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Submitted via website

Date	Re	Our ref	Attachment
2 februari 2017	Discussion Paper PH		0

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Dear Mr. Schilder,

Re: IAASB Discussion paper: Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements

The Royal NBA appreciates the opportunity to comment on the IAASB Discussion paper: 'Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements'. We welcome this initiative. The NBA considers the attention of IAASB for this topic relevant and useful. The market for ESG Assurance in the Netherlands is growing. The profession is using a Dutch Standard 3810N (as a subject matter specific standard under ISAE 3000) since 2007.

Royal Netherlands
Institute of Chartered
Accountants



Questions Relating to the Discussion in Section III - Credibility and Trust in Relation to EER Reports

1. Section III describes factors that enhance the credibility of EER reports and engender user trust.

- a) Are there any other factors that need to be considered by the IAASB?*
- b) If so, what are they?*

The four factors are complete. We do realize that the factors need further development and that the whole process is a journey. We recommend IAASB to monitor the developments and consider from time to time whether further action is needed, especially relating to the fourth factor. We would welcome a focus on short, medium and long term value creation, especially related to the fourth factor.

Questions Relating to the Discussion in Section IV - Relevant Professional Services Covered by the IAASB's International Standards

2. Sections II and IV describe different types of professional services that are either currently performed or could be useful in enhancing credibility and trust.

- a) Are there other types of professional services the IAASB needs to consider, that are, or may in future be, relevant in enhancing credibility and trust?*
- b) If so, what are they?*

Answer question 2a

Yes, there are other types of professional services the IAASB needs to consider. Examples of other types of professional services are as follows:

Answer question 2b

Assurance services that result in direct assurance reports (For information purposes: we would like to mention that the NBA has developed a Dutch Standard 3000 D for direct engagements which has been finalised in December 2016. In an international environment, ISAE 3000 could be adapted for direct engagements, but in the Dutch environment there was a need for a separate standard for direct engagements).

The IAASB might also consider multi-scope engagements, although they are not a separate type of services, but part of the professional assurance services as covered by the current standards. Examples are a combination of reasonable and limited assurance and a combination of ISAE 3000 and ISRS 4400 engagements.

For information purposes: we noted that paragraph 29 mentions certifications; these are not always performed under accreditation. Furthermore, several services are performed both in- and outside of the assurance profession. Other organizations are developing verification standards for their purposes (e.g. ISO).

3. Paragraphs 23–26 of Section II describe the responsibilities of the auditor of the financial statements under ISA 720 (Revised) with respect to the other information included in the annual report.

- a) Is this sufficient when EER information is included in the annual report; or*
- b) Is there a need for assurance or other professional services, or for further enhancement of the responsibilities of the financial statement auditor, to enhance credibility and trust when EER information is in the annual report?*

In accordance with revised ISA 720, the auditor reads and considers the other information and reports on material misstatements. However, stakeholders expect that EER information in the annual report is assessed with the same level of rigour as the financially related information. This might create an expectation gap as the auditor does not provide assurance on the EER information in the annual report. Guidance might be necessary to make this understandable for users.

There is a growing attention for assurance on the Directors Report. NBA's ambition is to provide assurance on the Directors Report for listed companies as from 2020.

Enhancing credibility and trust on EER information is only feasible when the practitioner has sufficient knowledge and competence in the specific subject matters involved, which element IAASB might consider for guidance.

Questions Relating to the Discussion in Section V – Ten Key Challenges in Relation to EER Assurance Engagements

Section IV describes the different types of engagements covered by the IAASB's International Standards and Section V suggests that the most effective way to begin to address these challenges would be to explore guidance to support practitioners in applying the existing International Standards for EER assurance engagements.

- a) Do you agree?*
- b) If so, should the IAASB also explore whether such guidance should be extended to assist practitioners in applying the requirements of any other International Standards (agreed-upon procedures or compilation engagements) and, if so, in what areas? (For assurance engagements, see Q6-7)*
- c) If you disagree, please provide the reasons why and describe what other action(s) you believe the IAASB should take.*

Answer question 4a

We agree to start with guidance to support IAASB members seeking to overcome the key challenges identified. As a next step, we would welcome a separate standard for sustainability reporting and integrated reporting.

In Dutch practice there is a commonly used standard for Sustainability Reports: 3810N (see also Q.6) designed under the umbrella of Standard 3000. We are in the process to



consider an updated version of Standard 3810N based on common practice experience and for harmonization purposes, including guidance on assurance over integrated reports. Therefore we think that it would be appropriate for IAASB to develop a standard for sustainability reporting and integrated reporting using an existing standard as a starting point, especially as it takes considerable time to develop a standard. However, we do understand that first the key challenges identified need to be solved.

Answer question 4b

Guidance should be extended for other standards as well, especially for agreed-upon procedures. A broad range of guidance is needed to facilitate robust and international uniform practices.

Answer question 4c

N/A.

5. The IAASB would like to understand the usefulness of subject-matter specific assurance standards. ISAE 3410, a subject matter specific standard for assurance engagements relating to Greenhouse Gas Statements, was issued in 2013.

- a) Please indicate the extent to which assurance reports under ISAE 3410 engagements are being obtained, issued or used in practice by your organization.
- b) If not to any great extent, why not and what other form of pronouncement from the IAASB might be useful?

Standard 3410 is being used as a sub-standard in combination with Standard 3000 and 3810N, when GHG as a subject matter is part of a more extended report. Additionally, specific GHG assurance engagements exist for which Standard 3410 is used, e.g. EU ETS assurance and for engagements where clients only ask for GHG assurance on national or international requirements.

6. Section V suggests it may be too early to develop a subject-matter specific assurance engagement standard on EER or particular EER frameworks due to the current stage of development of EER frameworks and related standards.

