

**JICPA Sustainability Education
Special Committee Report**

Sustainability Capacity-Building Policy and Actions



April, 2023

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Forward

Recently, sustainability has become an important topic in corporate management and investment decision-making by investors, leading to increased demand for sustainability disclosure. As a result, there has been a growing need for professional accountants to develop their skills and competencies in sustainability. Based on the awareness above, the Japanese Institute of Certified Public Accountants (JICPA) has established the Sustainability Education Study Project Team to comprehensively discuss education for professional accountants to develop skills and competencies in sustainability. In June 2022, based on such discussions, the team formulated and published *Discussion Paper—Integrating Sustainability into Professional Accountants’ Competency*.

Since then, we have seen further progress in each area of regulations, standards, and practices related to sustainability disclosure. In December 2022, the Financial Services Agency released a report by the Working Group on Corporate Disclosure of the Financial System Council, highlighting the importance of society-wide efforts to develop talent supporting sustainability disclosure and assurance engagements. The report also notes the need to secure practitioners who perform assurance engagements.

These situations suggest that the need for strengthening sustainability education for professional accountants has been growing, as presented in the aforementioned *Discussion Paper* published by the project team. Responding to the growing need, the JICPA has set up the Sustainability Education Special Committee to discuss measures for steadfastly implementing capacity-building initiatives for professional accountants in sustainability. Through a series of such discussions, the Sustainability Education Special Committee formulated this report, which highlights: I. Basic Policies on Capacity Building Related to Sustainability, II. Skills and Competencies in Sustainability Required of Professional Accountants, III. Syllabus on Sustainability Education, and IV. Future Actions, which includes classification of measures into each phase of capacity building, presentation of a clear roadmap, and establishment of the Sustainability Capacity Building Council.

The JICPA will implement the basic policies and actions mentioned in this report, as well as expeditiously and effectively promote professional accountants’ capacity building on sustainability in collaboration with stakeholder organizations and other bodies. In doing so, we will contribute to sustainability-related initiatives by businesses and investors in the capital market.

List of Members of Sustainability Education Special Committee and Syllabus Subcommittee

(Sustainability Education Special Committee)

Chair	Takako Fujimoto	Deputy President (Corporate Disclosure, Audit and Assurance, etc.), JICPA
Member	George Iguchi	Executive officer, Deputy head of Investment Division, Chief Corporate Governance Officer, Nissay Asset Management Corporation Chair of Sustainability Reporting Committee, The Securities Analysts Association of Japan
Member	Eriko Otokozawa	Executive Board Member (Corporate Accounting and Disclosure), JICPA
Member	Tetsuo Kitagawa	Emeritus Professor at Aoyama Gakuin University Professor at Tokyo Metropolitan University
Member	Kiyotaka Kinugawa	Partner, Sustainability Disclosure Office, Ernst & Young ShinNihon LLC
Member	Naoaki Kobayashi	Executive Board Member (Auditing, Assurance, IT, Research and Consultation)
Member	Kuniyoshi Suzuki	Director, Sustainability Advisory, PricewaterhouseCoopers Aarata LLC
Member	Shinichi Takenaka	Climate Change/ESG Assurance Leader & Global Inbound Group (GIG) Leader, Deloitte Touche Tohmatsu LLC
Member	Sachiko Tsujino	Principal, Sustainable Value Head Office, KPMG AZSA LLC
Member	Mitsuo Tsuruta	Deputy President (Continuing Professional Development, Network Promotion & Support, etc.), JICPA
Member	Masahiko Tezuka	CEO, Japan Foundation for Accounting Education and Learning (JFAEL)
Member	Yoshihiko Hamada	Partner, Corporate Operations Management Office, Gyosei & Co.
Member	Takeshi Mizuguchi	President, Takasaki City University of Economics
Member	Yoichi Mori	Technical Director, JICPA

(Syllabus Subcommittee)

Chair	Yoichi Mori	Technical Director, JICPA
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Member	Mizuko Mase	Director, ESG/Integrated Reporting Advisory, Risk Advisory Business Division, Deloitte Touche Tohmatsu LLC

*As of April 14, 2023

*The members are listed in Japanese alphabetical order.

I Sustainability Capacity Building Policy

1. Need to enhance knowledge and understanding of sustainability for professional accountants

In the face of environmental issues such as climate change, transitioning to a sustainable economic and social model has become a key challenge. As the impact of sustainability challenges on corporate value is increasingly visible, the disclosure of sustainability information has seen marked progress, along with accelerated efforts to implement new regulations and develop international standards on sustainability disclosure, primarily by the International Financial Reporting Standards (IFRS) Foundation. In this context, professional accountants are increasingly required to develop their professional knowledge and understanding of sustainability.

Based on the awareness that the need for improving professional accountants' skills and competencies in sustainability has been increasing, the JICPA comprehensively discussed ways for professional accountants to develop skills and competencies in sustainability at the Sustainability Education Study Project Team. Consequently, the Project Team published *Discussion Paper Integrating Sustainability into Professional Accountants' Competency* (hereinafter referred to as "JICPA Sustainability Education PT Report") in June 2022. In the report, the team has identified the following four reasons why professional accountants need to develop knowledge and understanding of sustainability:

- 1) Professional accountants need to grasp things from a holistic view because they act in the public interest.
- 2) Sustainability is important in financial statement audits.
- 3) Sustainability is positioned as a common language for dialogue between management and investors.
- 4) Assurance engagements covering sustainability disclosure are now in greater demand from society.

Affirming the significance of these reasons, the Sustainability Education Special Committee discussed and revised the skills and competencies in sustainability required of professional accountants as outlined below.

<Reasons why professional accountants need to strengthen their knowledge and understanding of sustainability>

(1) The need for professional accountants to have a holistic view as they act in the public interest

Professional accountants are responsible for audits, which are acts of high public nature; therefore, they need knowledge and understanding that help grasp things holistically.

Professional accountants need to be aware of society's demand for sustainability and contribute to creating a sustainable society, a common global challenge.

(2) Progress in sustainability disclosure

The international and domestic development of sustainability-related regulations and standards for capital markets has progressed in parallel. Professional accountants, who support high-quality disclosure, need to deepen their knowledge and understanding of sustainability-related regulations and standards. In addition, non-listed companies are also being required to collect and manage sustainability-related information properly because companies disclosing sustainability information need to implement sustainability initiatives and gather such information throughout their value chains, including the non-listed companies. It implies that professional accountants who serve non-listed companies also need knowledge and understanding of sustainability disclosure.

(3) Significance of considering sustainability-related risks and opportunities in financial statement audits

Understanding the financial impact of climate change and other environmental issues is essential in financial statement audits. Failure to adequately consider the medium- to long-term sustainability-related risks could ultimately bring risks to financial statement audits. Further, sustainability-related risks and opportunities are closely connected with Key Audit Matters (KAM). Issues associated with the environment and society are also relevant to rules and regulations in jurisdictions where companies operate businesses, and thus, could affect their business continuity and resilience.

(4) Sustainability as a common language for dialogue with senior management and investors

It has become increasingly difficult to view the overall picture of corporate activities with accounting and financial information alone. Sustainability information and other information outside of financial statements have become more important. Mastering the common language of sustainability information provides a baseline for proper dialogue with companies and investors in capital markets.

In financial statement audits, auditors should deeply discuss the company's sustainability with management. In circumstances where sustainability issues are high on the management agenda, it is critical that professional accountants understand sustainability in the context of management strategies and business risks during financial statement audits.

Further, sustainability has become more important in corporate management, strategy

planning, risk management, and corporate governance. Knowledge and understanding of sustainability have thus become essentials for any professional accountant, including professional accountants serving as independent directors, professional accountants in business, and other professional accountants supporting businesses.

(5) Public demand for assurance on sustainability disclosures

In circumstances where long-term corporate value reflecting sustainability has become more important and regulations and standards on sustainability disclosure have advanced, ensuring the reliability of sustainability information has become a key issue. As discussions on future models of assurance engagements have progressed globally, it is imperative that we contribute to building an environment where we can effectively carry out assurance on sustainability information. With this in mind, we should strive to develop assurance practitioners.

Also, we now see a greater demand for assurance providers to ensure sufficient expertise, skills, and competencies in sustainability as well as in assurance engagements.¹ Professional accountants, as the experts in auditing, should upgrade their expertise necessary for assurance engagements of sustainability information based on their current expertise for providing high-quality assurance to sustainability information.

Sustainability-related information was traditionally distinguished from financial information and was considered as non-financial information. However, sustainability-related information is increasingly recognized as the information that should be disclosed in combination with financial information because of its growing impact on financials. Professional accountants' contribution to ensuring the reliability of sustainability-related information is in line with the needs of the times and will ultimately lead them to fulfill their mission.

We expect that professional accountants will help achieve a smooth transition to a sustainable economy and sustainable value creation by obtaining extensive knowledge and understanding of sustainability, and along with their existing skills and competencies in accounting, finance, auditing, and corporate management, contributing to high-quality sustainability disclosure that meets the needs of capital markets.

¹ "Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting," published by IOSCO in March 2023, refers to, in "5.2 Consideration for assurance providers," the need for strengthening capacity building for assurance providers (including appropriate certification, qualification, and credentials). Also, in the EU, the Corporate Sustainability Reporting Directive (CSRD) requires assurance providers on sustainability information to prove they have professional knowledge and understanding of sustainability through sustainability-related examinations and to undergo practical training on sustainability (for eight months) (DIRECTIVE (EU) 2022/2464 Article 8).

2. Objectives of and policies on professional accountants' capacity building in sustainability

Recognizing the rationale for professional accountants to upgrade their skills and competencies in sustainability, the JICPA has defined the objectives of and basic policies on their capacity building in sustainability as follows:

(1) Objectives of capacity building in sustainability

The objectives of professional accountants' capacity building in sustainability are to help them contribute to achieving high-quality disclosure, realizing resource allocation in capital markets from a long-term perspective, and ultimately developing a sustainable society and economy. More concretely, professional accountants are expected to fulfill these objectives through constructive dialogue and coordination with companies and investors and by deepening their knowledge and understanding of various sustainability-related issues, the interrelationship between sustainability and corporate management as well as corporate value, and disclosure and how to ensure its reliability.

