

## RESPONSE TEMPLATE FOR EXPOSURE DRAFT OF PROPOSED ISSA 5000, *GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS*

### Guide for Respondents

Comments are requested by **December 1, 2023**. *Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.*

This template is for providing comments on the Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), in response to the questions set out in the Explanatory Memorandum to ED-5000. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
  - Respond directly to the questions.
  - Provide the rationale for your answers. If you disagree with the proposals in ED-5000, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
  - Identify the specific aspects of ED-5000 that your response relates to, for example, by reference to sections, headings or specific paragraphs in ED-5000.
  - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the “**Submit Comment**” button on the [ED-5000 webpage](#) to upload the completed template.

**Responses to IAASB's Request for Comments in the Explanatory Memorandum for ED-5000, General Requirements for Sustainability Assurance Engagements**

**PART A: Respondent Details and Demographic information**

|   |   |
|---|---|
| Your organization's name (or your name if you are making a submission in your personal capacity)  | The Securities Analysts Association of Japan (SAAJ)   |
| Name(s) of person(s) responsible for this submission (or leave blank if the same as above)  | Kei Tsuchiya  |
| Name(s) of contact(s) for this submission (or leave blank if the same as above)   |   |
| E-mail address(es) of contact(s)  | kei-tsuchiya@saa.or.jp  |
| Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option. | <a href="#">Asia Pacific</a>  |
|   | If "Other", please clarify  |
| The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.                             | <a href="#">Member body and other professional organization</a>   |
|   | If "Other", please specify  |
| Should you choose to do so, you may include information about your organization (or yourself, as applicable).   | <p>The Sustainability Reporting Committee (SRC) of the SAAJ is pleased to comment on ED-5000.</p> <p>The SAAJ is a not-for-profit organization for professionals in the areas of investment and finance, offering education and certification programs in these fields. Its certified member analysts (holding the CMA designation) number around 29,000.</p> <p>The SRC is a standing committee of the SAAJ established in March 2021. It is composed of nine members including equity and credit analysts, portfolio managers, public accountants, and academics.</p> <p>We would like to thank Ms. Sachiko Kai, a member of the IAASB, for holding an online seminar for SRC members and others on October 11, 2023 to explain the content of ED-5000.</p> |

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB's preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to ED-5000).

**Information, if any, not already included in responding to the questions in Parts B and C:**

## PART B: Responses to Questions in the Explanatory Memorandum for ED-5000

**For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.**

### Overall Questions

1. Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).

(See Explanatory Memorandum Section 1-A, paragraph 14)

**Overall response:** [Agree, with comments below](#)

**Detailed comments (if any):**

- (1) We welcome that the IAASB has published ED-5000. Sustainability information is becoming increasingly important for analysts/investors in forecasting future cash flows and performance. We have been advocating the urgent need on the part of analysts/investors for high quality, consistent, and comparable global sustainability disclosure standards. We therefore welcomed that the International Sustainability Standards Board (ISSB) issued its inaugural IFRS Sustainability Disclosure Standards (ISSB Standards) in June 2023. We also thank the IAASB for its prompt publication of the exposure draft of the assurance standards, which will provide a global baseline for ensuring the reliability of sustainability information.
- (2) We agree in principle with the direction of the proposal in paragraph 14 of the Explanatory Memorandum (EM), but would like to address some general comments and improvements to ED-5000 from the perspective of analysts/investors as users, as described below.

### Guidance, educational materials, etc. in the principles-based approach

- (3) While we agree with the principles-based approach in developing the standards, we believe that guidance, including examples, needs to be enhanced to ensure appropriate assurance engagements. It is important for users that high quality assurance is provided based on appropriate assurance processes, regardless of industry characteristics. The quality of assurance should not vary significantly due to different judgments made by different assurance providers. We encourage the IAASB to provide examples in its guidance on issues that may be difficult for assurance practitioners to judge, such as management bias and the consideration or determination of materiality. Guidance should be developed that is easily understood by assurance practitioners other than professional accountants who do not have financial statement audit experience. Educational materials should also be enhanced to promote understanding among users who are not necessarily familiar with assurance engagements.
- (4) On the other hand, while corporate sustainability disclosures are not expected to be stable in the early stages, boilerplate disclosure of sustainability information in response to overly rigorous assurance procedures should be avoided. We encourage the IAASB to develop standards, application materials and guidance that address this issue in assurance practice. As the practice of sustainability disclosure and assurance is expected to evolve rapidly, we believe that standards, application materials and guidance should be reviewed in a timely and appropriate manner in the early stages.
- (5) Given that sustainability information prepared in accordance with the ISSB Standards and others will be disclosed in statutory annual reports in each jurisdiction, it would be particularly important to ensure

