



**The Japanese Institute of  
Certified Public Accountants**

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May 10, 2024

Mr. Ken Siong  
Program and Senior Director  
International Ethics Standards Board for Accountants  
529 Fifth Avenue,  
New York, NY 10017  
USA

Dear Mr. Siong:

***JICPA comments on the IESBA Exposure Draft: Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting***

The Japanese Institute of Certified Public Accountants (JICPA) expresses its appreciation for the activities of the International Ethics Standards Board for Accountants (IESBA), and is grateful for the opportunity to share its comments on the IESBA Exposure Draft: *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting*.

Our responses to the questions raised by the IESBA are as follows:

**I. Request for Specific Comments**

*Sustainability Assurance*

***Main Objectives of the IEISSA***

1. Do you agree that the proposals in Chapter 1 of the ED are:
  - (a) Equivalent to the ethics and independence standards for audit engagements in the extant Code? *[See paragraphs 19 and 20 of this document]*
  - (b) Profession-agnostic and framework-neutral? *[See paragraphs 21 and 22 of this*

*document]*

(Comment)

- (a) We agree that the proposals in Chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant Code.
- (b) We agree that the proposals in Chapter 1 of the ED are profession-agnostic and framework-neutral.

2. Do you agree that the proposals in Chapter 1 of the ED are responsive to the public interest, considering the Public Interest Framework’s qualitative characteristics? *[See paragraph 23 of this document]*

(Comment)

We agree that the proposals in Chapter 1 of the ED are responsive to the public interest, considering the Public Interest Framework’s qualitative characteristics.

However, whether the proposals are responsive to the public interest in view of sustainability reporting and assurance as a whole should be determined based on the overall framework of sustainability reporting and assurance, including related sustainability reporting standards and sustainability assurance standards. So, we believe that interrelationship between sustainability reporting standards, sustainability assurance standards and ethics and independence standards for sustainability assurance engagement and sustainability reporting determine whether the required level of the public interest is met. In finalizing the proposals in Chapter 1 of the ED, we suggest the IESBA provide the basis for its view that the proposals are responsive to the public interest, considering the Public Interest Framework’s qualitative characteristics and taking into account the interrelationship with sustainability reporting standards and sustainability assurance standards. Furthermore, as sustainability reporting standards and sustainability assurance standards are developed or revised, we suggest the IESBA continuously revise the ethics and independence standards for sustainability reporting and assurance to maintain alignment with those standards.

### ***Definition of Sustainability Information***

3. Do you support the definition of “sustainability information” in Chapter 2 of the ED? *[See paragraphs 24 to 26 of this document]*

(Comment)

We support the definition of “sustainability information” in Chapter 2 of the ED.

However, we suggest the IESBA provide guidance on how to consider the definition of “Sustainability information (a) Information about the opportunities, risks or impacts of (ii) An entity’s activities, services or products on the economy, the environment or the public” to clarify what sustainability information falls under the definition set out in the Code in applying the

definition in practice.

***Scope of Proposed IESSA in Part 5***

4. The IESBA is proposing that the ethics standards in the new Part 5 (Chapter 1 of the ED) cover not only all sustainability assurance engagements provided to sustainability assurance clients but also all other services provided to the same sustainability assurance clients. Do you agree with the proposed scope for the ethics standards in Part 5? *[See paragraphs 30 to 36 of this document]*

(Comment)

We agree with the proposed scope for the ethics standards in Part 5.

However, we suggest the IESBA clarify which Parts of the Code should be applied to whom when performing which sustainability-related services for a client and provide guidance so that professional accountants and sustainability assurance practitioners can apply Part 5 appropriately.

For example, when a professional accountant performs a sustainability assurance engagement, the firm performing a sustainability assurance engagement that does not meet the proposed criteria set out in paragraph 5400.3a shall apply the ethics standards in Part 5 and the International Independence Standards in Part 4B, but we believe that it is unclear whether the firm shall apply the ethics standards in Parts 1 and 3.

5. The IESBA is proposing that the International Independence Standards in Part 5 apply to sustainability assurance engagements that have the same level of public interest as audits of financial statements. Do you agree with the proposed criteria for such engagements in paragraph 5400.3a? *[See paragraphs 38 to 43 of this document]*

(Comment)

We agree with the proposed criteria for such engagements in paragraph 5400.3a.