(2) JICPA policies on capacity building in sustainability

(i) JICPA looks ahead to the future mega trend and support autonomous learning of professional accountants

Given the rapidly evolving needs related to sustainability, professional accountants need to address sustainability issues proactively, and to be able to anticipate changes to create new value. The JICPA will grasp the overall picture and changing trends of sustainability to show its members areas for learning and support autonomous learning.

(ii) JICPA supports their having fundamental sustainability knowledge and understanding and acquiring diverse expertise simultaneously as professional experts

Given the importance of sustainability in corporate management, corporate value, and disclosure, all our members of professional accountants need to have fundamental knowledge and understanding of sustainability.

On the other hand, areas requiring a more advanced level of expertise, including assurance engagements for sustainability reporting, need an environment where our members can obtain the necessary skills and competencies in their fields and positions and develop diverse sustainability expertise. We will design sustainability education so that professional accountants can acquire expertise that matches their circumstances and interests while sharing their fundamental knowledge and understanding across the industry.

(iii) JICPA coordinates and collaborates with initiatives related to sustainability education in Japan and overseas

We are aware of the current situation where globally consistent development is required for sustainability-related disclosure and ensuring its reliability, as well as the characteristics of audit firms and accounting firms as members of global networks. Given this situation, we will collaborate with international initiatives on a fundamental approach to sustainability education and its contents.

In Japan, we will also collaborate with audit firms that provide sustainability education to professional accountants and with companies, investors and other entities that provide sustainability education to capital market participants.

II Skills and Competencies in Sustainability Required of Professional Accountants

The JICPA Sustainability Education PT Report has concluded that the importance of knowledge and understanding of sustainability has been growing for all professional accountants, irrespective of their positions, such as external auditors, professional accountants serving as independent directors, and professional accountants in business. Meanwhile, the report also notes that areas in need of a more advanced level of expertise, including assurance engagements for sustainability reporting, require professional accountants to obtain the necessary skills and competencies in their fields and positions.

As Chapter I of this report discussed, fostering assurance practitioners for sustainability information is urgent and imperative.

In this section, based on the awareness above, we have sorted out these skills and competencies by dividing them into the following two types: those required of all professional accountants and those required of professional accountants who take up leading roles in assurance engagements.

1. Skills and competencies required of all professional accountants

Based on the recognition of the need for enhancing skills and competencies in sustainability for professional accountants, the JICPA Sustainability Education PT Report has conceptualized sustainability-related skills and competencies that all professional accountants should have as follows:

(i) To obtain holistic understanding of sustainability-related issues and the social and economic consequences based on the comprehensive knowledge base

As professional experts acting in the public interest, professional accountants should have comprehensive knowledge and understanding of sustainability issues arising from global environmental and social challenges. It is also essential for them to be able to grasp the big picture of how various sustainability issues may affect modern society and the economy.

(ii) To understand the basic framework of the interrelationship between sustainability and business as well as corporate value

It is essential for professional accountants to delve deeper into the big picture of sustainability to understand the basic framework of how sustainability issues can affect a company's external environment, risks, and opportunities. In addition, knowing best practices for corporate management policies, strategies, and governance responses to sustainability contributes to understanding the interrelationship between sustainability,

corporate management, and corporate value. Also, understanding the interests of various stakeholders in a company about its approach to sustainability (e.g., expectations and concerns) can help assess the impact of sustainability-related risks and opportunities on corporate value. Such stakeholders include shareholders, investors, consumers, employees, local communities, and governments.

(iii) To engage in intensive and constructive dialogue with senior management and directors regarding major sustainability trends and their impact on sectors and companies

As sustainability has become a high level business issue, professional accountants should be able to engage in intensive and constructive dialogue with senior management and those charged with governance regarding the impact (i.e., risks and opportunities) of sustainability on business and corporate value. Further, it is also essential that professional accountants better understand the expectations and concerns that users of information have, such as those regarding sustainability disclosure and sustainability-related issues in audit, through exchanging views with shareholders and investors. Professional accountants' understanding of global consensus on sustainability issues such as climate change and biodiversity, regulations and policies, key trends in various private initiatives, and their implications for sectors and companies will help make the dialogue meaningful for both parties.

(iv) To have the necessary knowledge and understanding of requirements for sustainability-related disclosure (e.g., regulations and standards)

Given the increasing importance of sustainability disclosure, professional accountants should know and understand the status of requirements in regulations and standards on sustainability disclosure. It is important for them to understand not only sustainability disclosure standards but also requirements for narrative information (management commentary) and its relevance to financial reporting standards. They also need to understand the whole picture of disclosure information, including the interrelationship between global and domestic standards, widely adopted standards and guidelines developed by private sector initiatives, and company-specific indicators.

(v) To understand the purpose and basic framework of assurance engagements

Considering the increasing demand to ensure the reliability of sustainability information, it is critical to understand the implications of assurance on information other than financial statements, including sustainability information, in ensuring the reliability of such information, including its limitations. In addition, professional accountants need to know

and understand the basic framework of assurance engagements in the International Standard for Assurance Engagement (ISAE) established by the International Auditing and Assurance Standards Board (IAASB). Examples of practices in sustainability assurance engagements can help us understand practice trends.

2. Skills and competencies required of professional accountants who take up leading roles in assurance engagements

Given that the need for developing personnel who perform assurance engagements is growing rapidly, the Special Committee reviewed the skills and competencies required of professional accountants who will take up leading roles in assurance engagements (hereinafter referred to as “key personnel in assurance engagements,” or “key personnel”). In the previous chapter, we described that an assurance engagement leader is responsible for the quality of an assurance engagement by leading an assurance team of diverse professional experts and by bringing together these members’ professional expertise. This report assumes, however, that key personnel in assurance engagements represent those who serve as assurance engagement leader or those who take up the role of leading assurance teams on-site.

In this study, we put together a list of major requirements that assurance providers (organizations/teams) should fulfill in order to meet the needs of capital markets in the assurance of sustainability information, and then reviewed and identified the roles that should be assumed by and skills and competencies required of such key personnel who lead assurance engagements.

(1) Requirements that should be fulfilled by assurance providers (firms/teams) on sustainability information

We have identified the factors that are particularly important for assurance providers to address the need to ensure the reliability of sustainability disclosure information in an assurance engagement as follows:

(i) Build trust in assurance engagements and assurance providers

The objective of assurance on sustainability information is to ensure the reliability of companies’ disclosure information. Trust in assurance engagements and assurance providers is critical to achieving this objective. To earn trust in assurance from capital market participants and broader society, assurance providers meet the fundamental needs of the market participants and society and ensure the quality of the assurance engagements. Moreover, it is essential to earn strong trust from market participants that assurance providers have a high level of professional ethics, including independence,

and have sufficient skills and competencies in sustainability and assurance engagements.²

(ii) Assurance engagement team with diverse expertise

Sustainability disclosure covers environmental information, such as climate change and biodiversity, and social information, such as human capital and human rights. Companies measure, gather, and calculate data based on scientific knowledge and analyze and evaluate them to disclose information on these topics. Firms that provide assurance engagements, thus, need to have diverse expertise in sustainability-related topics subject to assurance, in addition to financial reporting, corporate management, governance, and assurance engagements. For instance, assuring climate-related information requires expertise in science and public policies related to climate change, whereas assuring human capital-related information involves expertise in developing and managing human capital, including Diversity, Equity, and Inclusion (DEI).

When providing assurance to disclosure information, an assurance team is expected, as a whole, to secure a level of expertise commensurate with the scope and complexity of information subject to assurance.

An assurance engagement leader has to ensure high-quality assurance by leading an assurance team with diverse expertise and bringing together their professional knowledge and understanding.³

(iii) Alignment with financial statement audit (toward providing assurance in combination with auditing)

The IFRS Foundation, the international financial reporting standards setter, has established the International Sustainability Standards Board (ISSB) to develop sustainability disclosure standards that strongly emphasize connectivity with financial statements. Under the standards, companies are required to disclose the financial impact of climate-related risks and opportunities and the amounts of assets vulnerable to climate risks in the financial statements.

This connectivity between financial statements and sustainability disclosure is emphasized because sustainability information is expected to assist investors and other users in their decision-making when using sustainability information and financial

² The report from the Working Group on Corporate Disclosure of the Financial System Council (hereinafter referred to as 'DWG report') (published on December 27, 2022) points out that requirements on assurance providers "are considered to include independence, a high level of expertise, a quality control system in place, and supervision by regulatory authorities."

³ The DWG report suggests: "Given that sustainability themes are wide-ranging and that sustainability is an area requiring diverse expertise, it is also considered important to secure a wide range of assurance providers."

information integrally. In addition to ensuring connectivity in corporate disclosure, we also see a growing need for assurance providers and auditors to strengthen the collaboration between assurance engagements and financial statement audits; for example, some institutional investors have expressed hope for financial statement audits to fully consider climate and related risks.

As sustainability information is to be disclosed in an Annual Securities Report (i.e., *Yuhō*), an assurance engagement is expected to cover the sustainability information, like an audit covering the financial statements in the report. Collaboration between an audit team and an assurance team, and execution of their duties with a strong focus on consistency and connectivity between financial information and sustainability information is necessary to build the trust of the capital markets in corporate disclosure.⁴ Figure 1 illustrates how a firm can provide assurance to disclosure information while satisfying the above requirements when it provides both audit and assurance, to meet the needs of capital markets.

Figure 1: Effective assurance engagements structure that meets the needs of capital markets



Illustration was drawn based on Figure 17 in the Sustainability Education Special Committee on Corporate Disclosure and Corporate Governance Report, “Key Issues towards Useful and Reliable Corporate Disclosure—Realizing a Sustainable Value Creation Cycle through Interaction between Disclosure and Governance,” JICPA 2019

(2) Key personnel in assurance engagements

We have reviewed and identified the roles required of key personnel in assurance engagements and the knowledge and understanding necessary to fulfill the role in light of

⁴ The DWG report suggests: “Given that the ISSB develops the sustainability disclosure standards based on the sustainability information’s connectivity with financial information, professional accountants/audit firms auditing financial statements can also serve as assurance providers.”

requirements for a firm providing assurance engagements. More concretely, the firm needs to satisfy the requirements to ensure its assurance engagements' reliability, build an assurance team with diverse expertise, and integrate with financial statement audits.