- a) Do you agree or disagree and why?

We agree. Reporting practices need further development first (see also Q4a).

7. Section V describes assurance engagements and the Ten Key Challenges we have identified in addressing EER in such engagements (see box below) and suggests that the most effective way to begin to address these challenges would be to explore guidance to support practitioners in applying the IAASB's existing International Standards to EER assurance engagements.

- a) Do you agree with our analysis of the key challenges?
- b) For each key challenge in Section V, do you agree that guidance may be helpful in addressing the challenge?
- c) If so, what priority should the IAASB give to addressing each key challenge and why?
- d) If not, why and describe any other actions that you believe the IAASB should take.
- e) Are there any other key challenges that need to be addressed by the IAASB's International Standards or new guidance and, if so, what are they, and why?



The ten Key Challenges

- | | |
|---|---|
| • Scoping EER assurance engagements | • Narrative information |
| • Suitability of criteria | • Future-oriented information |
| • Materiality | • Professional skepticism and professional judgment |
| • Building assertions in planning and performing the engagement | • Competence of practitioners performing the engagement |
| • Maturity of governance and internal control processes | • Form of the assurance report |

Answer question 7a

We agree.

Answer question 7b

Guidance would be welcome on all key challenges, both on process level and content level. This will also be useful for harmonization of (best) assurance practices.

Answer question 7c

As challenges are interrelated we see a general need for guidance on all challenges. We recommend to apply the following order which aligns with the order of the developments (in buckets):

- a) narrative information, future-oriented information, materiality, competence of practitioners performing the engagement;
- b) scoping, form of the assurance report, suitability of criteria;
- c) maturity, professional skepticism, building assertions.

Answer question 7d

N/A

Answer question 7e

Other challenges for consideration are:

- the variety of levels of assurance (see also Q 3b)
- boundary-setting (for reporting on outcomes and impacts) and consequently assessing the assurability, of specific reporting criteria (e.g. GRI compliance assessment,
- assessing stakeholder-inclusiveness (completeness of stakeholder dialogue as part of materiality considerations),
- assessing the appropriateness of unreported data for reason of confidentiality (immaterial or not available);
- dealing with 'reporting quality' in a maturing stage in relation to specific framework compliance claims. What to do when an organization claims to report in accordance with G4, while this might not be applicable for the whole report.



8. The IAASB wishes to understand the impact on potential demand for assurance engagements, if the Ten Key Challenges we have identified can be addressed appropriately, and in particular whether:

- Doing so would enhance the usefulness of EER assurance engagements for users
- Such demand would come from internal or external users or both
- There are barriers to such demand and alternative approaches should be considered.
 - a) *Do you believe that there is likely to be substantial user demand for EER assurance engagements if the key challenges can be appropriately addressed?*
 - b) *If so, do you believe such demand:*
 - i. *Will come from internal or external users or both?*
 - ii. *Will lead to more EER assurance engagements being obtained voluntarily or that this outcome would require legal or regulatory requirements?*
 - c) *If not, is your reasoning that:*
 - i. *EER frameworks and governance will first need to mature further?*
 - ii. *Users would prefer other type(s) of professional services or external inputs (if so, what type(s) – see box below for examples of possible types)?*
 - iii. *There are cost-benefit or other reasons (please explain)?*

- | | |
|--|---|
| <ul style="list-style-type: none">• Further enhanced responsibilities for financial statement auditors under ISA 720?• Agreed-upon procedures reports?• Compilation reports? | <ul style="list-style-type: none">• Other types of professional services or other external inputs (please indicate what type of service or input and whether you believe the IAASB should consider developing related standards or guidance)? |
|--|---|

Answer question 8a

Yes. The current lack of demand stems from the lack of understanding the full potential value of the information in EER for a company's business and the challenge on the users' side to integrate this information effectively into decision-making. Solving the key challenges will result in more clarity around the assurance provided, thereby making sure that we as assurance providers are more transparent to the users of the information and creating more consistency in the way assurance providers perform such engagements. Increased quality of the (assured) reports will stimulate demand for such reports.

Answer question 8b

Demand will come from internal as well as external users. In our opinion, it would currently be best to obtain EER assurance engagements voluntarily. Both preparers and users seem to ask for convergence of NFI-reports. Tangible value creation goals might be helpful, like SDGs and Paris Climate agreement. The increased need to provide decision-useful information for other (non-financial) purposes such as these agreements could become a driver for increased demand for internal- and external professional services, including assurance. It's a journey for both reporters and assurance providers. As such, we should work together in further maturing the quality of both reporting and assurance.

Answer question 8c

N/A.

9. The IAASB would like to understand stakeholder views on areas where the IAASB should be collaborating with other organizations in relation to EER reporting.

For which actions would collaboration with, or actions by, other organizations also be needed?

The further guidance that the IAASB is referring to in the discussion paper should be developed in collaboration with relevant external parties: organizations like IIRC and GRI are certainly recommendable for the purpose of both convergence and assurability. Additionally also with user associations (such as the World Business Council for Sustainable Development) and investors (such as the UN Principles for Responsible Investing or the International Corporate Governance Network) collaboration with the same purpose is necessary. Areas to be considered for discussion with different stakeholder groups are materiality (especially what investors consider to be material in EER reporting) and how suitable criteria can be obtained.



Closing remarks

We trust to have you informed sufficiently. If you have any questions, please do not hesitate to contact Paul Hurks (p.hurks@nba.nl)

Yours sincerely,
Royal NBA Dutch Ethics & Assurance Standards Board

A handwritten signature in blue ink, appearing to read 'AD', enclosed within a blue oval. Below the signature, there are three small dots '...'. The signature is written over a faint, light blue grid.

Anton Dieleman
Chairman