

Special Committee on Sustainability Information  
Disclosure and Assurance

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# Position Paper: the Approach to Sustainability Information Disclosure and Assurance

—Toward Ensuring Trust in Sustainability Information—

July 17, 2025

JICPA

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## I Introduction

In recent years, sustainability initiatives have become a core agenda for corporate management and have been attracting increasing attention from investors worldwide. In this context, it is becoming increasingly important to disclose not only financial information but also sustainability information. In addition, sustainability information that influences investors' assessments of enterprise value and related investment decisions is therefore expected to be reliable, and demand for third-party assurance has been increasing rapidly.

In Europe, the Corporate Sustainability Reporting Directive (or "CSRD") came into effect in January 2023, with phased implementation commencing on January 1, 2024. However, the European Commission also introduced the Omnibus Proposal Package, which includes measures aimed at reducing the administrative burden under the CSRD, particularly for small and medium-sized enterprises. Therefore, it is important to closely monitor future developments in Europe.<sup>1</sup>

In Japan, listed companies have been required to disclose "Sustainability Initiatives and Approaches" in their annual securities reports since the fiscal year ended March 2023.

Furthermore, the Sustainability Standards Board of Japan (or "SSBJ") issued its sustainability disclosure standards in March 2025.

In February 2024, the Financial Services Agency of Japan established the Working Group on Disclosure and Assurance of Sustainability-related Financial Information under the Financial System Council (or "the Financial System Council Sustainability WG")<sup>2</sup> to discuss issues related to sustainability disclosure and assurance<sup>3</sup>.

In April 2024, the Japanese Institute of Certified Public Accountants (or "JICPA") formed the Special Committee for Sustainability Information Disclosure and Assurance (or the "Special Committee").

Prior to this, JICPA had set up the Special Committee on Corporate Disclosure and Governance, which issued a report in May 2021 titled "*Key Issues in Enhancing Usefulness and Trust in Corporate Disclosure—Establishing Sustainable Value Creation Cycle through Interaction between Disclosure and Governance*" that examined issues related to corporate disclosure at that time and proposed possible solutions<sup>4</sup>.

<sup>1</sup> The European Commission "Commission proposes to cut red tape and simplify business environment" (reference date: July 16, 2025) [https://commission.europa.eu/news/commission-proposes-cut-red-tape-and-simplify-business-environment-2025-02-26\\_en](https://commission.europa.eu/news/commission-proposes-cut-red-tape-and-simplify-business-environment-2025-02-26_en)

<sup>2</sup> The Financial System Council Sustainability WG was established at the Joint 52nd General Meeting of the Financial System Council and the 40th Financial System Policy Subcommittee. Further, the Expert Study Group on the Assurance of Sustainability-related Financial Information (of the Financial System Council) was established in December 2024 to discuss requirements for providing high-quality assurance services.

<sup>3</sup> In July 2025, the "Progress Report from the Working Group of the Financial System Council on Disclosure and Assurance of Sustainability-related Financial Information" was published. (reference date: July 17, 2025) [https://www.fsa.go.jp/singi/singi\\_kinyu/tosin/20250717.html](https://www.fsa.go.jp/singi/singi_kinyu/tosin/20250717.html)

<sup>4</sup> The Special Committee on Corporate Disclosure and Governance report titled "*Key Issues in Enhancing Usefulness and Trust in Corporate Disclosure—Establishing Sustainable Value Creation Cycle through Interaction between Disclosure and Governance*" (reference date: July 16, 2025) [https://jicpa.or.jp/specialized\\_field/20210604efb.html](https://jicpa.or.jp/specialized_field/20210604efb.html)

The current Special Committee has taken account of some of the topics discussed in the report issued in 2021.

The Special Committee, which includes external experts such as academics and users of corporate information, has deliberated on the optimal structure of sustainability disclosure and assurance. Discussions focused on the sustainability information required by investors in capital markets and were grounded in the perspective that enhancing the usefulness and reliability of such information contributes to the abilities of a company to achieve sustainable

value creation. Moreover, the Special Committee also considered the roles of professional accountants and accounting firms in not only supporting corporate disclosures practices but also as professionals who provide high-quality assurance engagements.