However, we suggest the IESBA provide guidance on how to consider 5400.3a (b) (ii) “Publicly disclosed to support decision-making by investors or other stakeholders” to avoid a situation in which each sustainability assurance practitioner has a different judgement on whether a sustainability assurance engagement meets the proposed criteria set out in paragraph 5400.3a.

When a sustainability assurance practitioner who is not a professional accountant performs a sustainability assurance engagement that does not meet the proposed criteria set out in paragraph 5400.3a, the sustainability assurance practitioner shall apply the ethics standards in Part 5 and is encouraged to apply the International Independence Standards in Part 4B as described in subparagraph 5100.2b (b). However, this subparagraph can be read as a provision allowing the sustainability assurance practitioner to apply independence standards other than the Code. We suggest the IESBA require the sustainability assurance practitioner to disclose which Part of the

Code is applied on the sustainability assurance report to enable users of sustainability information to confirm which standards, particularly independence standards, are applied by the sustainability assurance practitioner.

Furthermore, when a sustainability assurance practitioner who is not a professional accountant performs a sustainability assurance engagement that does not meet the proposed criteria set out in paragraph 5400.3a, the sustainability assurance practitioner is encouraged to apply the International Independence Standards in Part 4B. However, we believe that the Code should require all sustainability assurance practitioners to apply Part 4B because we are of the view that the same ethics and independence requirements should be applied to the same sustainability assurance engagements. We suggest the IESBA provide guidance on, for example, the differences between the International Independence Standards in Part 4B and Part 5 to enable a sustainability assurance practitioner who is not a professional accountant to apply Part 4B appropriately.

#### ***Structure of Part 5***

6. Do you support including Section 5270 in Chapter 1 of the ED? *[See paragraphs 46 to 48 of this document]*

(Comment)

We support including Section 5270 in Chapter 1 of the ED.

#### ***NOCLAR***

7. Do you support the provisions added in extant Section 360 (paragraphs R360.18a to 360.18a A2 in Chapter 3 of the ED) and in Section 5360 (paragraphs R5360.18a to 5360.18a A2 in Chapter 1 of the ED) for the auditor and the sustainability assurance practitioner to consider communicating (actual or suspected) NOCLAR to each other? *[See paragraphs 56 to 67 of this document]*

(Comment)

We support the provisions added in extant Section 360 and in Section 5360 for the auditor and the sustainability assurance practitioner to consider communicating NOCLAR to each other.

However, we believe that the levels of the requirements in paragraphs R360.18a and R5360.18a are inconsistent with paragraph R5360.31. Paragraphs R360.18a and R5360.18a set out that the professional accountant/sustainability assurance practitioner “shall consider whether to communicate the non-compliance or suspected non-compliance,” while paragraph R5360.31 sets out that the practitioner “shall communicate the non-compliance or suspected non-compliance” when the firm performs both an audit engagement and a sustainability assurance engagement that is not within the scope of the International Independence Standards in Part 5 for the same client. Paragraph R5360.31 is consistent with paragraph R360.31 in the extant Code. Accordingly, we

suggest the provisions in paragraphs R360.18a and R5360.18a be set out in two cases, one case in which a firm performs both an audit engagement and a sustainability assurance engagement that is within the scope of Part 5, and the other case in which it does not. These paragraphs should set out that the practitioner “shall communicate the non-compliance or suspected non-compliance” in the former case, and “shall consider whether to communicate the non-compliance or suspected non-compliance” in the latter case. This will be consistent with extant paragraph R360.31 and proposed paragraph R5360.31.

In addition, if different firms are performing an audit engagement and a sustainability assurance engagement that is within the scope of the International Independence Standards in Part 5 for the same client, we suggest the IESBA consider whether there may be issues regarding confidentiality arising from communication relating to NOCLAR between the auditor and the sustainability assurance practitioner.

8. Do you support expanding the scope of the extant requirement for PAIBs? (See paragraphs R260.15 and 260.15 A1 in Chapter 3 of the ED) *[See paragraph 68 of this document]*

(Comment)

We support expanding the scope of the extant requirement for PAIBs.

