



**Meeting:** IAASB Consultative Advisory Group (CAG)  
**Meeting Location:** New York, United States of America  
**Meeting Date:** March 5 –6, 2019

## Agenda Item K

### Extended External Reporting (EER) – Report Back and Cover

#### Objectives of Agenda Item

1. The objectives of this agenda item are to:
  - (a) Provide a report back on comments of the CAG Representatives on this project as discussed at the September 2018 meeting.
  - (b) Receive a presentation on the conclusion of phase 1 of the project, as well as introducing phase 2.

#### Project Status – What Have We Done Since We Last Met?

2. Since the September 2018 IAASB CAG meeting, the IAASB has completed phase 1 of the project. On January 31, 2019, the IAASB agreed on a teleconference that it was happy to publish a Consultation Paper to seek wider stakeholder input on the draft guidance developed by the EER Task Force to date.
3. Since September 2018, the EER Task Force continued to develop the draft guidance in response to feedback received from the IAASB and other stakeholders over this period. The document was restructured into chapters to make it more accessible, and improvements made to make the guidance consistent with the requirements and application material of ISAE 3000 (Revised).
4. The IAASB held successful Global Discussion Events and Outreach Meetings in Tokyo, New York, São Paulo, Johannesburg, Singapore, Auckland, Sydney and Brussels. In total, over 250 people participated in the events. The purpose was to obtain input and perspectives on the areas covered in the draft guidance, and to promote the work of the IAASB in this area ahead of issuing the Consultation Paper at the end of phase 1.

#### Feedback - What Did We Hear Last Time We Met?

5. Extracts from the draft minutes of the September 2018 IAASB CAG meeting, as well as an indication of how the Task Force or IAASB has responded to the Representatives' comments, are included in the table below.

Representatives' Comments	Task Force/IAASB Response
GENERAL	
<p>Several Representatives sought clarity over what types of reporting were considered to be EER. Ms. Borgerth and Ms. Diplock emphasized that sustainability reporting and integrated reporting were not equivalent or alternative forms of reporting. Ms. Diplock suggested that sustainability reporting could be an intermediary stage for preparing integrated reports. She expressed the view that use of the term EER was unhelpful as integrated reporting will be the only form of external reporting in the future, and that other frameworks (for example the standards issued by GRI<sup>1</sup> and SASB<sup>2</sup>) are typically focused on rationalizing measurement techniques for non-financial information which could be included in an integrated report.</p>	<p>The EER Task Force acknowledges that it is necessary to be very clear in the guidance that EER encapsulates many different forms of reporting, including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about environmental, social and governance (ESG) matters. The EER Task Force recognizes that some EER frameworks are 'umbrella' principles-based frameworks and others contain more detail about specific indicators and measurement techniques.</p> <p>Regardless of some views that there might be some consolidation of the different types of reporting in the future, any guidance published by the IAASB needs to address the issues faced by practitioners today.</p> <p>As part of the Global Discussion Events, the EER Task Force developed a series of short videos for participants, the first of which explains what is meant by EER.</p> <p>Since the September 2018 meeting, the IAASB agreed to change 'Emerging Forms of External Reporting' to 'Extended External Reporting' to reflect that these types of reporting are in many cases no longer 'emerging'.</p>
<p>Mr. Koktvedgaard supported the approach to develop guidance that covered all types of reporting rather than just integrated reporting. He gave examples of reporting about technology or cyber risks that would not be integrated reports.</p> <p>Mr. Sobel later noted that there could be demand for assurance of these types of reporting, for example from customers wanting assurance that an online retailer's website is secure. Mr. Sobel also agreed that 'EER' was not the best term to use.</p>	<p>The IAASB agrees that the draft guidance should cover all types of reporting and not just integrated reporting. This is the scope of this project as set out in the project proposal.</p> <p>The EER Task Force does however note that the draft guidance has been written with 'general' forms of reporting in mind such that some specialized types of reporting have not been taken into account. The draft guidance alone may not be as useful for practitioners</p>