Roles required of key personnel in assurance engagements

Key personnel in assurance engagements should lead the entire process of assurance engagements, plan and implement assurance procedures that effectively manage risks associated with the assurance of sustainability information, and form an opinion for that assurance engagement.

- Evaluating engagement risk associated with an assurance of sustainability information
- Developing an implementation plan on an assurance engagement (timeline and procedures)
- Communicating with directors and audit committee members
- Communicating with an audit team
- Evaluating results of works performed
- Forming an opinion (conclusion) for an assurance engagement

Skills and competencies required of key personnel in assurance engagements

In fulfilling the above role, besides the comprehensive knowledge and understanding of the underlying subject matter of sustainability assurance engagements, the key personnel are required to have the following knowledge and understanding:

- Comprehensive knowledge and understanding of sustainability
- Understanding of corporate management and corporate governance
- Understanding of companies' material sustainability-related risks and opportunities
- Understanding of disclosure regulations and standards
- Understanding of disclosure processes and internal controls
- Understanding of interrelationship between financial reporting and financial statement audit
- Advanced and professional knowledge and expertise on assurance engagements

This study has identified the elements of knowledge and understanding required of key personnel in assurance engagements in more detail and specifics (Figure 2). For instance, we have determined that in the field of corporate management and corporate governance, key personnel in assurance engagements should have comprehensive knowledge and understanding of overall corporate management, including management strategy, business

model, risk management; corporate finance; and corporate governance. In addition, they should have the knowledge and understanding of an approach to integrating sustainability into corporate management and governance, sustainability-related risk management process, relevant internal control, environmental management system, and sustainable finance. Of these elements, while the former part—knowledge and understanding of corporate management and governance—represents imperatives for the professional accountants who audit financial statements, the latter part—an approach to integrating sustainability into corporate management and governance—represents the expertise that professional accountants should newly strengthen in providing assurance engagements.

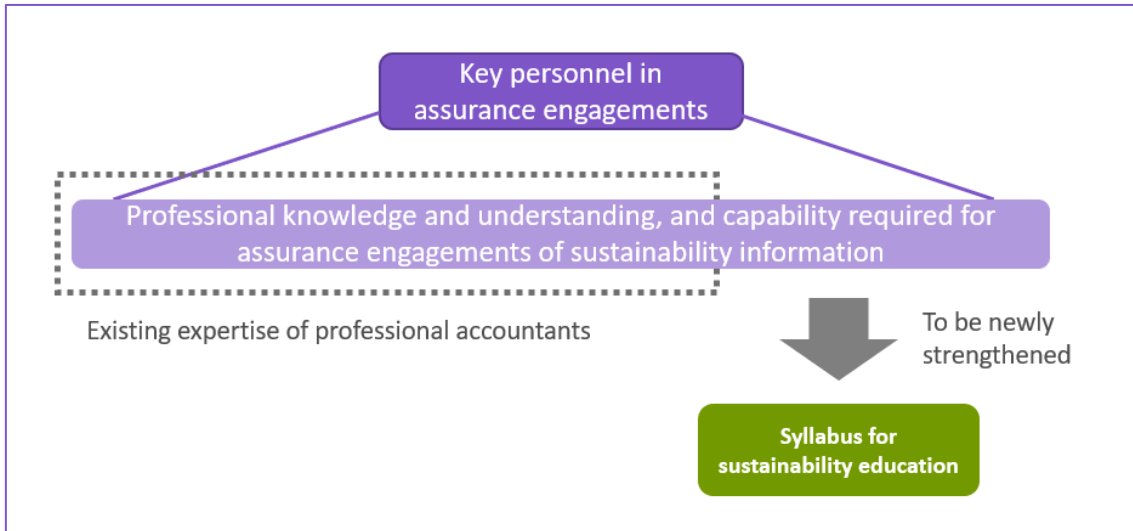
Figure 2: Expertise required of key personnel in assurance engagements and elements constituting such expertise

Required expertise	Elements of expertise	Professional accountants' fundamental expertise	Expertise to be further strengthened	
			Basic	Advanced
Comprehensive understanding of sustainability	Fundamental concept / framework related to sustainability		Light Green	Dark Green
	Common norms and practices related to the environment and society		Light Green	Dark Green
Corporate management / corporate governance	Business and Investment activities related to sustainability		Light Green	Dark Green
	Corporate management (strategy, business model, risk management)	Yellow		
(Sustainability management)	Corporate finance	Yellow		
	Corporate governance	Yellow		
Disclosure	Sustainability management / governance		Light Green	Dark Green
	Sustainability-related risk management / internal control		Light Green	Dark Green
(Sustainability disclosure)	Environmental management system		Light Green	Dark Green
	Sustainable finance		Light Green	Dark Green
Disclosure process / internal control	Disclosure system based on Financial Instruments and Exchange Act / Companies Act	Yellow		
	Investor relations, voluntary disclosure	Yellow		
Interrelationship of sustainability with financial reporting / financial statements audit	Capital markets, investor behavior, use of disclosure information by investors	Yellow		
	Sustainability disclosure regulations		Light Green	Dark Green
Advanced/professional knowledge and understanding related to assurance engagements	Sustainability disclosure standards (SSBJ, ISSB, ESRS)		Light Green	Dark Green
	Related framework, guidance (integrated reporting framework, GRI, SASB)		Light Green	Dark Green
Advanced/professional knowledge and understanding related to assurance engagements	Major Metrics (e.g., GHG, Water, Air, PRTR, Employee-Sector and Industry Topics)		Light Green	Dark Green
	Internal control over financial reporting	Yellow		
Advanced/professional knowledge and understanding related to assurance engagements	Process / internal control over sustainability reporting	Yellow	Light Green	Dark Green
	Basic concept regarding financial reporting (future cash flow, discount rate, materiality, scope of organization)	Yellow		
Advanced/professional knowledge and understanding related to assurance engagements	Financial accounting (revenue/assets, accounting estimates)	Yellow		
	Auditing: Key Audit Matters (KAM), Auditing Standards Committee report 720 "The Auditor's Responsibilities Related to Other Information"	Yellow		
Advanced/professional knowledge and understanding related to assurance engagements	Connectivity between sustainability disclosure and financial statements		Light Green	Dark Green
	Audit and assurance engagements (interrelationship / integration)		Light Green	Dark Green
Advanced/professional knowledge and understanding related to assurance engagements	Knowledge, understanding and experience with financial statements audit	Yellow		
	Knowledge, understanding and experience in ethics and independence required of assurance providers	Yellow		
Advanced/professional knowledge and understanding related to assurance engagements	Assurance engagements for non-financial information (ISSA5000, ISAE3000, assurance framework, etc.)		Light Green	Dark Green
	Cases of assurance engagements		Light Green	Dark Green

In this study, to realize effective and efficient capacity building in sustainability for professional accountants, we have concluded that we should develop a syllabus by classifying the elements of knowledge and understanding they need to provide assurance engagements on sustainability information into what they already have and what they should

newly strengthen or obtain and then focusing on the expertise they should newly strengthen (Figure 3).

Figure 3: Expertise required of key personnel in assurance engagements and syllabus



III Syllabus on Sustainability Education

To achieve the objectives of sustainability education, the Project Team has determined that it is appropriate to develop a syllabus on sustainability education for professional accountants. As discussed in the previous chapter, it is important that the syllabus is designed with a particular focus on the new elements of expertise professional accountants should strengthen among all the skills and competencies required of them.

1. Policies on development and implementation of syllabus

Based on the results of study by the Special Committee, we have set the objectives of developing the syllabus and the policies on its development and implementation as follows:

(1) Title

Syllabus on Sustainability Education for Professional Accountants

(2) Objectives

Presenting an entire picture of the knowledge and understanding that should be provided through education programs, which are designed to cover the sustainability-related skills and competencies required of professional accountants, as well as specific guidelines for delivering lectures on the individual themes and subjects constituting the programs.

(3) How it works

For the providers of education programs, the syllabus serves as guidelines on the planning and implementation of the training programs. For professional accountants, who are the learners of the programs, the syllabus serves as a “compass” that helps grasp the entire picture and details of themes they should learn about sustainability and study based on plans developed on their own.

(4) Structure of levels and the audience

The syllabus consists broadly of the following two layers: the Basic Level and the Advanced Level.

Basic Level

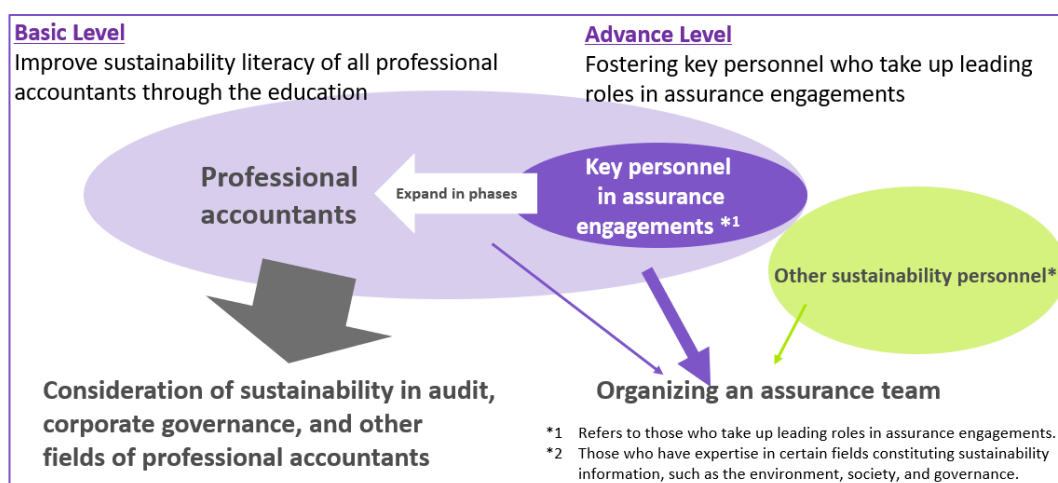
Programs in this section are designed to help professional accountants obtain the basic knowledge and understanding of sustainability irrespective of their positions, such as external auditors, professional accountants serving as independent directors, and professional accountants in business.