the quality of assurance engagements for statutory sustainability information. We believe that while the principle-based approach is the basis of the assurance standards, the IAASB needs to treat assurance engagements for statutory sustainability information as a separate category, to summarize points to consider about the assurance processes, judgments, and other matters that are consistent with the requirements of the ISSB Standards and others, and to provide guidance on these matters.

### **Connectivity between financial and sustainability information**

- (6) The connectivity between financial and sustainability information is a very important issue for users. The “Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting”, published by the Board of the International Organization of Securities Supervisors (IOSCO) on March 28, 2023, states that “IOSCO encourages the standard setters to consider the interconnectivity with audits of financial statements”. It is critical to ensure that there are no material inconsistencies or misstatements between the two sets of information. While overly rigorous assurance procedures in the early stages of sustainability disclosure are not desirable, we encourage the IAASB to establish mechanisms in the standards or others to ensure that rigorous assurance engagements are implemented with respect to identifying material inconsistencies or misstatements between financial and sustainability information.
- (7) In this regard, ED-5000 requires the assurance practitioner to read the other information (paragraphs 11-12) and consider whether there is a material inconsistency or material misstatement between the other information and the sustainability information (paragraphs 155-159), but we believe this requirement is insufficient. In cases where the auditor of the financial statements and the assurance practitioner of the sustainability information are different, we understand that it is difficult to communicate due to confidentiality issues. However, additional requirements should be included in the standards to ensure the connectivity between the financial statements and the sustainability information, such as confirmation of recognition in communications with management, those charged with governance (TCWG), and others (hereinafter referred to as “TCWG, etc.”), and communications between the auditor and the assurance practitioner with the participation of the TCWG, etc. We also believe that the guidance on the above mentioned reading and considering other information, communication with the TCWG, etc., and communication between the auditor and the assurance practitioner should be enhanced to ensure the connectivity between financial and sustainability information.
- (8) “Use by all assurance practitioners” in paragraph 14 of the EM states that “ED-5000 is intended to be used by both professional accountants and non-accountant assurance practitioners”. This is a profession-agnostic concept. However, given the importance of the connectivity between financial and sustainability information, some proposed to articulate in the standards that consistent financial statement audit and sustainability assurance is desirable as one of the measures to address the challenges accompanying connectivity.

### **EER Guidance**

- (9) For assurance on non-financial information, there is “Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements” (EER Guidance). We understand that the EER Guidance will continue to be effective under ISAE 3000 (Revised) after ISSA 5000 becomes effective. Some suggested that the EER Guidance should be reviewed based on ISSA 5000. As the EER Guidance is considered to be the basis for the development of the ISSA 5000 guidance, some suggested that the IAASB should provide a roadmap of its plans for reviewing the EER Guidance.

### *Public Interest Responsiveness*

2. Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?

*(See Explanatory Memorandum Sections 1-B, and Appendix)*

**Overall response:** [No response](#)

**Detailed comments (if any):**

### **Specific Questions**

#### *Applicability of ED-5000 and the Relationship with ISAE 3410*

3. Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

*(See Explanatory Memorandum Section 1-C)*

**Overall response:** [No response](#)

**Detailed comments (if any):**

#### *Relevant Ethical Requirements and Quality Management Standards*

4. Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

*(See Explanatory Memorandum Section 1-D)*

**Overall response:** [Yes, with comments below](#)

**Detailed comments (if any):**

- (10) We believe that ED-5000 is sufficiently clear because the relevant ethical requirements and quality management standards are the basis for assurance engagements.
- (11) Sustainability assurance, like financial statement auditing, includes issues such as organizational assurance (auditing) and management of conflicts of interest. We believe it is necessary to require high ethical requirements and quality management standards for the assurance practitioner in order for users to have confidence in the sustainability report with the assurance report. Therefore, we agree with the requirement to be “at least as demanding” as the IESBA Code and ISQM 1.
- (12) In order for high ethical requirements and quality management standards to work, they should be properly enforced in each jurisdiction and continuing education should be provided for assurance practitioners. Therefore, we encourage the IAASB to clarify in the standards and others by whom and how the “at least as demanding” requirements would be determined, and to fully engage with the IOSCO on enforcement and education with respect to these requirements.