#### ***Determination of PIEs***

9. For sustainability assurance engagements addressed by Part 5, do you agree with the proposal to use the determination of a PIE for purposes of the audit of the entity’s financial statements? *[See paragraphs 80 to 85 of this document]*

(Comment)

We agree with the proposal to use the determination of a PIE for purposes of the audit of the entity’s financial statements.

However, if the engagement period for the audit engagement is the same as the engagement period for the sustainability assurance engagement, the sustainability assurance practitioner can confirm whether the sustainability client is a PIE only when the audit report is issued at the end of the engagement period. So, we suggest the IESBA add a requirement for communication between the auditor and sustainability assurance practitioner about whether the sustainability client is a PIE at an early stage in the engagement period.

We also suggest the IESBA set out an additional requirement for communication between the auditor and the sustainability assurance practitioner, if necessary, when assumptions of their judgment on whether the client is a PIE change. Such change may arise, for example, if the client is listed or delisted during both the engagement period and the reporting period for the engagement. Furthermore, we suggest the IESBA add a requirement for communication between the auditor and

the sustainability assurance practitioner about whether to treat an entity as a voluntary PIE for purposes of the audit, because although the extant IESBA Code requires that a firm publicly disclose that it has applied the independence requirements for a PIE, it does not require disclosure of whether it is a mandatory PIE or a voluntary PIE.

We suggest the IESBA provide guidance to enable a sustainability assurance practitioner to determine whether to apply the independent requirements for a PIE, because if the firm performing the audit decides to treat the entity as a voluntary PIE, the sustainability assurance practitioner shall consider whether to treat the entity as a voluntary PIE for purposes of sustainability assurance engagements.

### ***Group Sustainability Assurance Engagements***

10. The IESBA is proposing that the International Independence Standards in Part 5 specifically address the independence considerations applicable to group sustainability assurance engagements. *[See paragraphs 86 to 92 of this document]*
- (a) Do you support the IIS in Part 5 specifically addressing group sustainability assurance engagements? Considering how practice might develop with respect to group sustainability assurance engagements, what practical issues or challenges do you anticipate regarding the application of proposed Section 5405?
- (b) If you support addressing group sustainability assurance engagements in the IIS in Part 5:
- (i) Do you support that the independence provisions applicable to group sustainability assurance engagements be at the same level, and achieve the same objectives, as those applicable to a group audit engagement (see Section 5405)?
- (ii) Do you agree with the proposed requirements regarding communication between the group sustainability assurance firm and component sustainability assurance firm regarding the relevant ethics, including independence, provisions applicable to the group sustainability assurance engagement? *[See paragraph 88 of this document]*
- (iii) Do you agree with the proposed defined terms in the context of group sustainability assurance engagements (for example, “group sustainability assurance engagement” and “component”)?

(Comment)

- (a) We support the International Independence Standards in Part 5 specifically addressing group sustainability assurance engagements.

However, we suggest the IESBA keep a constant watch on trends of sustainability assurance practice and consider whether the Code needs to be revised, because the Code might need to be revised as sustainability assurance practice matures, including the development of sustainability assurance standards to address group sustainability assurance engagements. Furthermore, we

propose careful implementation of the Code based on the maturity of prevalent practice, including step-by-step implementation of Sections 5405, 5406, 5407 and 5700, which we believe allows for additional flexibility in revising the Code.

(b) (i) We support that the independence provisions applicable to group sustainability assurance engagements be at the same level, and achieve the same objectives, as those applicable to a group audit engagement.

(ii) We agree with the proposed requirements regarding communication between the group sustainability assurance firm and component sustainability assurance firm regarding the relevant ethics, including independence, provisions applicable to the group sustainability assurance engagement.

(iii) We agree with the proposed defined terms in the context of group sustainability assurance engagements.

#### ***Using the Work of Another Practitioner***

<p>11. Section 5406 addresses the independence considerations applicable when the sustainability assurance practitioner plans to use the work of another practitioner who is not under the former's direction, supervision and review but who carries out assurance work at a sustainability assurance client. Do you agree with the proposed independence provisions set out in Section 5406? <i>[See paragraphs 93 to 101 of this document]</i></p>
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(Comment)

We agree with the proposed independence provisions set out in Section 5406, except for the following matters.

If a group sustainability assurance client is a PIE, there are clear requirements set out in paragraphs R5405.5 and R5405.6 that the group sustainability firm and component sustainability firm apply the independent requirements for a PIE. However, it is not clear whether another practitioner shall apply the independent requirements for a PIE, so we believe this should be clarified.