Advanced Level

As illustrated in Figure 4, to expeditiously meet the assurance needs in capital markets, this section focuses on developing the capabilities of professional accountants who take up leading roles in sustainability assurance. The Advanced Section of the syllabus consists primarily of the programs designed to develop these capabilities. We expect the audience (targets) of the programs to expand in a phased manner in line with the growing needs for assurance.

The programs in this section will also be designed to be useful to professional accountants who are not involved in assurance engagements but need to obtain a higher level of knowledge and understanding of sustainability.

Figure 4: Positioning of the Basic Level and the Advanced Level in Syllabus for Capacity Building on Sustainability



(5) Updates

Given the rapidly evolving nature of the areas of sustainability, the syllabus will be updated each fiscal year to ensure that it meets the needs of the times.

(6) Alignment with various training programs

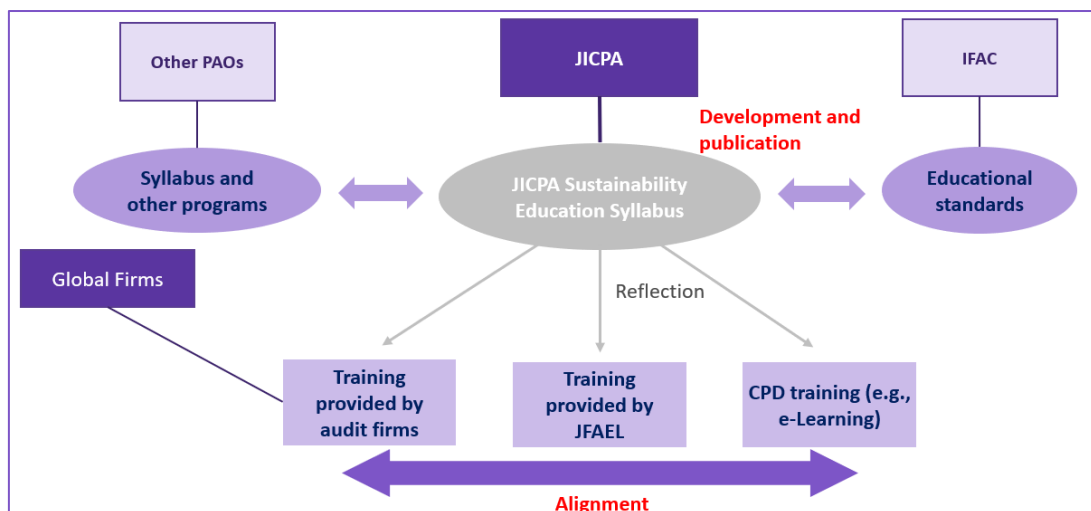
Sustainability education based on the syllabus will be offered in various forms, including in-house training programs within audit firms, courses provided by the Japan Foundation for Accounting Education and Learning (JFAEL), and those offered by the JICPA. This approach will allow the industry as a whole to offer, in a consistent manner, education programs that help professional accountants obtain necessary knowledge and

understanding of sustainability, while allowing each entity the flexibility to develop its own courses.

(7) Alignment with international initiatives

The syllabus will also serve as a starting point for international collaboration on sustainability education. The syllabus will be available in English and Japanese to ensure consistency with the international education standards of the International Federation of Accountants (IFAC) and syllabi of other professional accountancy organizations (PAOs) (Figure 5).

Figure 5: Image of Developing Sustainability Education through Syllabus Development



2. Structure of syllabus

The syllabus on sustainability education consists of the following themes (Figure 6):

- (1) Introduction to Sustainability
- (2) Sustainability, and Corporate Management and Governance
- (3) Disclosure
- (4) Assurance Engagements

Figure 6: Draft Syllabus for Sustainability Education (Outline) *For descriptions of the draft syllabus, see Appendix.

	Basic Level	Advanced Level
A. Introduction to Sustainability	a1: Sustainability overview and roles expected of professional accountants	
B. Sustainability, and Corporate Management and Governance	b1-1: Integration of sustainability issues into governance, strategy and risk management	B1-1: Integrating sustainability issues into governance and management strategy B1-2: Risk management and internal control related to sustainability B2-1: Sustainable finance
C. Disclosure	c1-1: Sustainability disclosure and integrated reporting (overview) c2-1: Climate change (overview) c2-2: Human capital (overview) c2-3: Other sustainability themes (overview)	C1-1: Sustainability disclosure and integrated reporting (advanced) C2-1: Climate change (advanced) C2-2: Biodiversity (advanced) C2-3: Human capital (advanced) C2-4: Human rights (advanced) C2-5: Other sustainability themes (advanced)
		c3-1: Key topics by industry
D. Assurance Engagements	d1-1: Ensuring the reliability of sustainable information and assurance engagements (overview)	D1-1 to 1-10 Individual issues Code of ethics and independence, Quality control, Limited and reasonable assurance, Materiality, Engagement acceptance and suitable criteria, Scope of assurance engagements, Planning (risk assessment), Composition of assurance team, Competency in subject matters, Sufficiency and appropriateness of evidence, Assurance opinion and assurance reporting, Topics and subject matters by theme (e.g., climate change) and their assurance engagement risk and procedures

3. Further Steps

In fiscal 2023, the Sustainability Capacity Building Council (see IV 3. of this report), planned to be newly established, will take the lead in finalizing the JICPA Sustainability Education Syllabus and will publish its first edition. Regarding the draft syllabus (see Appendix), which was reviewed in more detail this time, the Council will take the following steps:

- Outreach to the major providers of training programs (audit firms, the JFAEL) and others about the contents of the draft JICPA Sustainability Education Syllabus and the ways to reflect the contents in training programs, and then receive feedback from these providers.
- Develop the assurance engagements section of the syllabus in line with the exposure draft on “International Standard on Sustainability Assurance 5000: ISSA5000” (scheduled to be published in September 2023).

IV Future Actions

1. Actions corresponding to each capacity-building phase for professional accountants

In professional accountancy, capacity building for CPAs is designed to be delivered through a series of capacity-building phases, from education before the CPA examination, the professional accountancy education program, and the final CPA assessment to the Continuing Professional Development (CPD) training programs.⁵ Importantly, the education aimed at improving sustainability skills and competencies of professional accountants is also provided in phases that correspond to the nature and objectives of each existing capacity-building phase.

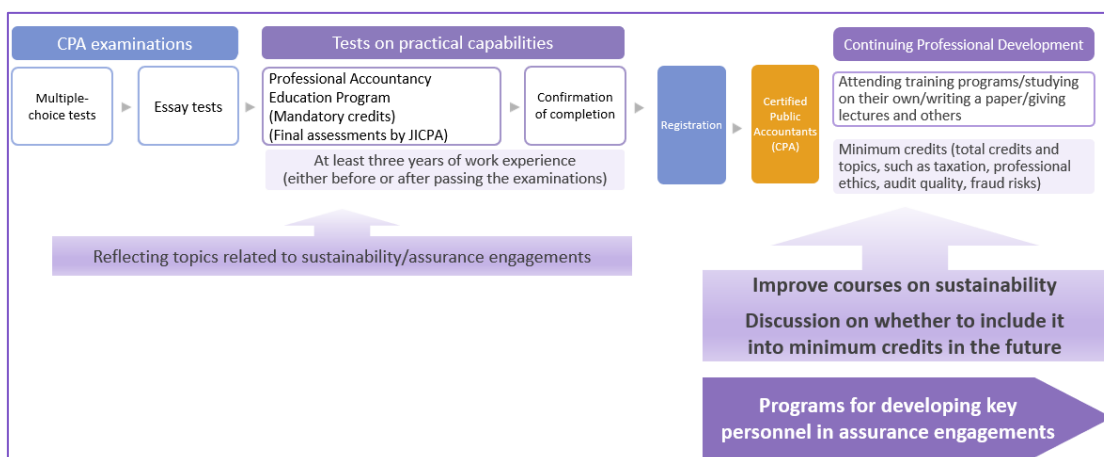
Given the growing importance of sustainability information and the intensifying requirements for its disclosure, we should prioritize sustainability education to professional accountants engaged in financial statement audits. In parallel, we should develop key personnel in assurance engagements because the demand for ensuring the reliability of sustainability information is likely to increase shortly.

As such, our capacity building on sustainability for professional accountants should focus on the CPD phase, after registration as a CPA, for at least some time now. Specifically, to improve their sustainability literacy, we will prepare and upgrade the training programs listed in the Basic Level of the syllabus in the CPD phase in collaboration with the audit firms and other training organizations. Further, to foster assurance practitioners, we will develop and disseminate the programs based on the Advanced Level of the syllabus while closely watching the growing public demand for assurance engagements, so that we can foster the practitioners required at the appropriate time and scale (Figure 7).

Moreover, in the future, it is also important that we ensure newly registered professional accountants have the basic knowledge and understanding of sustainability and assurance engagements. The professional accountancy education programs and other training delivered before the registration should include basic knowledge and understanding (listed in the Basic Level).

⁵ The Integrated Capacity Building Special Committee set up separately within the JICPA has discussed the matter and will collaborate with initiatives by the Sustainability Education Study Special Committee.

Figure 7: Initiatives in each capacity-building phase for professional accountants



(1) Actions for capacity building after CPA registration (CPD phase)

For professional accountants to fulfill their missions and work responsibilities and improve the quality of audit engagements or other services, the JICPA requires its members to take the CPD training programs and undertake minimum credits⁶ every year. The members earn credits by attending the training programs, independent studying, writing papers, and delivering lectures.

The JICPA offers a variety of training programs for its members. In 2022, for instance, the JICPA held seminars under a broad range of themes relating to sustainability and assurance engagements.

