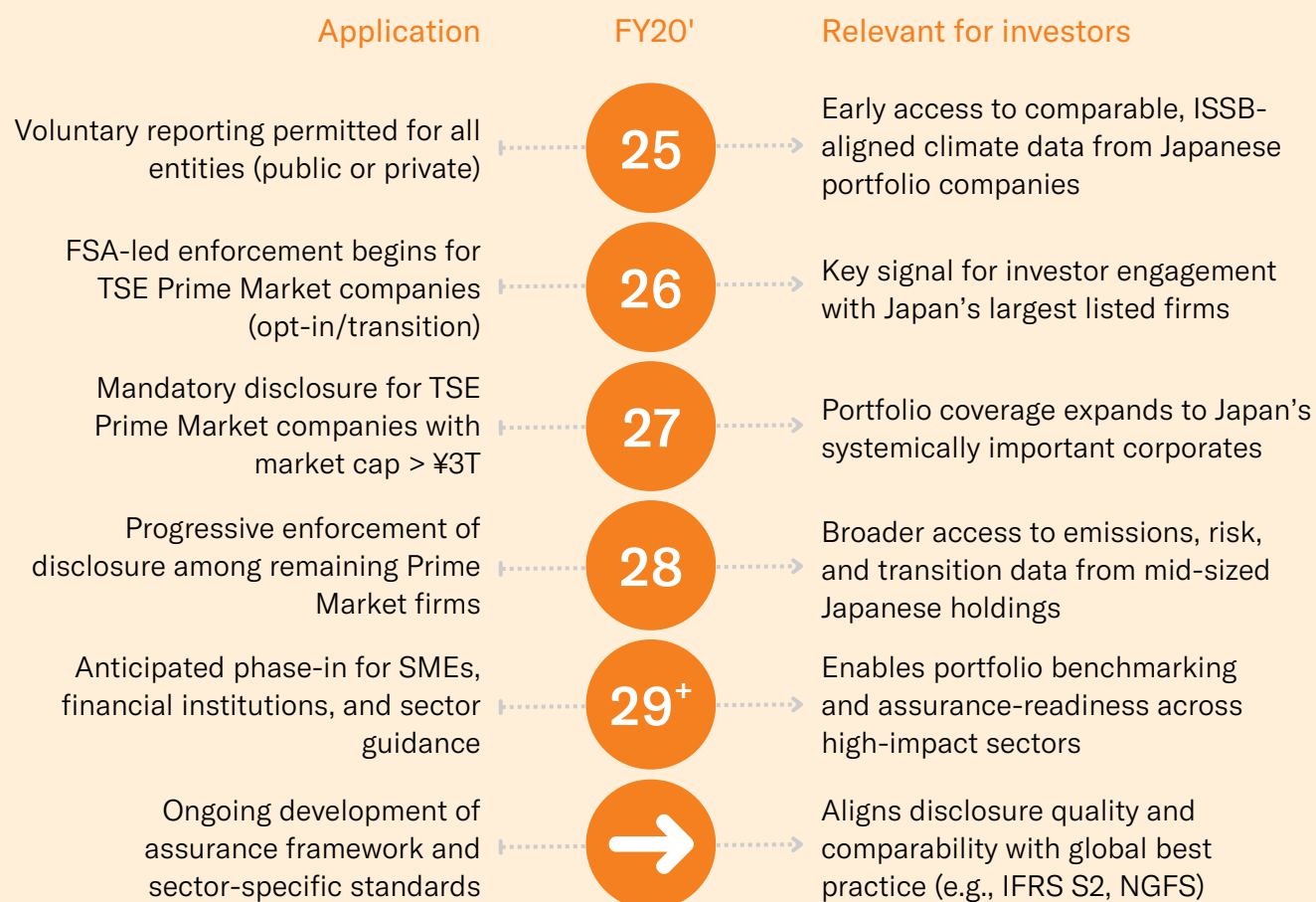


Emmi Capability	SSBJ Alignment	Relevance for Institutional Investors
Transition plan analysis	Clause 40–45: Transition plan disclosures	Identifies CapEx alignment, use of offsets, and financial trajectory of decarbonisation plans
Audit-ready outputs	Assurance readiness and traceability (Clauses 47–57)	Ensures disclosures are verifiable and suitable for limited/reasonable assurance
Portfolio-wide coverage	Cross-asset, public and private holdings	Facilitates holistic risk management and reporting at the portfolio level
NGFS scenario integration	Scenario disclosures (Clause 12–14) aligned with NGFS used by Bank of Japan	Ensures comparability across regulatory frameworks
FactSet integration	Supports reporting workflows, monitoring, and engagement	Enables integration of emissions and risk data into investment platforms and stewardship activities



## 7. Implementation Timeline

While specific enforcement is pending, voluntary application is effective for annual periods ending on or after March 2025. The expected phasing:



## 8.

# Next Steps for Institutional Investors

An overview of how to prepare for SSBJ compliance, which requires a strategic, systematic approach.