Therefore, we suggest the IESBA revise "a sustainability assurance client" in paragraph R5406.5 to "a sustainability assurance client whose sustainability information on which the sustainability assurance practitioner expresses an opinion" to clarify that the sustainability assurance client is not a client for which another practitioner performs a sustainability assurance engagement, but a client for which a sustainability assurance practitioner performs a sustainability assurance engagement.

If a firm performing a sustainability assurance engagement intends to use the work of another practitioner, the other practitioner shall apply the International Independence Standards in Part 5.

Nevertheless, Section 5406 does not set out how to confirm whether the other practitioner is in compliance with the International Independence Standards in Part 5, other than through communication between the firm and that practitioner, as explained in paragraph R5406.3. We suggest the IESBA establish mechanisms to disclose whether the sustainability assurance engagement is within the scope of the International Independence Standards in Part 5 in a sustainability assurance report in order to facilitate consideration of whether the firm can use the work of another practitioner.

***Assurance at, or With Respect to, a Value Chain Entity***

12. Do you support the proposed definition of “value chain” in the context of sustainability assurance engagements? *[See paragraphs 102 and 103 of this document]*

(Comment)

We support the proposed definition of “value chain” in the context of sustainability assurance engagements.

However, we suggest the IESBA provide guidance on how to consider the proposed definition of “value chain” in the Code, because we assume that it is not easy in practice to identify value chain entities of which practitioners are required to be independent in a sustainability assurance engagement.

13. Do you support the provisions in Section 5407 addressing the independence considerations when assurance work is performed at, or with respect to, a value chain entity? *[See paragraphs 104 to 110 of this document]*

(Comment)

We understand that three types of assurance procedures at, or with respect to, a value chain entity are indicated and the related independence provisions are set out in Section 5407. However, we believe that how to perform sustainability assurance procedures relating to a value chain entity is not clearly set out in any sustainability assurance standards, including IAASB’s ISSA 5000, and such assurance procedures should be developed as practice matures.

In response to this situation, we suggest the IESBA not indicate the three types of assurance work but instead revise the proposed provisions to a single requirement that a sustainability assurance practitioner shall be independent of material value chain entities. A material value chain entity is specified out of entities that are within the reporting boundary but outside the organizational boundary of a sustainability assurance client and prepare all or part of the sustainability information on which the sustainability assurance practitioner expresses an opinion (hereafter referred to as “value chain entity” in this comment). We also suggest the IESBA provide specific guidance on how to confirm the sustainability assurance practitioner is independent of the value chain entity. We



believe that moving specific considerations into guidance is advantageous as they can be flexibly revised as practice matures.

Our suggestion that a sustainability assurance practitioner shall be independent only of material value chain entities is consistent with Section 5407 of the ED, which requires that a firm and members of the sustainability assurance team shall be independent of the sustainability assurance client when the firm performs assurance work on the sustainability information of a value chain entity provided by the sustainability assurance client without carrying out assurance work at that entity. However, we believe that it is difficult to determine what assurance work will be performed at, or with respect to, each value chain entity at the time of entering into a contract for an assurance engagement. So, the firm might not be able to determine whether it is independent of the sustainability assurance client and can perform the sustainability assurance engagement for the client. Therefore, in practice, we believe it is easier to determine the value chain entity of which the firm shall be independent based on its materiality rather than on the types of assurance work. We also suggest the IESBA provide guidance on how to determine the materiality of the value chain entity and continue to refine how to determine materiality as sustainability reporting standards and sustainability assurance standards are developed or revised.

If the IESBA revises Section 5407 as above, we suggest the IESBA add application material stating that an interest, relationship or circumstance between a firm, a network firm or a member of a sustainability assurance team and a value chain entity is relevant to the evaluation of the firm's independence from a sustainability assurance client, and delete Section 5700. We also suggest the IESBA add application material stating that an interest, relationship or circumstance between another practitioner and a value chain entity is relevant to the evaluation of the firm's independence from a sustainability assurance client. Furthermore, value chains have an ever-changing nature, so entities that receive NAS from a sustainability assurance practitioner might become value chain entities, which is different from the initial assumption at the time of entering into contracts for services. Therefore, we suggest the IESBA add application material stating that when a sustainability assurance practitioner is not independent of a value chain entity, using the work of another practitioner at the value chain entity might reduce threats to independence to an acceptable level.