Seminars on sustainability and assurance engagements held by the JICPA in 2022

March	JICPA Webinar “Climate-related disclosure and its credibility”
June	JICPA Webinar “ISSB Exposure Draft Standards”
September	JICPA Webinar “Foundation of Assurance Engagement”
October	JICPA Sustainability Seminar “Human Capital Disclosure Overview of domestic and international discussions, Outlook for the way of corporate disclosure”
October	ISSB Seminar “The Vision for the Future of Sustainability Disclosure”

Audit firms have also strengthened efforts to provide learning opportunities to their partners and employees while accumulating knowledge and understanding of sustainability. In particular, large audit firms have worked to develop and hold training

⁶ Members must accumulate at least 120 credits within the past three fiscal years and earn 20 or more credits in the current fiscal year.

programs on sustainability. Training programs are becoming increasingly diverse, with the range of programs encompassing not only overviews of integrated reporting and sustainability but also those specializing in topics such as climate change and human capital. The JICPA Sustainability Education PT Report published in June 2022 presented a preliminary draft syllabus on sustainability education. In response to the draft, some audit firms have launched efforts to rearrange their training programs.

The Special Committee, through a series of discussions, has formulated a draft syllabus on sustainability education. The JICPA has worked to enhance its sustainability-related training programs and seminars based on the syllabus. The JICPA will clearly state their linkages with the syllabus (i.e., name of “Subject” and the Basic Level or the Advanced Level) for future sustainability-related training programs and seminars. To develop effective training programs that balance practical content with the presentation of concepts, systems, and other frameworks relating to sustainability, we will design them to combine lectures and panel discussions. Likewise, we will proactively collaborate with subject matter experts involved in preparing sustainability disclosure and those using that information, including employees of companies and investors.

It is crucial for our profession to ensure the courses offered align with the syllabus and are in collaboration with audit firms and other providers of professional accountancy education. It is also important that we proactively collaborate with other organizations promoting initiatives related to sustainability education.

To share basic knowledge and understanding of sustainability across all professional accountants, we need to raise awareness of training programs and seminars on sustainability among our members. We will continue to discuss how to treat sustainability in the CPD.

(2) Fostering key personnel in assurance engagements

Chapter II of this report discussed the need to develop assurance practitioners, especially the key personnel in assurance engagements. The Advanced Level of the sustainability education syllabus aims to help professional accountants gain extensive knowledge and understanding of sustainability and assurance engagements required of the key personnel in assurance engagements. It is important that the talent development programs for the key personnel in assurance engagement be developed to broadly and expeditiously foster assurance practitioners with comprehensive and advanced expertise while being consistent with the Advanced Level.

While the Sustainability Capacity Building Council, which the JICPA plans to establish, is expected to discuss training programs for developing key personnel in assurance engagements, it is important that, in developing the programs, the council gives due

consideration to the following points.

<Points essential to developing effective training programs for fostering key personnel in assurance engagements>

- (i) Develop programs that are aligned with the Advanced Level of the sustainability education syllabus and cover all knowledge and understanding to lead assurance engagements;
- (ii) Design programs in a manner to build trust from stakeholders (including companies and investors) that their content helps develop key personnel in assurance engagements, which requires the transparency of the content;
- (iii) Contribute to securing a broad range of assurance practitioners in the capital markets by collaborating and cooperating with public policies related to assurance engagements and talent development initiatives related to sustainability in Japan; and
- (iv) Make the content and framework of the programs globally trustable by ensuring consistency with international capacity-building initiatives in assurance engagements.

(3) Actions in Initial Professional Development (IPD)

To become a CPA in Japan, a candidate must take and pass the CPA examinations (multiple-choice tests and essay tests), undergo professional accountancy education programs administered by the JFAEL, complete at least three years of practical experience, and pass the final assessments by the JICPA. The successful candidate is registered as a CPA after confirmation from the Prime Minister of Japan.

The Special Committee, through a series of discussions, has concluded that basic education on sustainability be given to professional accountants in their capacity-building phase before the CPA registration so that all professional accountants have basic knowledge and understanding of sustainability. We will move forward with initiatives for incorporating key sustainability-related topics into the current education programs, with the scope of subjects covered in the Basic Level of the syllabus.

It is necessary to continue to discuss whether to test the basic knowledge and understanding of sustainability in the CPA examinations by carefully watching international trends.

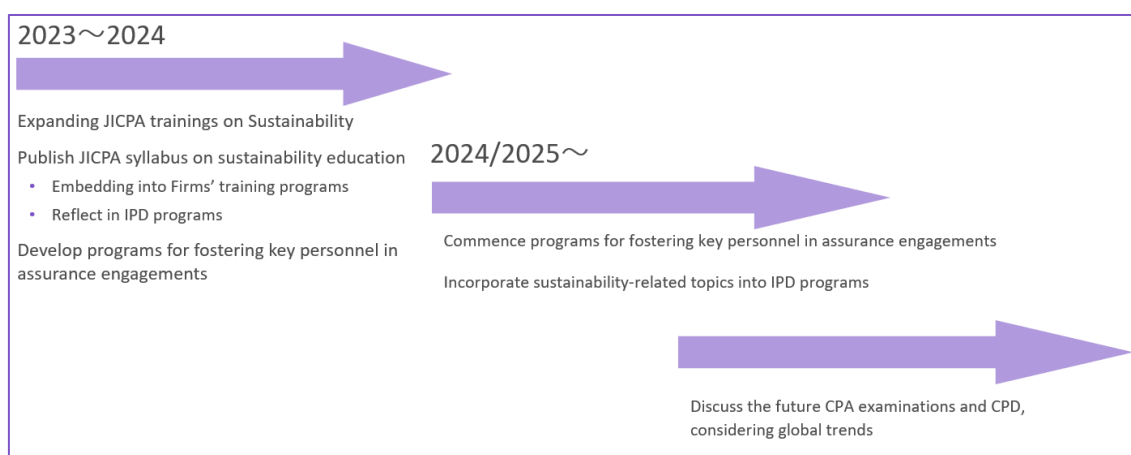
2. Roadmap

We have developed a roadmap of our initiatives (as shown in Figure 8) to advance our sustainability capacity-building initiatives and to collaborate with other organizations providing professional accountancy training. We believe the presentation of this roadmap

will help our members and stakeholders, such as companies and investors, understand the timeframes for initiatives related to extensively lifting the level of professional accountants' skills and competencies in sustainability and developing the key personnel in assurance engagements.

This roadmap will be updated, as appropriate, considering the latest trends in sustainability both in Japan and abroad, including new public policies introduced and new standards developed.

Figure 8: Roadmap for Capacity Building on Sustainability



3. Sustainability Capacity Building Council

The JICPA Sustainability Education PT Report notes that the JICPA should establish a platform as an organizational foundation for promoting initiatives related to sustainability education. The Sustainability Education Special Committee further discussed the platform and its operating structure, and it concluded that it is appropriate to set up the Sustainability Capacity Building Council in the JICPA as the base for exploring and implementing our capacity building on sustainability.

More specifically, the Council should develop, update, and operate the syllabus on sustainability education. It is also important to upgrade the training contents related to sustainability and assurance engagements based on the syllabus. They include the training programs delivered through the professional accountancy education programs, the CPD, and other programs aimed at our members' capacity building. Further, we should promote such initiatives in coordination and collaboration with audit firms, accounting firms, the JFAEL, relevant regulators, the IFAC, and PAOs in other countries. Moreover, collaboration with sustainability-related personnel development initiatives by the government and capital market participants is critical.

(1) Name

Sustainability Capacity Building Council

(2) Objectives

The Sustainability Capacity Building Council aims to improve the sustainability-related competence and expertise of our members and associate members (capacity building on sustainability) by formulating policies on capacity building, holding education programs, and providing other supports related to sustainability disclosure and assurance.

In addition, the Council will promote collaboration with relevant parties in Japan and abroad, thereby contributing to enhancing capital market participants' knowledge and understanding of sustainability, ultimately enabling the disclosure of sustainability information and ensuring its reliability.

(3) Key roles expected of the Sustainability Capacity Development Council

- (i) Development, update, and implementation of the syllabus on sustainability education
- (ii) Initiatives for integrating sustainability-related topics into each phase of the professional capacity building for CPAs
- (iii) Fostering assurance practitioners (including the programs for developing key personnel in assurance engagements)
- (iv) Collaboration with relevant training providers on sustainability
- (v) Planning of the JICPA's sustainability-related seminars and training programs
- (vi) Monitoring the progress of personnel development and capacity building on sustainability

Appendix 1: JICPA Draft Syllabus for Sustainability Education (Outline)

