

May 10, 2024

## **IAB recommendation for IESSA.**

Dear Sir or Madam

Thank you very much for this opportunity to provide comments such high-level framework standard.

As the Japan accreditation body, we welcome and support the upcoming standard to harmonize the future sustainable information disclosure and related assurance.

We recognize the proposed assurance approach is equivalent as ISO 14064-3, and can applicable for the accreditation standards of ISO/IEC 17029 and ISO14065 that already applied for many regulations in United States and other 32 countries for precise GHG emission reports and accredited verification opinion. As to avoid the potential trade barrier issue with WTO TBT agreement, we appreciate that we will be able to use such international standards IESSA ,for International Accreditation Forum.

In related to the definition of sustainability, we believe that the definition in IESSA is appropriate. IESSA' s definition can understand very clearly. We also hope the definitions of ISSA 5000 can achieve consistency as much as possible with regard to points.

### **1. Communicating the Matter to the Sustainability Assurance Client's External Auditor**

#### **Section R5360.18a**

Regarding section R5360.18a, in related to NOCLAR or suspected NOCLAR, we support the two way communication. Furthermore, we recommend the sustainability assurance practitioner shall communicate the non-compliance or suspected non-compliance to the sustainability assurance client's external auditor, if any.

According to ISO 14064-3 : 2019 chapter 5.4.3, the accredited assurance bodies will contact related parties if any suspected NOCLAR is identified, requires as follows.

#### **5.4.3 Intentional misstatement**

If a matter comes to the verifier's/validator's attention that causes the verifier/validator to believe in the existence of intentional misstatement or noncompliance by the responsible party with laws and regulations, the verifier/validator shall communicate the matter to the appropriate parties as soon as practicable.

In addition to this, the group companies have a greater impact on the market, so it should not exclude the requirements for group companies. If immediate application is difficult for the group company depended on the countries, we recommend IESSA to provide option that the country can determine the transitional measures for NOCLAR.

Regarding further communication requirements for matters other than NOCLAR between financial statement auditors and sustainability assurance practitioners, it is necessary to consider the further communication requirements, in case of when potential concern against green wash, and in the existence of intentional misstatement or noncompliance against laws and regulations. However, the information about the client obtained from sources other than the client (e.g. complainant, regulatory authority) shall be confidential between the client and the validation/verification body. The provider (source) of this information shall be confidential to the body and shall not be shared with the client, unless agreed by the source.

### **2. Communication Between the Firm and Another Practitioner**

Regarding section 5406 we support independence provisions for Another Practitioner, an assurance provider who is not under the direction, supervision, or review of a team.

### **3. Interests, Relationships or Circumstances Involving a Value Chain Entity**

Regarding section R5700.4, whether to extend the scope of the objectivity assessment to the client's value chain, where certain suppliers within the client's value chain are also suppliers that provide services to many other entities. In that case, such suppliers may become inundated with numerous requests from their customers to provide information regarding their interests, relationships and circumstances with external experts to be complicated. We agree that the supplier's compliance with those requests is beyond the control of the practitioner, client, or entity for which the professional is performing the work.

Regarding the sustainability reporting specific independence provision (Section R 5405, Section R 5406, Section R 5407, Section R 5700), we recommend further clarifications and provisions to support their appropriate application in practice, including the relationship with related provisions and illustrations. In accordance with "Knows, or has reason to believe" principle, we recommend further clarification with guidance how group sustainability assurance practitioners shall include that interest, relationship or circumstance when identifying, evaluating and addressing threats to independence

We recommend IESSA to provide the further detailed provisions and its guidance in order to promote consistency of practices for some sustainability specific matters, such as providing advisory services of ESG strategy and providing NAS in value chain entities.

We support establishing ethical and independence standards equivalent to those for financial statement audits, and standards that are profession-agnostic and framework-neutral. Considering that there are matters specific to sustainability assurance, such as confirming the independence of value chain companies, it is preferable to have an option with transitional measures rather than regulations.

It is appropriate that IESSA has the same ethical and independence standards as financial statement audits. If you are considering immediate application, we recommend IESSA to provide option that the country can determine the transitional measures. (For example, about 1 year) It is possible to comply with the standard even in a framework that is not limited by occupation.

Regarding section 5320 and section 5390, external experts may be used to perform specific tasks in support of the professional work performed by professional accountants. Such work may be in established or emerging fields. Examples of such work include verification greenhouse gas emissions; the verifier performing the specialized work shall be knowledgeable, skilled and competent toward the applicable industry (sector).

We hope our comment will be able to support the value of IESSA standard.

Sincerely,



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Japan Accreditation Board