**1**

### Review portfolio exposure

Identify companies likely to report under the SSBJ Climate Standard and review baseline disclosures.

Engage With Emmi+FactSet to operationalise SSBJ No.2 readiness

**2**

### Identify data gaps

Compare reported versus modeled emissions, scenario results, and targets across asset classes.

**3**

### Conduct climate risk and scenario analysis

Analyse asset- and portfolio-level exposure to 1.5°C and >2.5°C pathways using NGFS-aligned scenarios.

**4**

### Integrate into governance and investment decisions

Align oversight structures and risk models with climate-related insights.

**5**

### Track targets and transition plans

Monitor decarbonisation targets, CapEx alignment, and transition credibility of investees.

**6**

### Engage with companies

Steward for improved data quality, target setting, and governance maturity.

**7**

### Prepare for assurance and reporting

Establish internal processes to validate third-party disclosures and prepare SSBJ-aligned reporting.

# Emmi's Solution

Emmi's Carbon Diagnostics product addresses the challenges of SSBJ No.2 compliance, providing emissions data and climate risk analysis across all major public and private asset classes.

## Climate data challenges

### Data gaps and quality issues

- Inconsistent data availability across different asset classes
- Varying data quality from different sources and jurisdictions
- Challenges in establishing reliable historical baselines for emissions and climate metrics

### Inadequate Scope 3 calculations

- Difficulty in gathering data across complex value chains
- Challenges in assessing and reporting financed emissions for financial institutions

### Aligning with financial reporting

- Aligning climate data with traditional financial metrics and timeframes
- Challenges in quantifying long-term climate risks within short-term financial reporting cycles
- Ensuring consistency between climate disclosures and financial statements

## Emmi's solution

### Market-leading coverage

- Market-leading portfolio coverage across all major asset classes
- Seamless integration with existing systems via Excel or FactSet Workstation

### Advanced Scope 3 calculation

- Machine learning-based engine for accurate Scope 3 emissions data, applies additional scrutiny on material sectors
- Enables financed emissions estimation for public and private holdings with minimal input data
- Designed to address data gaps across complex value chains and private markets

### Timely emissions data

- Up-to-date emissions data aligned with latest reported financials



# Emmi's Solution

## Climate data challenges

### Climate risk across diverse portfolios

- Difficulty in quantifying physical and transition risks for varied asset classes, sectors and geographies
- Challenges in translating climate risks into financial impacts

### Assurance readiness

- Ensuring data accuracy and reliability for external verification
- Multi vendor assurance process
- Establishing robust audit trails for data and assumptions as assurance requirements evolve

### Resource and expertise constraints

- Limited internal capabilities in climate data analysis and reporting
- Balancing the cost of comprehensive climate reporting with other business priorities
- Keeping pace with rapidly evolving SSBJ requirements and best practices

### Misaligned scenarios

- Complexity in developing forward-looking climate scenarios aligned with SSBJ No.2 requirements
- Uncertainty in long-term projections of climate impacts on business models
- Limited internal expertise in climate science and modelling techniques

## Emmi's solution

### Climate risk quantification

- Comprehensive assessment of physical and transition risks across diverse portfolios
- Translation of climate risks into financial impacts

### Assurance-ready outputs

- Single vendor for all data and assurance
- Transparent, auditable methodology for all calculations
- Audit trails to meet evolving SSBJ assurance requirements

### Expert support

- Backed by our team of climate and finance experts, who can provide support to help teams effectively implement emissions and climate risk insights
- Supports clients with data interpretation guidance and product documentation
- Maintains active research to keep models and assumptions current

### Robust scenario analysis

- Modelling capabilities aligned with SSBJ No.2 requirements (10+ scenarios)
- Visualisation of potential value erosion across different scenarios

**Suitable for organisations of any size, sector, or asset class**

## Get in touch

Experience firsthand how Emmi's Carbon Diagnostics can transform your SSJB No.2 assurance process.

[Book Your Demo Now](#)



James  
Panaretos



Michael  
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Bethany  
Fitzpatrick



Emmi's Carbon Diagnostics enables organisations to meet the SSJB No.2 requirements while gaining actionable insights for investment management. Our solution translates emissions data into financial implications, supporting efficient capital allocation towards a low-carbon economy.

### Disclaimer

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