	Basic Level	Advanced Level
A. Introduction to Sustainability	<p>a1: Sustainability overview and roles expected of professional accountants Basic concepts related to sustainability, the relationship between business/investments and environment/society, sustainability-related initiatives by companies and investors, and the roles of professional accountants</p>	
B. Sustainability and Corporate Management and Governance	<p>b1-1: Integration of sustainability issues into governance, strategy and risk management The need for integrating sustainability issues into governance, strategy and risk management, the approaches for integration, and the requirements on governance in Japanese regulations (e.g., Corporate Governance Code)</p>	<p>B1-1: Integration of sustainability issues into governance and management strategy and risk management Sustainability-related roles required of management and governing bodies, internal approaches for fulfilling these roles (e.g., establishment of sustainability committees), and methods for integrating sustainability issues into management strategies B1-2: Risk management and internal controls related to sustainability Risk management processes related to sustainability (e.g., Environmental Management System, Value Chain Management), internal control processes to properly measure, collect, manage, and report various types of data related to sustainability B2-1: Sustainable finance Domestic and international policies related to sustainable finance, types of sustainable finance, and their schemes</p>
C. Disclosure	<p>c1-1: Sustainability disclosure and integrated reporting (overview) Background and trends of the demand for sustainability disclosure and integrated reporting, characteristics of major sustainability disclosure standards and frameworks (e.g., ISSB, CSRD/ESRS, SASB, Integrated Reporting Framework), major issues of sustainability information (e.g., materiality, connectivity) c2-1: Climate change (overview) Scientific insights about climate change, international agreements (e.g., Paris Agreement) and respective national policies, the impact of climate change on companies, contents of major climate-related disclosure frameworks (TCFD), trends in voluntary and statutory climate-related disclosures, basics on GHG emissions c2-2: Human capital (overview) Social issues related to human capital, policy trends (e.g., Human Resources Version of the Ito Review), the impact of human capital on companies, concepts involved in human capital (e.g., DEI), trends in mandatory disclosure c2-3: Other sustainability themes (overview) Major topics and outlines of sustainability themes other than climate change and human capital, and outline of disclosures under each theme</p> <p>c3-1: Key topics by industry Overview of key sustainability themes by industry and their relationship to business, industry-specific disclosure topics and metrics required in SASB and other standards, and trends in the development of industry-specific standards in the ISSB</p>	<p>C1-1: Sustainability disclosure and integrated reporting (advanced) Systems in major countries regarding sustainability disclosure, requirements of major sustainability disclosure standards (SSBJ, IFRS S1, CSRD/ESRS), environmental and social laws related to sustainability disclosure (e.g., Act on Promotion of Global Warming Countermeasures), and trends in disclosure practices C2-1: Climate change (advanced) Requirements of major climate-related disclosure standards (IFRS S2, SSBJ, ESRS E1, U.S. climate-related disclosure rules), elements included in climate-related disclosures (e.g., transition plans, assessment of climate resilience), GHG emissions calculation and reporting systems, GHG emissions calculation exercise, and trends in disclosure practices C2-2: Biodiversity (advanced) Scientific insights on biodiversity, international agreements (e.g., Kunming-Montreal Global Biodiversity Framework) and national policies, the impact of biodiversity on companies, details of major biodiversity disclosure frameworks (TNFD) and standards (ESRS E4), and trends in disclosure practices C2-3: Human capital (advanced) Details of major disclosure rules, etc. regarding human capital (Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc., U.S. Regulation S-K, ESRS S1), and trends in disclosure practices C2-4: Human rights (advanced) Social issues related to human rights, international discussions (e.g., UN Guiding Principles on Business and Human Rights), the impact of human rights on companies, disclosures on human rights in ESRS S2, and trends in disclosure practices C2-5: Other sustainability themes (advanced) Trends in national policies and initiatives related to other sustainability themes (other than climate change, biodiversity, human capital, and human rights), the impact of each theme on companies, disclosures related to each theme in the ESRS, and trends in disclosure practices</p>
D. Assurance Engagements	<p>d1-1: Ensuring the reliability of sustainability information and assurance engagements (overview) Background of the demand for sustainability assurance engagements, overview of standards related to sustainability assurance engagements and trends in developing and revising standards, the situation of sustainability assurance engagements in Japan and other countries, and considerations in audit (e.g., International Standards on Auditing (ISA) 720, KAM)</p>	<p>D1-1 to 1-10 Individual issues (i) Code of ethics and independence (ii) Quality control (iii) Limited and reasonable assurance (iv) Materiality (v) Engagement acceptance and suitable criteria (vi) Scope of assurance engagements and planning (risk assessment) (vii) Composition of assurance team and competency of subject matters (viii) Sufficiency and appropriateness of evidence (ix) Assurance opinion formation and assurance reporting (x) Topics and subject matters by theme (e.g., climate change) and their assurance engagement risk and procedures</p>

Appendix 2: JICPA Draft Syllabus for Sustainability Education

A. Introduction to Sustainability

Subject	Basic Level a1: Sustainability overview and roles expected of professional accountants
Objectives	Understand the basic concepts related to sustainability and the relationship between business/investments and sustainability. Understand the roles expected of professional accountants regarding sustainability.
Contents	<p>Introduce how the concepts of sustainable development and sustainability have been positioned as common global goals, and explain how business operation and investor behavior relate to sustainability. Based on this basic knowledge, describe the situations in which professional accountants may need to consider sustainability factors.</p> <ol style="list-style-type: none"> 1. With the emergence of environmental and social issues such as poverty, human rights, and education in the context of globalization and economic development, describe how international organizations and national governments have worked with the private sector to identify priority issues, articulate visions, and developed sustainability frameworks (e.g., SDGs) 2. Describe how corporate activities and investor behavior relate to the environment, society and economy. Explain the initiatives and frameworks for integrating sustainability into corporate management and investor behavior. <ul style="list-style-type: none"> • Explain the relationship between company/investor and the environment/society from the following two aspects <ul style="list-style-type: none"> • Impacts of corporate activities and investor behavior on the environment and society • Environmental and social impacts on corporate value and investment performance • Explain corporate sustainability initiatives, with reference to the United Nations Global Compact, etc. as well as the following background. <ul style="list-style-type: none"> • Expansion of management considering Corporate Social Responsibility (CSR) • Growing awareness of sustainability as a core business issue • Explain investors' sustainability initiatives, with reference to the United Nations Principles for Responsible Investment (PRI), etc., focusing on <ul style="list-style-type: none"> • Expanding sustainability investments

	<ul style="list-style-type: none"> • Challenges investors face in collecting sustainability information (e.g., lack of sufficiency and comparability) <p>3. Use case studies to illustrate that professional accountants working in a variety of areas, including external auditors, professional accountants serving as independent directors, will face sustainability issues in many aspects such as strategy development and asset valuation.</p>
<p>Keywords</p>	<p>Sustainable development, Brundtland Report (Our Common Future), Earth Summit, Rio Declaration, MDGs (Millennium Development Goals), SDGs (Sustainable Development Goals), ESG, Corporate Social Responsibility (CSR), sustainable management, United Nations Global Compact, United Nations Principles for Responsible Investment (PRI), sustainability investment (ESG investment), dialogue between companies and investors (engagement), ESG rating agencies</p>
<p>Prerequisites (recommended)</p>	<p>—</p>

B. Sustainability, and Corporate Management and Governance

Subject	Basic Level b1-1: Integration of sustainability issues into governance, strategy and risk management
Objectives	Understand the need to consider sustainability issues in corporate management.
Contents	<p>Explain the need to reflect sustainability issues in governance, strategy, and risk management, and the requirements on governance in Japanese regulations.</p> <ol style="list-style-type: none"> 1. Explain the background of the need for sustainability integration, and describe the approach, focusing on <ul style="list-style-type: none"> • Skills required of management and governing bodies • Strategy and business model development • Identification of material sustainability-related risks and opportunities • Reflection in executive compensation standards, etc. 2. Explain the actions required for sustainability in governance under Japanese regulations, in particular the Corporate Governance Code revised in 2021.
Keywords	Corporate Governance Code, board effectiveness review, skills matrix
Prerequisites (recommended)	Basic Level a1: Sustainability overview and roles expected of professional accountants

Subject	Advanced Level B1-1: Integration of sustainability issues into governance, strategy and risk management
Objectives	Understand specific approaches to integrating sustainability issues into governance and management strategy.
Contents	<p>Provide specific details on the organizational structure and actions to integrate sustainability into corporate governance and management strategies.</p> <ol style="list-style-type: none"> 1. Explain the approaches to fulfill the sustainability-related roles required of management and governing bodies, including <ul style="list-style-type: none"> • Establishment of committees, etc. to lead sustainability initiatives • Development of reporting and monitoring processes for sustainability issues • Establishment of incentive schemes such as executive compensation systems that are linked to sustainability indicators 2. Explain the specific methods and mechanisms for integrating sustainability issues into management strategies, including <ul style="list-style-type: none"> • Assessment of the short-, medium-, and long-term financial effects of sustainability-related risks and opportunities • Consideration and implementation of strategies, financial plans, etc., taking into account sustainability-related risks and opportunities • Qualitative and quantitative assessment of strategies and cash flow resilience <p>Where appropriate, refer to Examples of Best Practice Regarding the Disclosure of Narrative Information published by the Financial Services Agency.</p>
Keywords	Sustainability committee, linking sustainability indicators to executive compensation, resilience assessment
Prerequisites (recommended)	<p>Basic Level a1: Sustainability overview and roles expected of professional accountants</p> <p>Basic Level b1-1: Integration of sustainability issues into governance, strategy and risk management</p>

Subject	Advanced Level B1-2: Risk management and internal controls related to sustainability
Objectives	Understand specific approaches to internal controls to manage sustainability risks and opportunities, as well as to appropriately collect and manage sustainability information for internal management and external reporting.
Contents	<p>Explain specific sustainability-related risk management processes and internal controls by companies.</p> <ol style="list-style-type: none"> 1. Explain how to identify and assess risks related to sustainability, focusing on <ul style="list-style-type: none"> • Identification of short-, medium-, and long-term sustainability-related risks and opportunities • Integration of sustainability-related risks into risk management processes • Establishment of Environmental Management System (EMS) • Value Chain Management (including sustainability due diligence) 2. Explain the establishment of internal controls to properly measure, collect, manage, and report various types of data related to sustainability, focusing on <ul style="list-style-type: none"> • Internal management and external reporting of sustainability information • Structures and processes for measuring, collecting, managing, and reporting sustainability-related data • Issues and actions to collect sustainability information globally
Keywords	Environmental Management System (EMS), human rights and environmental due diligence, internal controls, data governance
Prerequisites (recommended)	<p>Basic Level a1: Sustainability overview and roles expected of professional accountants</p> <p>Basic Level b1-1: Integration of sustainability issues into governance, strategy and risk management</p>

Subject	Advanced Level B2-1: Sustainable finance
Objectives	Understand sustainable finance approaches and grasp why sustainability information is important in the capital markets.
Contents	<p>Introduce domestic and international policies related to sustainable finance that aim to promote financing toward sustainability-related projects, and explain various types of sustainable finance.</p> <ol style="list-style-type: none"> 1. Explain the current trends regarding sustainable finance policies, in particular <ul style="list-style-type: none"> • Sustainable finance policies and background in Japan and abroad 2. Explain methodologies of sustainability investments (ESG investments) such as <ul style="list-style-type: none"> • ESG integration (passive and active management) • Engagement • Proxy voting • Negative and positive screening • Impact investing 3. Explain sustainability-related bonds and loans, focusing on <ul style="list-style-type: none"> • Principles and guidelines widely used in Japan and abroad • Types of sustainable finance (e.g., green bonds) • External reviews of sustainable finance 4. Explain the use of sustainability-related information in the capital markets, including <ul style="list-style-type: none"> • Services provided by ESG data providers, rating agencies, etc. • Information use by institutional investors • Reflection in indexes
Keywords	Sustainable Finance Expert Panel, EU Action Plan: Financing Sustainable Growth, EU Green Deal, SFDR (Sustainable Finance Disclosure Regulation), ESG integration, engagement, proxy voting, ICMA (International Capital Market Association), green bonds, sustainability linked loans, pre-issuance and post-issuance external review, third party assurance, Assurance Engagement Practice Note 3900 Practical Guidelines for Assurance Engagements for Use of Green Bond Funds Report
Prerequisites (recommended)	Basic Level a1: Sustainability overview and roles expected of professional accountants