*Definitions of Sustainability Information and Sustainability Matters*

5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?

(See *Explanatory Memorandum Section 1-E, paras. 27-32*)

**Overall response:** [Not Applicable](#)

**Detailed comments (if any):**

6. Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?

(See *Explanatory Memorandum Section 1-E, paras. 35-36*)

**Overall response:** [Not Applicable](#)

**Detailed comments (if any):**

*Differentiation of Limited Assurance and Reasonable Assurance*

7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?

(See *Explanatory Memorandum Section 1-F, paras. 45-48*)

**Overall response:** [Not Applicable](#)

**Detailed comments (if any):**

*Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement*

8. Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?

(See *Explanatory Memorandum Section 1-F, para. 51*)

**Overall response:** [Click to select from dropdown menu](#)

**Detailed comments (if any):**

9. Does ED-5000 appropriately address the practitioner's consideration of the entity's "materiality process" to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?

*(See Explanatory Memorandum Section 1-F, paras. 52-55)*

**Overall response:** [No, with comments below](#)

**Detailed comments (if any):**

- (13) We did not initially believe that ED-5000 appropriately addressed the concept of materiality. This is because, while paragraph A157 of ED-5000 and paragraph 54 of the EM state that the entity's "materiality process" is not the same as the application of materiality by the practitioner, they do not state that the concept of materiality is the same for the entity and the practitioner. Therefore, we were concerned that this would make it difficult for users to understand the concept of materiality.
- (14) However, our concern has already been addressed by the "Frequently Asked Questions - Proposed ISSA 5000: The Application of Materiality by the Entity and the Assurance" (FAQ) published by the IAASB on October 25, 2023. As explained in the FAQ, ISSA 5000 should clearly state that the concept of materiality is the same for the entity and the practitioner (i.e., it is a user-driven concept, that is, it is affected by perceptions of the information needs of intended users of the sustainability information), and then should state that the entity's "materiality process" is not the same as the application of materiality by the practitioner.
- (15) With respect to the application of materiality, we believe that the key issue is to ensure confidence in the process of identifying material sustainability information. The ISSB Standards require a preparer to ① identify sustainability-related risks and opportunities and ② disclose information that is material with respect to the identified risks and opportunities. From users' perspective, the most important issue is to ensure that these processes are established and properly operated by an entity so that material sustainability information is disclosed in a comprehensive and complete manner. Because ISSA 5000 is an overarching standard, it may be difficult to provide detailed requirements for the processes used to identify material sustainability information. However, we believe that guidance should be developed to address this issue and that a specific standard should be developed in the future.

#### *Suitability and Availability of Criteria*

10. Does ED-5000 appropriately address the practitioner's evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-F, paras. 56-58)*

**Overall response:** [No response](#)

**Detailed comments (if any):**



11. Does ED-5000 appropriately address the notion of “double materiality” in a framework-neutral way, including how this differs from the practitioner’s consideration or determination of materiality? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-F, paras. 59-60 and 68)*

**Overall response:** [No response](#)

**Detailed comments (if any):**

*Materiality*

12. Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-F, paras. 65-74)*

**Overall response:** [No response](#)

**Detailed comments (if any):**

*Understanding the Entity’s System of Internal Control*

13. Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity’s system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?

*(See Explanatory Memorandum Section 1-F, paras. 75-81)*

**Overall response:** [No response](#)

**Detailed comments (if any):**

*Using the Work of Practitioner’s Experts or Other Practitioners*

14. When the practitioner decides that it is necessary to use the work of a firm other than the practitioner’s firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are “another practitioner” and not members of the engagement team? If not, what suggestions do you have for making this clearer?

