Agenda Item
6–B.2

Extended External Reporting (EER) Assurance Consultation Paper– Question 2

Question 2 of the consultation paper for EER Assurance asked respondents:

Is the draft guidance clear and easy to understand, including through the use of examples and diagrams, and the way terminology is used? If not, where and how should it be improved?

10. NBA

References 1-5

- At some points the guidance contains repetition of ISAE 3000 (for example paragraph 47 can also be derived from this standard). Sometimes the challenge is mentioned, but it is not clear how it needs to be addressed (e.g. paragraph 48; the impact might not be identifiable vs well-defined and distinct from other aspects). We recommend to delete Chapter 2 which contains quite a number of references that make it difficult to access and which is in fact a summary of ISAE 3000.

- The term 'Materiality Process' in Chapter 8 is confusing and is mainly directed towards the preparer of EER as it deals with 'significant reporting aspects'. We would like to recommend to include the aspect of 'reporting scope' from the perspective of the preparer. Further, we recommend to separate guidance for preparers from guidance for assurance providers.

- The diagrams and figures are useful

Reference 6

- The guidance relies on quite a few examples from practice, although some do not provide sufficiently practical solutions. In this context we would like to highlight two examples; on page 46 (reference to SASB), and page 48 (what to do when impact is not identifiable).

Reference 7

- The guidance is quite lengthy, especially with the outcome of phase 2 adding up. As a result the guidance may be less accessible in practice and the impression may arise that the guidance is prescriptive rather than a tool for further assistance.

References 8-10

- New terminology is being introduced, which is – at first sight – rather complex. We agree with the introduction of new terminology as we acknowledge that the new terminology does serve the guidance purposes.

- We recommend having clear definitions and concrete examples from practice for new terms, for example in paragraph 80 on categories, topics, elements, qualities and suitability of criteria. There is a need for better clarification of the aspects 'qualities' and 'assertions' in EER and how these terms are interrelated.

Prepared by: Pauline Irwin (September 2019)

Reference 11

- We value your attempt to make the terminology also applicable for financial audits for comparison purposes.. For a better understanding and for encouraging convergence of assurance practices, we also recommend to include concrete examples from the financial audit.

Reference 12

- We welcome the introduction of the distinction between intended user and stakeholder when the guidance would also highlight that a similar distinction is relevant for financial reporting and financial audit.

11. NZAASB

Reference 1

The NZAuASB's overall comment is that the draft guidance runs the risk of growing into a very lengthy document. A lengthy, complex document targeting all types of users in one place may pose a barrier to meeting its objectives.

Reference 2

- Continue to streamline the guidance to make it more user friendly, with a focus on robust and relevant examples.

References 3-4

- In addition, reducing the amount of repetition of ISAE 3000 (Revised) may help. Use of technology may be one way to link the guidance to the underlying standard effectively, enabling less repetition of the standard in the guidance.

References 5-7

The NZAuASB's overarching comment is that the guidance is lengthy and could benefit by reducing the amount of repetition of ISAE 3000 (Revised), with a focus on application material and illustrative examples to assist the practitioner apply the concepts. An overarching statement that the guidance is built on the requirements of ISAE 3000 (Revised) may be sufficient, without the need to justify such an approach. Use of technology may also assist to create links between the guidance and ISAE 3000 (Revised) and provide an alternative to repeating the standard. The NZAuASB considers that this may improve the usability of the guidance.

Reference 8

The NZAuASB is supportive of the use of relevant examples, diagrams and terminology that are clear and easy to understand. Given this is non-authoritative material, use of robust, relevant EER examples is a useful way to develop guidance for practitioners.

References 9-10

The NZAuASB is supportive of the use of terminology such as:

- 'preparer' to mean a responsible party who is also the measurer or evaluator. Within the guidance the NZAuASB recommends that 'preparer' is used consistently to avoid switching between the

terminology. For example, in paragraph 49 of the draft guidance, the second to last bullet point example refers to responsible party and the measurer or evaluator. This could be simplified and made more consistent by referring to preparer;

- 'qualities' – this term is less clear. Does this refer to measurement bases only or also qualitative qualities? This could be made clearer in paragraph 11(b) of the draft guidance.