14. Where a firm uses the work of a sustainability assurance practitioner who performs the assurance work at a value chain entity but retains sole responsibility for the assurance report on the sustainability information of the sustainability assurance client:
- (a) Do you agree that certain interests, relationships or circumstances between the firm, a network firm or a member of the sustainability assurance team and a value chain entity might create threats to the firm's independence?

(b) If yes, do you support the approach and guidance proposed for identifying, evaluating, and addressing the threats that might be created by interests, relationships or circumstances with a value chain entity in Section 5700? What other guidance, if any, might Part 5 provide? *[See paragraphs 111 to 114 of this document]*

(Comment)

- (a) We agree that certain interests, relationships or circumstances between the firm, a network firm or a member of the sustainability assurance team and a value chain entity might create threats to the firm's independence.
- (b) If Section 5407 is revised in line with our comment on Question 13 above, we suggest the IESBA set out application material stating that an interest, relationship or circumstance between the firm, a network firm or a member of the sustainability assurance team and a value chain entity might be relevant to the evaluation of the firm's independence from the sustainability assurance client in Section 5407 and delete Section 5700.

#### ***Providing NAS to Sustainability Assurance Clients***

15. The International Independence Standards in Part 5 set out requirements and application material addressing the provision of NAS by a sustainability assurance practitioner to a sustainability assurance client. Do you agree with the provisions in Section 5600 (for example, the "self-review threat prohibition," determination of materiality as a factor, and communication with TCWG)? *[See paragraphs 115 and 116 of this document]*

(Comment)

We agree with the provisions in Section 5600.

However, we suggest the IESBA provide a sufficient preparation period to address the requirements and application material in Section 5600 including transitional provisions, because in many cases firms, including sustainability assurance practitioners who are not professional accountants, provide sustainability-related NAS to audit clients, and the firms are required to organize these services to comply with the International Independence Standards in Part 5.

16. Subsections 5601 to 5610 address specific types of NAS. *[See paragraphs 118 to 120 of this document]*

- (a) Do you agree with the coverage of such services and the provisions in the Subsections?
- (b) Are there any other NAS that Part 5 should specifically address in the context of sustainability assurance engagements?

(Comment)

- (a) We agree with the coverage of such services and the provisions in the Subsections.

Paragraph R5600.15 sets out that there is a risk that (a) the results of the service will form part

of or affect the records underlying the sustainability information, the internal controls over sustainability reporting, or the sustainability information on which the firm will express an opinion, and (b) in the course of performing assurance work on the sustainability information on which the firm will express an opinion, the sustainability assurance team will evaluate or rely on any judgments made or activities performed by the firm or network firm when providing the service. However, we believe that a sustainability assurance practitioner who expresses an opinion on some of the sustainability information can provide NAS relating to the sustainability information on which the sustainability assurance practitioner does not express an opinion to a sustainability assurance client who discloses multiple pieces of sustainability information. We suggest the IESBA provide guidance on what situation a sustainability assurance practitioner can provide NAS in compliance with the International Independent Standards in Part 5 appropriately.

(b) We have no comment.

***Independence Matters Arising When a Firm Performs Both Audit and Sustainability Assurance Engagements for the Same Client***

17. Do you agree with, or have other views regarding, the proposed approach in Part 5 to address the independence issues that could arise when the sustainability assurance practitioner also audits the client's financial statements (with special regard to the proportion of fees for the audit and sustainability assurance engagements, and long association with the client)? *[See paragraphs 123 to 131 of this document]*

(Comment)

We agree with the proposed approach in Part 5 to address the independence issues that could arise when the sustainability assurance practitioner also audits the client's financial statements.

However, we suggest the IESBA carefully consider an effective date and possible transitional provisions for a sustainability assurance practitioner to comply with provisions such as those relating to fees and long association with the client, because a sustainability assurance practitioner needs an established organizational structure and a sufficient preparation period to address the provisions. We also believe that a system for continuous monitoring is necessary for a sustainability assurance practitioner to perform a sustainability assurance engagement in compliance with the Code appropriately. Therefore, actions including step-by-step implementation of the IESSA according to the maturity of the practice for the purpose of securing a sufficient preparation period are important to achieve the goal of the IESBA's sustainability project.