*(See Explanatory Memorandum Section 1-G, paras. 82-87)*

**Overall response:** [No response](#)

**Detailed comments (if any):**

15. Are the requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?

(See *Explanatory Memorandum Section 1-G, paras. 88-93*)

**Overall response:** [No response](#)

**Detailed comments (if any):**

*Estimates and Forward-Looking Information*

16. Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?

(See *Explanatory Memorandum Section 1-G, paras. 94-97*)

**Overall response:** [Agree, with comments below](#)

**Detailed comments (if any):**

- (16) We agree with the proposal on estimates and forward-looking information. Some comments are provided below.
- (17) Estimates and forward-looking information are often presented using processed data, such as graphs and charts. Paragraph 134 provides the procedures for estimates and forward-looking information. We believe that ISSA 5000 should include a requirement for the assurance practitioner to consider the appropriateness of these presentations of processed data.
- (18) Estimates and forward-looking information are often presented with the base dates, measurement methods, assumptions, reasoning processes, and other information in accordance with the disclosure criteria. We believe that ISSA 5000 should include a requirement for the assurance practitioner to consider the appropriateness of these presentations in confirming that there are no material misstatements.

*Risk Procedures for a Limited Assurance Engagement*

17. Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?

(See *Explanatory Memorandum Section 1-G, paras. 98-101*)

**Overall response:** [No response](#)

**Detailed comments (if any):**

*Groups and “Consolidated” Sustainability Information*

18. Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, paras. 102-107)*

**Overall response:** [No response](#)

**Detailed comments (if any):**

*Fraud*

19. Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?

*(See Explanatory Memorandum Section 1-G, paras. 108-110)*

**Overall response:** [Agree, with comments below](#)

**Detailed comments (if any):**

- (19) We agree with the proposal on fraud. We believe that in judging and responding to fraud, it is critical that misstatements are properly identified and evaluated. Some comments are provided below.
- (20) As greenwashing, a form of fraud, is one of the most critical elements of misstatements, guidance should cover such cases.

*Communication with Those Charged with Governance*

20. Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, paras. 111-112)*

**Overall response:** [Yes, with comments below](#)

**Detailed comments (if any):**

- (21) We support the proposal on communication with TCWG, etc.
- (22) However, as stated in our response (7) to Question 1, in cases where the auditor of the financial statements and the assurance practitioner of the sustainability information are different, additional requirements should be included in the standards to ensure the connectivity between the financial statements and the sustainability information, such as confirmation of recognition in communications with the TCWG, etc. Therefore, the guidance should be enhanced by providing examples of matters to be communicated.

- (23) As stated in paragraph 112 of the EM, in order to enhance the assurance procedures without omitting any necessary considerations while taking into account the differences in laws and regulations on governance in each jurisdiction, examples of matters to be communicated in general, not limited to the connectivity between financial and sustainability information, should be provided, including the entity's governance structure and materiality process, which are critical matters for users.

*Reporting Requirements and the Assurance Report*

21. Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.

*(See Explanatory Memorandum Section 1-G, paras. 116-120, 124-130)*

**Overall response:** [Yes, with comments below](#)

**Detailed comments (if any):**

- (24) We agree in principle with the proposal on reporting requirements and the assurance report, which uses a format similar to the audit report for financial statements. However, we would like to suggest some improvements below.
- (25) Sustainability assurance is expected to be diverse in terms of the sustainability topics disclosed (climate related, biodiversity, human capital, human rights, etc.), the scope of information disclosed, the disclosure criteria, the assurance level, the assurance procedures and the characteristics of the assurance practitioners and is not expected to be a level engagement such as financial statement auditing. Therefore, we believe it is important to explain in the assurance report with some specificity what procedures have been applied to certain sustainability information in order to enable users to understand the assurance engagement in detail. We encourage the IAASB to consider these points in describing the requirements and to describe them as clearly as possible, keeping in mind the understandability of users.
- (26) Since the use of external experts and other assurance practitioners is more important in sustainability assurance than in financial statement audit, a summary of the use of external experts and other assurance practitioners should be provided in the assurance report.
- (27) We regret to say that analysts/investors as users do not necessarily understand the audit and assurance engagement in detail. In this regard, we are concerned that users may be confused by various variations of assurance reports, including a combination of sustainability information prepared in accordance with fair presentation/compliance criteria and reasonable/limited assurance as stated in Appendix 2 "Illustrations of Assurance Reports on Sustainability Information" in ED-5000. Therefore, we encourage the IAASB to provide educational materials to help users (and possibly preparers) understand the difference between sustainability information prepared in accordance with fair presentation criteria and compliance criteria and between reasonable assurance and limited assurance.

22. Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, paras. 121-123)*

**Overall response:** [Neither agree/disagree, but see comments below](#)

**Detailed comments (if any):**

(28) We believe that there is a need for a reporting framework with features similar to key audit matters (KAM) to enable users to understand the assurance process. Therefore, we encourage the IAASB to consider the desirable framework for this type of reporting.

(29) As sustainability assurance is still in its early stages, we believe that in order to provide users with a basis for assessing the quality of the assurance by understanding the matters that the assurance practitioner has identified as having a high risk of misstatement and the response to them, there is a high need for reporting similar to KAM in sustainability assurance as there is a need for KAM in financial statement auditing. This high need applies not only to reasonable assurance, but also to limited assurance. We also believe that requiring reporting similar to KAM will foster communication between the TCWG, etc. and the assurance practitioner, which will enhance the response to misstatements due to fraud, including greenwashing. Therefore, we believe that a roadmap for reporting similar to KAM should be provided for future implementation.

(30) Some commented that in a report similar to KAM, it would be more useful to present not only the procedures addressed, but also the findings of the assurance practitioner and the outcome of the assurance procedures.

23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?

*(See Explanatory Memorandum Section 1-G, para. 131)*

**Overall response:** [Yes \(with no further comments\)](#)

**Detailed comments (if any):**

#### *Other Matters*

24. Are there any public sector considerations that need to be addressed in ED-5000?

*(See Explanatory Memorandum Section 1-I, para. 135)*

**Overall response:** [No response](#)

**Detailed comments (if any):**

25. Are there any other matters you would like to raise in relation to ED-5000?

**Overall response:** [Yes, as further explained below](#)

**Detailed comments (if any):**

#### **Sustainability assurance standards projects following ISSA 5000**

(31) We understand that the IAASB is considering the development of specific individual standards for sustainability assurance following the development of the overarching ISSA 5000. We have the following comments on the specific standards.

(32) We believe that the specific standards should be developed along two axes: “thematic” (e.g. climate-related, human capital, etc.) and “engagement phase” (e.g. the judgement of materiality, group and consolidated sustainability information, etc.).

(33) In order to clarify the system of thematic and engagement phase specific standards, we would like to propose that branch numbers be added under the ISSA 5000 series. For example, the series of thematic standards should be ISSA 5100 and the series of engagement phase specific standards should be ISSA 5200.

(34) Among the thematic standards, we believe that the highest priority is climate-related, as IFRS S2 was first published as a thematic standard in the ISSB Standards. The next highest priorities are biodiversity, human capital and human rights, which the ISSB proposed as new research and standard-setting projects in the Request for Information (RFI) “Consultation on Agenda Priorities” published on May 4, 2023. We believe that human capital has the highest priority. For further details, please see our comments on Question 3 of the RFI (\*).

(\*) [https://www.saa.or.jp/standards/sustainability/pdf/ikensho\\_230901en.pdf](https://www.saa.or.jp/standards/sustainability/pdf/ikensho_230901en.pdf)

(35) Among the engagement phase standards, we believe that the judgement of materiality is the highest priority. In judging materiality, there may be a difference between the materiality applied by the entity and the assurance practitioner and the materiality expected by users, resulting in an expectation gap. If a material misstatement on a material sustainability issue is found in a sustainability report with assurance, the issue of comprehensiveness and completeness of the sustainability reporting and its assurance would become serious, raising concerns that the social credibility of the assurance engagement would be compromised. Therefore, we believe that the development of a specific standard for the judgement of materiality should be given high priority.

#### **Part C: Request for General Comments**

The IAASB is also seeking comments on the matters set out below:

26. Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.

**Overall response:** [No response](#)

**Detailed comments (if any):**

27. Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISSA. If not, what do you propose and why?

**Overall response:** No response

**Detailed comments (if any):**