<sup>1</sup> Global Reporting Initiative

<sup>2</sup> Sustainability Accounting Standards Board

Representatives' Comments	Task Force/IAASB Response
	performing assurance engagements over these specialized types of reporting.
Ms. Singh noted that while 'ESG investing' did not exist as a separate concept, ESG data points were just additional information that could be considered by investors making investment decisions.	Noted.
MATURITY IN GOVERNANCE & INTERNAL CONTROL	
Mr. Sobel supported the model of a system of internal control presented and noted that it was aligned to the COSO framework.	Mr. Grabowski explained how it was based on ED-315 <sup>3</sup> which is itself consistent with the COSO framework.
Mr. Mulholland noted that he felt this section could be even more helpful for preparers than practitioners.	Noted. The potential usefulness to preparers has also been noted in the draft guidance.
EVALUATING THE SUITABILITY OF CRITERIA, APPLYING MATERIALITY AND BUILDING ASSERTIONS	
Mr. Kocktvedgaard expressed the difficulty in identifying the intended users and stakeholders of a report, noting the instances where these were not investors. He suggested that good guidance was needed in this area.	The draft guidance includes guidance in this area in relation to considering an entity's 'materiality process' (Chapter 8). Respondents to the Consultation Paper are encouraged to comment on whether this gives practitioners sufficient guidance.
Mr. Dalkin noted the challenge of not being able to aggregate misstatements where these did not occur in numerical information	This challenge is addressed in Chapter 12 of the draft guidance.
Ms. Borgerth explained how an entity's business model and its stakeholders should be important context for materiality judgments. She also expressed support for the clear diagrams used in the draft guidance.	This EER Task Force agrees, and this is included in Chapter 8 of the draft guidance.
Mr. Rees expressed support for the approach in the draft guidance on materiality being considered in three parts. He noted the linkages between the IAASB's EER project and the IASB's project to update their Management Commentary Practice Statement, welcomed the IAASB's participation in the IASB's	Noted. Of the three parts of the materiality guidance, two have been addressed so far ('materiality processes' in Chapter 8 and considering misstatements in Chapter 12), and guidance on performance materiality is to be developed in phase 2.

<sup>3</sup> Exposure Draft of International Standard on Auditing (ISA) 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

Representatives' Comments	Task Force/IAASB Response
project advisory group, and indicated that the IASB was considering a similar approach to materiality.	
NARRATIVE AND FUTURE-ORIENTED INFORMATION	
Mr. Rees said that he found the apple example compelling. He noted, however, that auditors have had to deal with narrative and future-oriented information for a long time and accordingly queried why there were challenges in this area that needed to be addressed by the project.	Mr. Grabowski responded at the September 2018 meeting that responses to the Discussion Paper had identified these as key challenges because these types of information are more prevalent in EER.
Mr. Koktvedgaard suggested that 'trade-offs' were necessary in this area, for example that it might be necessary for entities to report less information so that what was reported was reliable and possible for a practitioner to assure it. Another trade-off might be the cost of assurance increasing with the scope of the assurance engagement increasing. He noted that finding evaluation or measurement techniques was not usually an issue.	The EER Task Force acknowledges this point and notes that the draft guidance discusses some of these possible 'trade-offs' in the context of determining the suitability of criteria (Chapter 7).  Issues relating to the scope of the assurance engagement are due to be addressed in phase 2.
PIOB REMARKS	
Ms. Diplock said that the PIOB considered the IAASB's work on EER to be very important and congratulated the EER Task Force for their work to date. She noted the PIOB's upcoming event on "Enhanced Reporting and the role of Audit in the Public Interest" at which Mr. Grabowski is due to speak.	Noted.