References 11-13

The NZAuASB considers the examples in the draft guidance will be useful to practitioners, however suggests that the examples could be streamlined. A focus on the practitioners' role only may also assist as exploring the preparers' role in the guidance (e.g. in Chapter 8 on the materiality process), starts to blur the role of the practitioner in these matters. We have the following specific suggestions

- Extend the example of water quality to deal with contextual information and/or impacts as described in paragraph 150 of the draft guidance, to illustrate the importance of context in evaluating the suitability of the level of aggregation;

- We find the example following paragraph 77 of the draft guidance related to service performance information confusing and at odds with the guidance on this topic in New Zealand.

- We find the example of the apple in the Background and Contextual Information section unhelpful. An example that is related to EER would be more helpful.

Reference 14

The NZAuASB had mixed views on the use of the term "materiality process". There was support for this term, given that some EER frameworks and preparers use this terminology. The opposing minority view was a preference to describe this as the process the preparer applies to determine what to include in the report, i.e., to identify the subject matter.

Reference 15

The NZAuASB considers the draft guidance could be streamlined by removing replication and paraphrasing of ISAE 3000 (Revised). We recognize the importance of ISAE 3000 (Revised) as the standard on which the guidance is based but consider an upfront statement that contextualizes this guidance is built on ISAE 300 (Revised) and that it should be read in conjunction with ISAE 3000 (Revised) is sufficient. Such an approach may reduce the bulk of the document and add more value for the practitioner.

Reference 16

Preparer's role and materiality process

The NZAuASB is supportive of the inclusion of references to the preparer's role and the materiality process. The NZAuASB cautions against trying to cover too much in one document. Whilst guidance on the preparer's role is important, the guidance should not blur the role of the practitioner with that of the preparer.

12. BDO

References 1-2

We agree the draft guidance is clear and easy to comprehend for the experienced practitioner (paragraphs 16-17, 34, 37 and 40). Practitioners with less experience in using ISAE 3000 (Revised) alongside other EER frameworks and standards, including GRI and integrated reporting, will likely need more guidance on both terminology and practical application. This additional guidance is likely to be provided by more experienced managers and through formal training but it would aid understanding and demonstrate greater inclusivity if the use of key terminology would be explained in greater detail through links to credible sources and information.

13. CG

Reference 1

Is the draft guidance clear and easy to understand, including through the use of examples and diagrams, and the way terminology is used? If not, where and how should it be improved?	The draft guidance is clear and easy to use. Examples and diagrams ought to be used as much as possible as these are important for practical application.

14. DTT

Reference 1

Furthermore, incorporating a glossary will provide a clear way to distinguish between terms from IAASB standards and new terms. DTTL recommends adding a glossary to define certain terms and has included a list of terms in response to **Question 2** in **Appendix I**.

References 2-6

DTTL supports the use of examples and diagrams throughout the proposed draft guidance and believes that they serve an important role in providing insight into the practical application of certain guidance. Several of the examples serve as good illustrations of scenarios that may require additional practitioner judgment; however, DTTL believes that the examples could be enhanced by illustrating what courses of action preparers and practitioners may take in response to the scenarios and, where applicable, the impact to the presentation within an EER report. DTTL has included suggestions for specific examples as well as diagrams in response to **Question 2 in Appendix I**.