C. Disclosure

Subject	Basic Level c1-1: Sustainability disclosure and integrated reporting (overview)
Objectives	Understand the latest trends in sustainability disclosure. Understand the overview of the major sustainability disclosure standards.
Contents	<p>After explaining the historical background of the demand for sustainability disclosure and integrated reporting, describe the trends in sustainability disclosure, characteristics of major sustainability disclosure standards, and key issues related to sustainability information.</p> <ol style="list-style-type: none"> 1. Explain the historical background of the requirement for companies to disclose sustainability-related information, touching on the demands of investors and other stakeholders. 2. Explain the global trends in the increase of voluntary sustainability disclosure and integrated reporting, and in recent years, the increase of mandatory sustainability disclosure. 3. Explain sustainability disclosure requirements in Japan. 4. Provide an overview of the following major sustainability disclosure standards and frameworks that are referred to when disclosing sustainability information, and clarify the differences between them, such as intended readers. <ul style="list-style-type: none"> • Standards developed by the International Sustainability Standards Board (ISSB), established under the IFRS Foundation • The EU Corporate Sustainability Reporting Directive (CSRD); and the European Sustainability Reporting Standards (ESRS), which set out the detailed reporting requirements of the CSRD • SASB (Sustainability Accounting Standards Board) standards • GRI (Global Reporting Initiative) standards • Integrated Reporting Framework 5. Explain the content of key issues related to sustainability information such as <ul style="list-style-type: none"> • Concepts of materiality (single materiality, double materiality, and dynamic materiality) • Connectivity of sustainability and financial information
Keywords	Integrated Reporting Framework, SASB, GRI, ISSB, CSRD, ESRS, Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc., materiality, connectivity

Prerequisites (recommended)	Basic Level a1: Sustainability overview and roles expected of professional accountants
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Subject	Advanced Level C1-1: Sustainability disclosure and integrated reporting (details)
Objectives	<p>Understand the major domestic and international sustainability disclosure systems.</p> <p>Understand the requirements of the major sustainability disclosure standards.</p>
Contents	<p>Explain the domestic and international systems for sustainability disclosure and related environmental and social laws and regulations. In addition, cover the requirements of major sustainability disclosure standards and disclosure practices.</p> <ol style="list-style-type: none"> 1. Provide a specific description of the system for sustainability disclosure in Japan, with reference to the following contents. Similarly, explain the outline of disclosure systems in major countries. <ul style="list-style-type: none"> • Requirements of sustainability information in securities reports • Sustainability disclosure-related discussion in the Working Group on Corporate Disclosure of the Financial System Council 2. Explain the major sustainability disclosure standards and regulations described below and clarify the difference between them. In particular, explain (i) general characteristics such as reporting scope, reporting frequency, external references, etc., and (ii) key elements of disclosure (core content). <ul style="list-style-type: none"> • Standards developed by the Sustainability Standards Board of Japan (SSBJ) • Standards (S1) developed by the International Sustainability Standards Board (ISSB) (*) • The EU Corporate Sustainability Reporting Directive (CSRD); and the European Sustainability Reporting Standards (ESRS), which set forth the detailed reporting requirements of the CSRD <p>(*) In addition, explain the Integrated Reporting Framework, which is also used as a reference in the development of ISSB standards.</p> 3. In Japan, companies are required to report environmental and social information under the Act on Promotion of Global Warming Countermeasures, Act on the Promotion of Women's Active Engagement in Professional Life, and other laws and regulations. Explain the existing systems related to sustainability disclosure, and show how they are related to the disclosure required by the above standards and regulations. In

	<p>addition, provide an overview of the legal framework for sustainability in Japan, including environmental laws and labor laws.</p> <p>4. Explore statutory and voluntary sustainability disclosure practices in Japan. Where appropriate, refer to Examples of Best Practice Regarding the Disclosure of Narrative Information published by the Financial Services Agency.</p>
Keywords	<p>Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc., Guidelines for Disclosure of Corporate Affairs, etc., Principles Regarding the Disclosure of Narrative Information, reports by the Working Group on Corporate Disclosure of the Financial System Council, ISSB, SSBJ, CSRD, ESRS, Integrated Reporting Framework, Act on Promotion of Global Warming Countermeasures, Act on the Promotion of Women's Active Engagement in Professional Life, ESG report, integrated report, sustainability report</p>
Prerequisites (recommended)	<p>Basic Level a1: Sustainability overview and roles expected of professional accountants</p> <p>Basic Level c1-1: Sustainability disclosure and integrated reporting (overview)</p>

Subject	Basic Level c2-1: Climate change (overview)
Objects	<ul style="list-style-type: none"> • Understand the impact of climate change on companies. • Understand the overview of climate-related disclosures.
Contents	<p>Explain the impact of climate change on business, referring to international agreements and national policies on climate change and the scientific background. In addition, describe the major climate-related disclosure frameworks and practices in voluntary and statutory climate-related disclosures. Introduce concepts and measurement related to GHG emissions.</p> <ol style="list-style-type: none"> 1. Explain the business environment related to climate change with a focus on the following topics, and explain how it affects corporate strategy and business operations. <ul style="list-style-type: none"> • Scientific insights on climate change as presented in IPCC (Intergovernmental Panel on Climate Change) reports, etc. • The Paris Agreement and other international agreements on climate change • The 2050 Carbon Neutral Declaration in Japan and relevant policies • Climate change policies in major countries 2. Provide an overview of the core information and metrics in the major climate-related disclosure frameworks used in Japan and abroad, focusing on the four elements (governance, strategy, risk management, and metrics and targets) of the TCFD (Task Force on Climate-related Financial Disclosures) recommendation. 3. Introduce the following standards and rules to illustrate the trend of the increase of statutory disclosure of climate-related information following the global increase of voluntary disclosure. <ul style="list-style-type: none"> • Climate-related standards (S2) developed by the International Sustainability Standards Board (ISSB) • Discussions on climate change disclosure in the Working Group on Corporate Disclosure of the Financial System Council • Climate-related standards developed by the Sustainability Standards Board of Japan (SSBJ) • Climate change (E1) standards of the European Sustainability Reporting Standards (ESRS) • Climate-related disclosure rules set by the U.S. SEC 4. As for the measurement of GHG emissions, explain the following items, referring to the GHG Protocol. <ul style="list-style-type: none"> • Basic calculation method for direct emissions (Scope 1) and indirect emissions (Scope 2)

	<ul style="list-style-type: none"> Overview of categories included in value chain emissions (Scope 3)
Keywords	GHG, Paris Agreement, IPCC, net zero (decarbonization), carbon pricing, TCFD, climate change risks (physical risks and transition risks), IFRS S2 Climate-related Disclosures, ESRS E1, GHG Protocol
Prerequisites (recommended)	<p>Basic Level a1: Sustainability overview and roles expected of professional accountants</p> <p>Basic Level c1-1: Sustainability disclosure and integrated reporting (overview)</p>

Subject	Advanced Level C2-1: Climate change (details)
Objectives	Understand the requirements and key issues of the major climate-related disclosure standards.
Contents	<p>Present the requirements in the major domestic and international disclosure standards on climate change and explain the main issues in climate-related disclosures. In addition, provide climate-related disclosure examples.</p> <ol style="list-style-type: none"> 1. Explain climate-related disclosures and indicators required in the following climate-related disclosure standards and rules and clarify the difference between them. <ul style="list-style-type: none"> • Climate-related standards (S2) developed by the International Sustainability Standards Board (ISSB) • Climate-related standards developed by the Sustainability Standards Board of Japan (SSBJ) • Climate change (E1) standards of the European Sustainability Reporting Standards (ESRS) • Climate-related disclosure rules set by the U.S. SEC 2. Explain major issues included in climate-related disclosures, including <ul style="list-style-type: none"> • Identification and assessment of risks and opportunities (including assessment of financial effects) • Development of transition plans • Assessment of climate resilience (scenario analysis) • Use of carbon credits (carbon offsets) 3. Explain the measurement of GHG emissions (Scope 1, 2, and 3), focusing on <ul style="list-style-type: none"> • Request for GHG emissions measurement and reporting under the Act on Promotion of Global Warming Countermeasures and the GHG emissions accounting, reporting and disclosure system (the SHK system) • Calculation method based on the data quality (performance or estimated value), etc. • Calculation exercises with multiple examples for each of Scope 1, 2, and 3 4. Explore examples of climate-related disclosures. Where appropriate, refer to Examples of Best Practice Regarding the Disclosure of Narrative Information published by the Financial Services Agency.
Keywords	IFRS S2, SSBJ, ESRS E1, SEC climate-related disclosure rules, transition plans, scenario analysis, carbon credits (carbon offsets),

	SBT (Science Based Targets), Financed emission (emissions by investees), internal carbon price, Act on Promotion of Global Warming Countermeasures, GHG emissions accounting, reporting and disclosure system (the SHK system)
Prerequisites (recommended)	<p>Basic Level a1: Sustainability overview and roles expected of professional accountants</p> <p>Basic Level c1-1: Sustainability disclosure and integrated reporting (overview)</p> <p>Advanced Level C1-1: Sustainability disclosure and integrated reporting (details)</p>

Subject	Advanced Level C2-2: Biodiversity (details)
Objectives	Understand the impact of biodiversity on companies. Understand the requirements of major biodiversity-related disclosure standards, etc.
Contents	<p>Explain the impact of biodiversity on companies, based on international agreements and national policies on biodiversity and the scientific background. In addition, cover the major biodiversity disclosure frameworks and standards and provide disclosure examples.</p> <ol style="list-style-type: none"> 1. Explain the business environment related to biodiversity with a focus on the following topics, and explain how it affects corporate strategy and business operations. <ul style="list-style-type: none"> • Scientific insights on biodiversity as presented in the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), etc. • The Kunming-Montreal Global Biodiversity Framework and other international agreements • The National Biodiversity Strategy of Japan • Initiatives in major countries 2. Provide an overview of the core information and metrics of disclosure, focusing on the four elements recommended by the Taskforce on Nature-related Financial Disclosures (TNFD). 3. Explain the biodiversity-related disclosures and metrics required in the EU, with reference to <ul style="list-style-type: none"> • Biodiversity and ecosystems (E4) standards of the European Sustainability Reporting Standards (ESRS) 4. Provide examples of disclosure based on the above framework and standards.
Keywords	Convention on Biodiversity, Kunming-Montreal Global Biodiversity Framework, TNFD, LEAP approach, ESRS E4
Prerequisites (recommended)	<p>Basic Level a1: Sustainability overview and roles expected of professional accountants</p> <p>Basic Level c1-1: Sustainability disclosure and integrated reporting (overview)</p> <p>Advanced Level C1-1: Sustainability disclosure and integrated reporting (details)</p>