#### What Does the EER Task Force Want Your Views On?

6. The EER Task Force Chair will give a presentation (**Agenda Item K-1**) at the CAG meeting giving an introduction to the challenges due to be addressed in phase 2 which the IAASB has recently begun. These include:
  - a) determining the scope of an EER assurance engagement;
  - b) communicating effectively in the assurance report;
  - c) exercising professional skepticism and professional judgment;
  - d) obtaining the competence necessary to perform the engagement; and
  - e) obtaining evidence in respect of narrative and future-oriented information.

Further background on these is provided in **Agenda Item K-2**, which includes aspects of guidance which have been initially identified by the Task Force and Project Advisory Panel as being needed to address the challenges.

7. CAG Representatives will be asked:
  - a) whether they have comments on the initially identified aspects of guidance needed to address the challenges referred to in paragraph 6(a)-(e);
  - b) whether they have identified any additional aspects of guidance which are needed to address these challenges; and
  - c) whether they have any comments on how these aspects of guidance should advise practitioners to address the challenges.
8. CAG Representatives are also encouraged to read the phase 1 Consultation Paper when published and consider whether they (or their organization) could respond to it.

#### **Material Presented – IAASB CAG Papers**

<b>Agenda Item K-1</b>	Presentation
<b>Agenda Item K-2</b>	Phase 2 Issues

## Appendix A

### Project Details and History

#### Project: Extended External Reporting (EER)

Link to IAASB Project Page: [EER Project Page](#)

#### Task Force Members

The IAASB's EER Task Force comprises:

- Marek Grabowski                      IAASB Member and Task Force Chair
- Sachiko Kai                              IAASB Member
- Paul Penler                              Executive Director, EY
- Lyn Provost                              IAASB Member
- Fernando Ruiz Monroy              IAASB Member

Observers have been appointed from the World Business Council for Sustainable Development (WBCSD), the Corporate Reporting Dialogue (CRD) and Principles for Responsible Investment (PRI).

#### Summary

	IAASB CAG Meeting	IAASB Meeting
Integrated Reporting Working Group (IRWG) – pre EER project. Issued a discussion paper in August 2016.	March 2015 September 2015 March 2016	December 2014 March 2015 June 2015 September 2015 March 2016 June 2016 June 2017
Pre-project approval	September 2017	September 2017 October 2017
Project commencement and phase 1	March 2018 September 2018	December 2017 March 2018 June 2018 September 2018 December 2018 January 2019

## IAASB CAG Discussions: Detailed References

Information gathering by the Integrated Reporting Working Group (pre EER project)	<p><u>March 2015</u></p> <p>See IAASB CAG meeting material and meeting minutes (Agenda Item E): <a href="https://www.ifac.org/meetings/new-york-usa-5">https://www.ifac.org/meetings/new-york-usa-5</a></p> <p><u>September 2015</u></p> <p>See IAASB CAG meeting material and meeting minutes (Agenda Item M): <a href="https://www.iaasb.org/cag/meetings/new-york-usa-0">https://www.iaasb.org/cag/meetings/new-york-usa-0</a></p> <p><u>March 2016</u></p> <p>See IAASB CAG meeting material and meeting minutes (Agenda Item K): <a href="http://www.iaasb.org/cag/meetings/paris-france">http://www.iaasb.org/cag/meetings/paris-france</a></p>
Pre-project approval	<p><u>September 2017</u></p> <p>See IAASB CAG meeting material (Agenda Item L) – presentation on the responses to the discussion paper and meeting minutes</p> <p><a href="http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain">http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain</a></p>
Project commencement and phase 1	<p><u>March 2018</u></p> <p>See IAASB CAG meeting material (Agenda Item F) – initial project update and meeting minutes (Agenda Item A)</p> <p><a href="http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny">http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny</a></p> <p><u>September 2018</u></p> <p>See IAASB CAG meeting material (Agenda Item E) and meeting minutes (Agenda Item A)</p> <p><a href="http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-0">http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-0</a></p>