Taking all of the above into consideration, the Special Committee hereby presents this report, dated July 17, 2025, titled “*Position Paper: the Approach Successful to Sustainability Information Disclosure and Assurance —Toward Ensuring Trust in Sustainability Information—*”

## II Highlights

### 1. Sustainability disclosures

As disclosure practices evolve and investors increasingly demand sustainability information, it is important to establish an environment in which annual securities reports—the core of Japan’s regulatory disclosure system—are used as a platform for providing decision-useful

sustainability information, with mechanisms in place to ensure the reliability. To facilitate the smooth establishment of such a situation, the Special Committee has compiled key considerations for enhancing sustainability disclosures:

Topic	Summary
<p><b>Disclosure regulations</b></p>	<ul style="list-style-type: none"> <li>It is appropriate to adopt a phased approach to avoid duplication of information across multiple statutory and voluntary disclosure reports, and to ensure that corporate disclosures effectively and efficiently support user decision making. In the short term, it may be appropriate to pursue greater alignment among various reports to achieve coherent and connected disclosures. Over the medium term, it may be appropriate to consider establishing a new statutory annual report that integrates disclosures necessary to support investor decision-making.</li> <li>In order to enhance the understandability of disclosures, it may be appropriate to disclose the basis of preparation of sustainability information, explain the structure of the information and clearly</li> </ul>

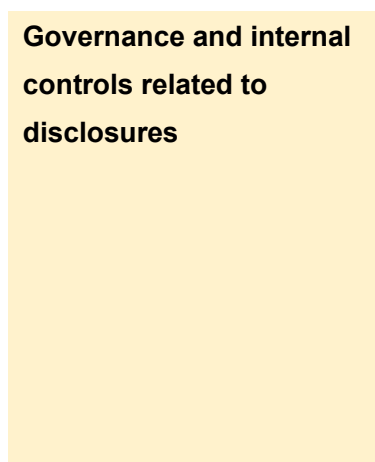


identify which information is subject to assurance.

- It is essential to allocate sufficient time for the preparation and assurance of sustainability information, given that extensive data must be collected from diverse sources. Furthermore, considering the growing importance of sustainability information, it may be appropriate to publish annual securities reports that include sustainability information prior to annual general meetings of shareholders to allow users adequate time for review and analysis.
- It is critical that the reporting system is designed to achieve greater alignment between sustainability disclosures and other sustainability-related reporting requirements in Japan.



- Given that a considerable number of companies are required to comply with both the IFRS Sustainability Disclosure Standards<sup>5</sup> issued by the International Sustainability Standards Board (ISSB), including jurisdictional sustainability disclosure standards designed to align with the ISSB standards, and European Sustainability Reporting Standards (ESRS), it is desirable that these standards are internationally consistent and enable reporting that contributes to the sustainable enhancement of corporate value and the strengthening of competitiveness.
- In Japan, it may be appropriate to maintain collaboration with the ISSB, work with other jurisdictions to promote measures that ensure international consistency with disclosure standards, and enable domestic stakeholders to collaborate in addressing emerging issues and communicate Japan's view.



- There is a need for stakeholders to further discuss the roles of the Board of Directors and the Audit & Supervisory Board (Kansayaku-kai) in corporate governance, including the establishment of organizational structures and processes to identify sustainability-related risks and opportunities and the involvement of these governance bodies in that identification.
- With respect to internal controls over sustainability reporting, there is a need to explore the rationale for establishing such controls and the appropriate design with a medium- to long-term perspective.

<sup>5</sup> The IFRS Sustainability Disclosure Standards comprise IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures". Hereafter, these Standards are referred to as the "ISSB Standards."

## 2. Sustainability assurance engagement

Corporate disclosures encompass financial, sustainability, and other non-financial information. It is assumed that all such information may be relevant to identifying a company's risks and opportunities, and therefore to informing investment decisions, and that, over time, reliability could be expected for corporate disclosures as a whole.