In addition, paragraph 5410.11 A1 proposes that where a professional accountant performs both an audit engagement and a sustainability assurance engagement for the same client, the professional accountant applies the provisions set out in Part 4A and evaluates threats by comparing the ratio of

fees for services other than audit to the audit fee. In this case, the sustainability assurance fee will be included in fees for services other than audit and an audit fee might be higher than fees for sustainability assurance engagements, and vice versa. Therefore, we suggest the IESBA revise the provisions set out in Part 4A and create three categories: an audit fee, fees for sustainability assurance engagements that meet the proposed criteria set out in paragraph 5400.3a, and fees for other services, in order for professional accountants to identify, evaluate and address threats appropriately in practice, based on the nature of services underlying the fee-related information.

### ***Other Matters***

18. Do you believe that the additional guidance from a sustainability assurance perspective (including sustainability-specific examples of matters such as threats) in Chapter 1 of the ED is adequate and clear? If not, what suggestions for improvement do you have?

(Comment)

We believe that the additional guidance from a sustainability assurance perspective in Chapter 1 of the ED is adequate and clear, except for our comments above.

Since the IAASB will approve the finalized ISSA 5000 at the September 2024 meeting, we suggest the IESBA confirm the consistency between the finalized ISSA 5000 and IESSA and other revisions to the Code relating to sustainability assurance and reporting in finalizing the proposed IESBA Code.

19. Are there any other matters you would like to raise concerning the remaining proposals in Chapters 1 to 3 of the ED?

(Comment)

(a) Reference to Part 4A that is not required for a sustainability assurance practitioner who is not a professional accountant

Some provisions in Part 5, such as those relating to PIEs, refer to provisions in Part 4A. We suggest the IESBA clarify that such provisions in Part 4A to which provisions in Part 5 refer also apply to a sustainability assurance practitioner who is not a professional accountant.

(b) Second Opinion

In subparagraph 5100.2b (b) (v), a practitioner, whether a professional accountant or not, is encouraged to apply the extant Code including Section 321 related to Second Opinions. We suggest the IESBA provide guidance such as explanations with specific paragraph numbers, because it may be difficult to understand the provisions in Part 5 by itself.

(c) Coordination with the IAASB

We suggest the IESBA ensure that the IESSA is consistent with the IAASB's ISSA 5000 in its

finalizing process, because we realize the terms used in the proposed IESSA are not necessarily consistent with those used in the IAASB's ISSA 5000. In particular, the term "another practitioner" is only used in Section 5406 of the proposed IESSA, while the term "another practitioner" is used regardless of whether the entity on which another practitioner performs a sustainability assurance engagement is within the sustainability client's organizational boundary or a value chain entity in the IAASB's ISSA 5000.

### *Sustainability Reporting*

#### ***Scope of Sustainability Reporting Revisions and Responsiveness to the Public Interest***

20. Do you have any views on how the IESBA could approach its new strategic work stream on expanding the scope of the Code to all preparers of sustainability information? [See paragraphs 133 to 135 of this document]
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(Comment)

The Code is essentially a code of ethics for professional accountants, and professional accountants comply with the Code while creating systems to secure its effectiveness, including disciplinary actions for violations. We are concerned that if the IESBA expands the scope of the Code to those who are not professional accountants or sustainability assurance practitioners when a system to secure the effectiveness in complying with the Code has not been sufficiently set up, a situation may arise in which a preparer of sustainability information does not appropriately understand the purpose of the provisions of the Code and superficially claims to comply with the requirements or application material. We believe that such a situation will make it difficult to achieve the IESBA's vision, "To achieve global recognition and acceptance of its ethics (including independence) standards as being a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide."

Since a professional accountant's mission is to contribute to the development of society by ensuring public trust in financial and non-financial information as a profession, a professional accountant is required to act in the public interest. Therefore, we suggest the IESBA carefully consider whether all preparers of sustainability information other than professional accountants are required to act in the public interest at the same level as professional accountants from the viewpoint of the diversity of preparers of sustainability information. We also believe that there are various opinions on whether expanding the scope of the Code to all preparers of sustainability information will be beneficial for the public as a whole.

