

April 26, 2024

Ms. Gabriela Figueiredo Dias  
Chair  
International Ethics Standards Board for Accountants

***Re: Exposure Draft “Using the Work of an External Expert”***

Dear Ms. Dias,

The Sustainability Reporting Committee (SRC) of the Securities Analysts Association of Japan (SAAJ) is pleased to comment on the Exposure Draft “Using the Work of an External Expert” (hereinafter referred to as the “ED”) published by the International Ethics Standards Board for Accountants (IESBA) on January 29, 2024.

The SAAJ is a not-for-profit organization for professionals in the areas of investment and finance, offering education and certification programs in these fields. Its certified member analysts (holding the CMA designation) number around 29,000.

The SRC is a standing committee of the SAAJ established in March 2021. It is composed of ten members including equity and credit analysts, portfolio managers, public accountants, and academics.

On the same date, we also submitted a comment letter on the Exposure Draft “Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting” published by the IESBA on January 29, 2024.

Since there are limited areas where analysts and investors are able to comment on the ED, we comment only on Evaluation of CCO for all Professional Services and Activities.

***Evaluation of CCO for all Professional Services and Activities***

- 2. Do respondents support the approach regarding evaluating an external expert's competence, capabilities and objectivity? Are there other considerations that should be incorporated in the evaluation of CCO specific to PAIBs, PAPPs and SAPs? See Section V.*

We basically support the proposed approach regarding evaluating an external expert’s competence, capabilities and objectivity (CCO).

In assurance engagements on sustainability information covering a wide range of topics, it is expected that the work of external experts may be used more than in audits of financial statements and that there is a shortage of experts in the field of sustainability. In this regard, we welcome the publication of the ED at the same time as the IESSA Exposure Draft, as it will increase discipline in the use of the work of external experts.

However, we have the following suggestions for improvement:

- We encourage the IESBA to provide guidance and an explanatory memorandum with illustrative examples of the evaluation methods to reduce diversity in practice among sustainability assurance practitioners and to improve the understandability of users. As practical experience is expected to accumulate rapidly in the early stages of sustainability assurance, we also encourage the IESBA to revise the guidance and explanatory memorandum in a timely manner.
- We suggest that the IESBA encourage the International Auditing and Assurance Standards Board (IAASB) to require disclosure of a summary of the work of the main external experts used and the CCO evaluation of those experts. In our responses to the IAASB's Exposure Draft of ISSA 5000, we argued that a summary of the use of external experts should be provided in the assurance report<sup>1</sup>. The explanation in the assurance report of the CCO evaluation of the external experts, in addition to their work, would improve the transparency of the use of the work of the external experts.
- As the use of the work of external experts is important, we encourage the IESBA to work with the International Organization of Securities Commissions (IOSCO) on how the use of the work of external experts will be reflected appropriately in the supervision and monitoring of each jurisdiction. As there may be a need to require qualifications in some areas of expertise, we also encourage the IESBA to work with IOSCO on this matter.

Sincerely yours,



George Iguchi

Chair

Sustainability Reporting Committee

---

<sup>1</sup> [https://www.saa.or.jp/standards/sustainability/pdf/ikensho\\_231201en.pdf](https://www.saa.or.jp/standards/sustainability/pdf/ikensho_231201en.pdf)  
“Response Template for Exposure Draft of Proposed ISSA 5000, General Requirements for Sustainability Assurance Engagements” (26)