The reliability of corporate disclosures is achieved through both the preparation of

information by companies and the assurance provided by third parties. At present, while financial information is subject to auditing, the institutionalization of assurance for sustainability information is under consideration. To enable the provision of high-quality sustainability assurance engagements that contribute to the reliability of corporate disclosures and respond to market needs, the Special Committee has examined a desirable state of sustainability assurance.

Topic	Summary
<p><b>Ensuring the quality of sustainability assurance engagements</b></p>	<ul style="list-style-type: none"> <li>· The financial statements audit system has a framework for delivering high-quality engagements. This framework has been established over the years through developing rules and standards, accumulating expertise in audit practices, and operating self-regulation mechanisms. From the perspective of third-party assurance of sustainability information, it is considered meaningful to take the audit system as a reference. Organizing and operating relevant initiatives as a framework for third-party assurance may contribute to achieving the objective of providing assurance engagements that enhance the reliability of information. It is necessary to holistically consider the following elements:               <ul style="list-style-type: none"> <li>- Registration of assurance practitioners;</li> <li>- Development of standards and professional ethics for assurance engagements;</li> <li>- Capacity-building for assurance practitioners; and</li> <li>- Establishment and operation of a self-regulation system for assurance practitioners, including inspection and monitoring for assurance engagements.</li> </ul> </li> <li>· For the purpose of ensuring assurance quality, audit firms, as professionals in delivering high-quality assurance engagements, are expected to play a significant role as sustainability assurance practitioners.</li> </ul>

**Scope and level of sustainability assurance**

- Regarding the scope of sustainability assurance, assurance should, in principle, cover all disclosed sustainability-related information. However, for certain types of information, such as forward-looking and qualitative information, it is anticipated that a considerable amount of time and cost will be required to institutionalize assurance, including the establishment of structures and processes at entities.
- Given such circumstances, a gradual expansion of the assurance scope is realistic. In doing so, it is essential to consider the needs of information users, who currently appear to focus on whether companies prepare information through adequate processes. In particular, governance and risk management are areas of significant emphasis. Therefore, it is considered that the scope of sustainability assurance should initially cover governance and risk management, with a view to expanding the scope in response to international developments and changes in market needs. Providing a timeline for expanding the scope of assurance would also help enhance predictability for stakeholders.
- As regards the level of assurance, limited assurance is considered appropriate; however, reasonable assurance could be considered in the future, taking into account international developments and changes in market needs as well as further maturation and expansion of assurance practices.

**Sustainability assurance standards and ethics and independence standards**

- The structure of sustainability assurance standards and quality management standards in Japan should be modelled on a structure of the existing financial statements audit system. Specifically, it would be appropriate for the Business Accounting Council, under the Financial Services Agency, to develop assurance standards, while a delegated body prepares practical guidance. In doing so, it is imperative to ensure alignment with ISSA 5000<sup>6</sup>. ISSA 5000 requires an assurance practitioner to comply with the IESBA Code

<sup>6</sup> “International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements” issued by IAASB (reference date: July 16, 2025) <https://www.iaasb.org/publications/international-standard-sustainability-assurance-5000-general-requirements-sustainability-assurance>

of Ethics<sup>7</sup> and to be a member of a firm that applies ISQM 1<sup>8</sup>, or to follow ethical and quality management requirements that are at least as demanding as the IESBA Code and ISQM 1.

- Ethics and independence standards for sustainability assurance should, as is currently the case, be integrated into JICPA's existing Code of Ethics framework, and Certified Public Accountants in Japan will comply with these standards through adherence to the JICPA's Code of Ethics.
- A demand for voluntary assurance is expected to arise as soon as the mandatory application of the SSBJ standards takes effect. In such cases, confusion may arise if assurance engagements are performed in accordance with standards that are not consistent with those applied under a mandatory assurance regime. Accordingly, there is an urgent need to determine an overall structure of standards for the sustainability assurance system and to develop individual standards as needed within the structure.