Subject	Basic Level c2-2: Human capital (overview)
Objectives	Understand the impact of human capital on companies. Understand the overview of disclosures regarding human capital.
Contents	<p>Explain the impact of human capital on companies with reference to social issues and policy trends related to human capital. In addition, describe the concepts regarding human capital and the trend toward mandatory disclosure.</p> <ol style="list-style-type: none"> 1. With the emergence of social issues such as gender inequality, explain the trends of studies on human capital, including the following examples, as well as the improvement of treatment under laws and regulations such as the Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment. In addition, explain how human capital issues affect corporate strategy and business operations. <ul style="list-style-type: none"> • Human Resources Version of the Ito Review and Human Resources Version of the Ito Review 2.0 released by the Ministry of Economy, Trade and Industry • Publication of Human Capital Visualization Guidelines by the Cabinet Secretariat 2. Explain the elements included in human capital such as Diversity, Equity and Inclusion (DEI) and reskilling. 3. Explain the trend of increasing mandatory disclosure regarding human capital with reference to <ul style="list-style-type: none"> • Mandatory disclosure related to human capital under the revision of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. • Mandatory disclosure related to human capital under the revision of the U.S. Regulation S-K. • Own workforce (S1) standards of the European Sustainability Reporting Standards (ESRS)
Keywords	Diversity, Equity and Inclusion (DEI), talent development (reskilling), employee engagement, Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment, Act on the Promotion of Women's Active Engagement in Professional Life, Human Resources Version of the Ito Review, Human Capital Visualization Guidelines
Prerequisites (recommended)	Basic Level a1: Sustainability overview and roles expected of professional accountants Basic Level c1-1: Sustainability disclosure and integrated reporting (overview)

Subject	Advanced Level C2-3: Human capital (details)
Objectives	Understand the disclosure information required by major disclosure rules, etc. regarding human capital.
Contents	<p>Explain major disclosure standards and rules regarding human capital and cover examples of disclosures.</p> <ol style="list-style-type: none"> 1. Explain human capital-related disclosure information and metrics required by disclosure standards and rules regarding human capital described below. <ul style="list-style-type: none"> • Human capital-related disclosure requirements under the revision of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. • Human capital-related disclosure requirements under the revision of the U.S. Regulation S-K. • Own workforce (S1) standards of the European Sustainability Reporting Standards (ESRS) 2. Provide specific examples of human capital-related disclosures. Where appropriate, refer to Examples of Best Practice Regarding the Disclosure of Narrative Information published by the Financial Services Agency.
Keywords	Ratio of women in management positions, ratio of men taking childcare leave, gender pay gap, ESRS S1
Prerequisites (recommended)	<p>Basic Level a1: Sustainability overview and roles expected of professional accountants</p> <p>Basic Level c1-1: Sustainability disclosure and integrated reporting (overview)</p> <p>Basic Level c2-2: Human capital (overview)</p> <p>Advanced Level C1-1: Sustainability disclosure and integrated reporting (overview)</p>

Subject	Advanced Level C2-4: Human rights (details)
Objectives	Understand the impact of human rights on companies. Understand disclosures related to human rights.
Contents	<p>Explain the impact of human rights on companies, referring to the international debate on human rights and the social issues behind it. In addition, cover the content and examples of disclosures related to human rights.</p> <ol style="list-style-type: none"> 1. Explain the international agreements, including the following examples, to address social issues such as human rights abuses in the supply chain, and describe how human rights affect corporate strategy and business operations. <ul style="list-style-type: none"> • UN Guiding Principles on Business and Human Rights • OECD Guidelines for Multinational Enterprises • ILO Declaration on Fundamental Principles and Rights at Work <p>In describing these international agreements, explain human rights due diligence.</p> 2. Explain disclosure information and metrics regarding human rights required in the EU with reference to the following and provide specific examples of disclosures. <ul style="list-style-type: none"> • Workers in the value chain (S2) standards of the European Sustainability Reporting Standards (ESRS)
Keywords	UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, ILO Declaration on Fundamental Principles and Rights at Work, human rights due diligence, ESRS S2
Prerequisites (recommended)	<p>Basic Level a1: Sustainability overview and roles expected of professional accountants</p> <p>Basic Level c1-1: Sustainability disclosure and integrated reporting (overview)</p> <p>Advanced Level C1-1: Sustainability disclosure and integrated reporting (details)</p>

Subject	Basic Level c2-3: Other sustainability themes (overview)
Objectives	Understand the overview of sustainability themes and their disclosure information other than climate change and human capital.
Contents	<p>Explain the major sustainability themes and overview other than climate change and human capital and provide an overview of disclosure information under each theme.</p> <ol style="list-style-type: none"> 1. Explain that themes related to sustainability other than climate change and human capital include biodiversity, water resources, circular economy, human rights, local communities, etc., and provide an overview of each theme. 2. Provide an overview of disclosure information and metrics for each theme with reference to the following standards in the European Sustainability Reporting Standards (ESRS). <ul style="list-style-type: none"> • E2: Pollution • E3: Water and marine resources • E4: Biodiversity and ecosystems • E5: Resource use and circular economy • S2: Workers in the value chain • S3: Affected communities • S4: Consumers and end-users • G1: Governance, risk management and internal control
Keywords	Biodiversity, Pollution, Water and marine resources, Circular economy, Human rights, Local communities, ESRS
Prerequisites (recommended)	<p>Basic Level a1: Sustainability overview and roles expected of professional accountants</p> <p>Basic Level c1-1: Sustainability disclosure and integrated reporting (overview)</p>

Subject	Advanced Level c2-2: Other sustainability themes (details)
Objectives	Understand the impact of other sustainability themes (other than climate change, biodiversity, human capital, and human rights) on companies. Understand disclosure information related to other sustainability themes.
Contents	Explain the impact of other sustainability themes (other than climate change, biodiversity, human capital, and human rights) on companies. In addition, cover the content and examples of disclosures related to other sustainability themes. 1. Explain the impact of each sustainability theme on companies, referring to national policies and initiatives for each sustainability theme. 2. Explain the disclosure information and metrics required in the following standards in the European Sustainability Reporting Standards (ESRS) and provide specific examples of disclosures. <ul style="list-style-type: none"> • E2: Pollution • E3: Water and marine resources • E5: Resource use and circular economy • S2: Workers in the value chain • S4: Consumers and end-users • G1: Governance, risk management and internal control
Keywords	Pollution, Water and marine resources, Circular economy, Local communities, ESRS
Prerequisites (recommended)	Basic Level a1: Sustainability overview and roles expected of professional accountants Basic Level c1-1: Sustainability disclosure and integrated reporting (overview) Advanced Level C2-2: Sustainability disclosure and integrated reporting (details)

Subject	Basic Level/Advanced Level c3-1: Key topics by industry
Objectives	Understand sustainability-related issues specific to each industry sector. Understand disclosure topics and indicators in each industry sector.
Contents	<p><i>* This subject will be provided by industry (or multiple industry groups). Participants are expected to select and take lectures that are highly relevant to their businesses.</i></p> <p>Explain important sustainability themes in each industry sector, touching on the background of related policies, etc. In addition, explain the industry-specific disclosure topics and metrics required by SASB (Sustainability Accounting Standards Board) standards and others. Cover the development of industry-specific standards at the International Sustainability Standards Board (ISSB) as necessary.</p>
Keywords	SASB
Prerequisites (recommended)	Basic Level a1: Sustainability overview and roles expected of professional accountants Basic Level c1-1: Sustainability disclosure and integrated reporting (overview)

D. Assurance Engagements

Subject	Basic Level d1: Ensuring the reliability of sustainability information and assurance engagements (overview)
Objectives	<p>Understand the overview of standards related to assurance engagements for sustainability information.</p> <p>Understand the situation of assurance engagements for sustainability information in Japan and abroad.</p>
Contents	<p>Explain the historical background of the demand for sustainability assurance. Describe the current development and revision of assurance standards and sustainability assurance engagements. In addition, explain sustainability-related issues that should be considered in audits.</p> <ol style="list-style-type: none"> 1. Explain the historical background of the demand for sustainability assurance engagements of companies, touching on the trend among investors and other stakeholders demanding for highly reliable sustainability information. 2. Explain the purpose and approach, etc. of the frameworks for assurance engagements other than historical financial information, which are referred to when assuring sustainability information, focusing on <ul style="list-style-type: none"> • ISAE 3000 (assurance engagements other than audits or reviews of historical financial information) • ISAE 3410 (assurance engagements for GHG statements) • Assurance Engagement Practice Note published by the JICPA 3. Explain the current status of the International Standard on Sustainability Assurance 5000 (ISSA 5000) by the International Auditing and Assurance Standards Board (IAASB). 4. Explain about the situation of assurance engagements for sustainability information in Japan and other countries, including the level of assurance and the type of assurance engagements providers. 5. Explain sustainability-related matters to consider in audits in relation to <ul style="list-style-type: none"> • Auditing Standards Committee Report 720 International Standard on Auditing 720 The Auditor's Responsibilities Relating to Other Information

	<ul style="list-style-type: none"> • Key Audit Matters (KAM) • Accounting estimates
Keywords	ISAE 3000, ISAE 3410, EER Guidance, accounting estimates, Key Audit Matters (KAM), International Standard on Auditing 720 The Auditor's Responsibilities Relating to Other Information
Prerequisites (recommended)	Basic Level a1: Sustainability overview and roles expected of professional accountants

* Advanced Level D1-1 and beyond will be considered in the next fiscal year.