As discussed in response to **Question 6 in Appendix I**, DTTL appreciates the IAASB's efforts to create additional papers to better support and illustrate key topics in the proposed draft guidance. Several of the examples within Chapters 7 and 8 as well as the additional paper, *Background and Contextual Information on Understanding How Subject Matter Information Results from Measuring or Evaluating Subject Matter Elements Against the Criteria*, illustrate only discrete aspects of evaluating the suitability of criteria or considering the entity's "materiality process." DTTL recommends developing an Appendix with more comprehensive examples to illustrate what an entity's materiality process might encompass and what a practitioner might do as part of their evaluation of that entity's materiality process. In addition, these examples should illustrate the link between determining the suitability of criteria and considering the entity's materiality process, including how to refer to or describe applicable criteria, when a preparer uses

an EER framework and supplements the criteria with a materiality process. The more comprehensive examples should also encompass scenarios where the scope of assurance provided is limited to specific indicators in an EER report. DTTL believes that developing comprehensive examples that demonstrate how the practitioner addresses various aspects of performing an assurance engagement on EER reports will provide preparers and practitioners alike with important practical guidance on these key topics.

Terminology

As discussed in the introductory materials for the EER consultation paper, the drafted guidance and terminology used therein is based on and is broadly consistent with ISAE 3000 (Revised). There is, however, terminology introduced in the proposed draft guidance that is not contained in ISAE 3000 (Revised) (e.g., materiality process) or terminology that has been incorporated from other IAASB standards (e.g., "assertions"). DTTL appreciates that the IAASB has generally identified any new terms and has provided their rationale for using such terms. It is important that the use of new terminology or incorporating terminology from other IAASB guidance is clearly defined and used consistently within the proposed draft guidance. As mentioned above, DTTL recommends adding a glossary to define certain terms. In addition, DTTL believes that the use of certain terms such as assertions, materiality process, "subject matter elements," and "topics" is not consistent within the proposed draft guidance or is inconsistent with other IAASB standards. DTTL has included commentary on these terms in response to **Question 2 in Appendix I**.

References 7-8

Use of Examples and Diagrams:

As discussed in the cover letter, DTTL is supportive of including examples and diagrams to illustrate and provide additional explanation and make the guidance easier to understand. We believe that overall the examples and diagrams, particularly the example within paragraph 114 which demonstrates how a practitioner could approach determining the suitability of criteria, are helpful. DTTL has several recommendations where we believe the current examples and diagrams can be clarified or enhanced; these recommendations are presented below, by chapter, as they appear throughout the proposed draft guidance.

References 9-10

Chapter 3: Determining Preconditions and Agreeing the Scope

The diagram in paragraph 46 of the proposed draft guidance summarizes the preconditions for an assurance engagement and provides references or contains portions of the application material for certain preconditions. This diagram is difficult to follow as it does not (1) include the context to explain why the illustration focuses on application material for certain preconditions and (2) explain the relationship between the preconditions and guidance illustrated by the arrows. For example, the content related to the precondition "underlying subject matter is appropriate" highlights if the underlying subject matter is identifiable and reliable but does not capture the guidance in paragraph A44 of ISAE 3000 (Revised) that it may be appropriate for the practitioner to consider whether information about the aspect on which the practitioner is asked to report is likely to meet the information needs of intended users when the assurance engagement relates to only one part of a broader underlying subject matter. DTTL recommends either (1) simplifying this diagram to just focus on the preconditions and providing references to where the additional guidance for each precondition is covered in greater detail within the

proposed draft guidance or (2) adding additional context to provide the reader with a greater understanding of the process to determine that the preconditions are present.

Paragraph 49 includes several considerations for practitioners when determining whether a proposed EER assurance engagement has a rational purpose. The fourth consideration in the list is difficult to understand and appears duplicative with the fifth consideration which addresses whether the level of assurance is meaningful to the intended users; accordingly, DTTL recommends removing the fourth consideration.