### Collaboration with multi-disciplinary experts

- As sustainability assurance requires a wide range of expertise, it is necessary to establish an efficient and effective system that actively leverages the knowledge and experience of experts.
- When sustainability assurance practitioners use the work of another practitioner, such work cannot be used without due consideration, even if they appear to be similar in nature. Moreover, sustainability assurance practitioners ultimately bear full responsibility for an assurance engagement, even when they use the work of another practitioner.
- When using the work of experts or another practitioner in delivering sustainability assurance, it is necessary to enhance mutual understanding among relevant stakeholders, including reporting companies and other assurance providers, regarding the requirements that need to be satisfied.

<sup>7</sup> "International Ethics Standards for Sustainability Assurance (including International Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting" issued by the International Ethics Standards Board for Accountants (IESBA) (reference date: July 16, 2025) <https://www.ethicsboard.org/publications/final-pronouncement-international-ethics-standards-sustainability-assurance-including-international>

<sup>8</sup> "International Standard on Quality Management 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by IAASB (reference date: July 16, 2025) <https://www.iaasb.org/publications/international-standard-quality-management-isqm-1-quality-management-firms-perform-audits-or-reviews>

**Legal requirements for sustainability assurance practitioners:**

**Qualifications, Registrations, Obligations, and Responsibilities**

- With respect to the qualifications, registrations, obligations and responsibilities of sustainability assurance practitioners, it may be considered appropriate to impose legal requirements equivalent to those applicable to auditors under the Financial Instruments and Exchange Act, regardless of the practitioners' attributes. This is based on the view that, to ensure the reliability of information disclosed by companies to investors, sustainability-related financial information should be treated in the same manner as financial information.
- There are many issues that need to be addressed in establishing a detailed legal framework, and it is anticipated that this process will require considerable time. Accordingly, timely and sufficiently detailed deliberations should be undertaken. In conducting such deliberations, it is desirable to consider respective requirements for professional firms and individuals (engagement leaders) separately, including qualifications, registration, obligations, and responsibilities.

### III Closing remarks

The Special Committee has deliberated on the optimal structure of sustainability disclosure and assurance.

Amid significant changes in disclosure practices and a continued increase in investors' demand for sustainability information, it is essential to establish a situation in which sustainability information that is useful for users' decision-making is disclosed through annual securities reports—the statutory disclosure document in Japan—and in which the reliability of such information is appropriately ensured. In addition, the Special Committee has examined the roles to be played by Certified Public Accountants and audit firms in supporting corporate disclosure, including their

professional role in providing high-quality assurance engagements.

Certified Public Accountants are both audit professionals and accounting professionals. Drawing on their expertise as accounting professionals in financial information and as audit professionals in assurance engagements, they have conducted financial statement audits with a deep understanding of companies' environments and business models, thereby enhancing trust in financial information.

As the social and economic environment continues to evolve, the fields in which Certified Public Accountants are engaged have expanded further. From the perspective of corporate disclosure, their involvement is not

limited to their role as independent assurance providers (whether as financial statement auditors or sustainability assurance practitioners). For example, they may be involved in in-house preparation of financial statements and sustainability information, service in corporate governance roles, or the provision of advisory and consulting services.

Beyond these roles, Certified Public Accountants are engaged across diverse fields, including education and research, standard-setting bodies and regulatory authorities, corporate management, tax services, local and regional development (such as support for local governments and small and medium-sized enterprises), and international and cross-border activities (including support for companies' overseas expansion).

While all of these roles build on the foundation of the profession in accounting and assurance engagements, including auditing, the introduction of a sustainability disclosure and assurance regime provides an opportunity for Certified Public Accountants to further enhance their contributions—through the acquisition of sustainability-related knowledge and expertise—to the development of a sustainable society and attractive capital markets.

Moreover, as sustainability information increasingly and significantly influences companies' future-oriented disclosures, business models, and value creation, a deeper understanding of management and its underlying drivers is expected to contribute to further improvements in the quality of financial statement audits.

Although Certified Public Accountants are often perceived primarily as professionals engaged in financial statement audits, their scope of activities in accounting and assurance engagements, including auditing, continues to expand. In this sense, the profession has the potential to play an important role in supporting corporate value creation and broader economic and social development. To enable the accounting profession to play a critical role in sustainability assurance, it will become increasingly important to communicate the value of Certified Public Accountants beyond financial statement audits.