Accordingly, we suggest the IESBA discuss with various stakeholders and carefully consider whether to expand the scope of the Code to all prepares of sustainability information.

21. Do you agree that the proposals in Chapter 4 of the ED are responsive to the public interest, considering the Public Interest Framework’s qualitative characteristics? *[See paragraph 138 of this document]*

(Comment)

We agree that the proposals in Chapter 4 of the ED are responsive to the public interest, considering the Public Interest Framework’s qualitative characteristics.

***Proposed Revisions to the Extant Code***

22. Do you agree that the proposed revisions to Parts 1 to 3 of the extant Code in Chapter 4 of the ED are clear and adequate from a sustainability reporting perspective, including:

- (a) Proposed revisions to Section 220? *[See paragraphs 139 to 141 of this document]*
- (b) Proposed examples on conduct to mislead in sustainability reporting, value chain and forward-looking information? *[See paragraphs 143 to 153 of this document]*
- (c) Other proposed revisions? *[See paragraph 155 of this document]*

(Comment)

- (a) We agree that the proposed revisions to Section 220 are clear and adequate from a sustainability reporting perspective.
- (b) We agree that the proposed examples on conduct to mislead in sustainability reporting, value chain and forward-looking information are clear and adequate from a sustainability reporting perspective.
- (c) We agree that other proposed revisions are clear and adequate from a sustainability reporting perspective.

23. Are there any other matters you would like to raise concerning the proposals in Chapter 4 of the ED?

(Comment)

We have no comment.

***Effective Date***

24. Do you support the IESBA’s proposal to align the effective date of the final provisions with the effective date of ISSA 5000 on the assumption that the IESBA will approve the final pronouncement by December 2024?

(Comment)

We support the IESBA’s proposal to align the effective date of the final provisions with the effective date of ISSA 5000 on the assumption that the IESBA will approve the final pronouncement by December 2024.

We believe that a sufficient preparation period should be secured not only for sustainability assurance practitioners but also for entities designing and implementing relevant internal controls over reporting sustainability information, and those who establishing relevant laws and regulations in each jurisdiction, with a view to applying the provisions in Part 5 appropriately. Such preparation may include considering which sustainability assurance engagement meets the proposed criteria set out in paragraph 5400.3a, establishing a system to gather information about an interest, relationship or circumstance with a value chain entity set out in Sections 5407 and 5700 and fee-related information set out in Section 5410, establishing an organizational structure to address the provisions relating to long association of individuals (including leader rotation) with a sustainability assurance client set out in Section 5540 or organizing services to address the provisions relating to providing NAS set out in Section 5600. Furthermore, we believe that it is important to maintain a balance between providing education and guidance to the entities through advisory and consulting services by a professional accountant or a sustainability assurance practitioner and compliance with the high level of ethics and independent standards such as those in Part 5 until practices related to reporting sustainability information mature to the level where a sustainability assurance engagement can be performed at the same level as an audit of financial statements. Therefore, we suggest the IESBA carefully consider the effective date of the final provisions and possible transitional provisions including step-by-step implementation.

## II. Request for General Comments

(a) *Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs)* – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

(Comment)

We have no comment.

(b) *Regulators and Oversight Bodies* – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and oversight communities.

(Comment)

Not applicable.

(c) *Sustainability Assurance Practitioners Other than Professional Accountants* – The IESBA invites comments on the clarity, understandability and usability of the proposals from sustainability assurance practitioners outside of the accountancy profession who perform sustainability assurance engagements addressed by the International Independence Standards in the proposed Part 5 of the Code.

(Comment)

Not applicable.

(d) *Developing Nations* – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

(Comment)

Not applicable.

(e) *Translations* – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

(Comment)

We do not have any specific comments on the wording used in the Exposure Draft from the perspective of translation into Japanese.

However, English is not the official language in Japan, thus, it is inevitable to translate the Code from English to Japanese in an understandable manner. For this reason, we pay close attention to the wording used in the Code in respect of whether it is translatable and comprehensible when translated. We therefore request the IESBA to avoid lengthy sentences and to use concise and easily understandable wording.

We hope the comments provided above will contribute to the robust discussions at the IESBA.

Sincerely yours,

Toshiyuki Nishida

Executive Board Member - Ethics Standards

The Japanese Institute of Certified Public Accountants