> …~~Whether the level of assurance that the practitioner plans to obtain (and therefore what would constitute sufficient appropriate evidence) is expected to reduce engagement risk to a level which is at least meaningful in the circumstances of the engagement, having regard to the extent of the consequence to the intended users of an inappropriate conclusion by the practitioner.~~

Chapter 6: Considering the System of Internal Control

The proposed draft guidance includes a diagram in paragraph 62 that illustrates the components of an entity's system of internal control. DTTL believes that the diagram in paragraph 62 is not clear as to how governance and oversight of the reporting process interacts with the five inter-related components. The lines suggest that governance and oversight only apply to the control environment, risk assessment process, and process to monitor the system of internal control; further, paragraph 65 states that the three components shown in the top three boxes in paragraph 62 (the control environment, the risk assessment process, and the process to monitor the system of internal control) are considered together under the heading "governance and oversight of the reporting process." Governance and oversight of reporting process is also relevant to reporting (information) system and related business processes as well as communication and control activities. DTTL recommends extending the brackets around the components of an entity's system of internal control so that they encompass all the components of an entity's system of internal control and; accordingly, modifying paragraph 65.

Chapter 7: Determining the Suitability of Criteria

Paragraph 84 discusses that there may be considerable opportunity for management bias in determining the content of an EER report. DTTL agrees with the proposed draft guidance; however, an example to illustrate this point would be beneficial. A potential example could involve management disclosing metrics on the volume of complaints; however, the criteria only requires disclosing a certain class of complaints and omitting other classes of complaints.

The diagram in paragraph 89 is a clear illustration of the high-level steps in determining the suitability of criteria. DTTL believes that the diagram can be enhanced by:

- Including references to the related paragraphs in the drafted guidance for each high-level step to refer the reader to specific details for each step.

- Expanding the diagram to illustrate what the practitioner should do if they determine that the criteria will result in subject matter information or an assurance report which is misleading.

- Addressing in the diagram the requirements if the practitioner determines that the criteria does not exhibit the five required characteristics or will result in subject matter information or an assurance report that is misleading (i.e., discuss the matter with the preparer to resolve the matter and make changes to the criteria or do not to accept the engagement).

- Modifying the following language in the last box of the diagram to be consistent with the language used in ISAE 3000 (Revised):

  89. ~~Confirm~~ **Determine that the** criteria will not result in subject matter information or an assurance report which is misleading.

Paragraph 98 of the proposed draft guidance appears to focus on materiality in relation to quantitative factors; however, DTTL believes that paragraph 98 should be expanded to:

- Include a discussion on the consideration of qualitative factors, as materiality is considered in the context of qualitative factors and, when applicable, quantitative factors.

- Incorporate these additional concepts in the examples in paragraph 98 through an expanded rationale as to why the omission for the financial reporting example and the EER example are not material based on the quantitative materiality threshold as well as evaluation of relevant qualitative factors.

Paragraph 101 discusses the relevance and comparability of criteria across entities. The paragraph includes an example where an entity does not use criteria from an established EER framework and develops their own criteria. The example, however, appears inconsistent as the example mentions an entity developing their own criteria as opposed to using an EER framework and then includes 'where permitted by the EER framework adopted'. DTTL recommends the following modification to clarify the example.

  101. However, there may be good reasons not to use such criteria, for example where the entity can develop more relevant criteria ~~(that are also reliable), where permitted by the EER framework adopted and where those criteria are made available~~ **that are also reliable and made available to the users by inclusion in the EER report**.

Paragraph 121 provides an example that is intended to illustrate that it is not necessary to disclose detailed explanations of the reporting policies and measurement or evaluation methods as they are available by general understanding to the intended users; however, DTTL believes that the example relating to measuring time in hours and minutes is not a comparable example to referring to the criteria which includes the measurement or evaluation methods. Accordingly, DTTL recommends removing the example relating to measuring time and making the following modifications:

  121. ~~Measuring time in hours and minutes, or energy usage in kilowatt hours, is generally understood in a consistent way internationally due to scientific convention. Similarly, a~~ **A** preparer may assume that the intended users will understand greenhouse gas emissions measured in accordance with the Greenhouse Gas Protocol without **having to disclose how to measure the greenhouse gas emissions as the criteria appropriately includes the measurement methods and the Greenhouse Gas Protocol is publicly available** ~~providing full explanation due to its widespread acceptance and usage~~.

Chapter 8: Considering the Entity's Materiality Process

Paragraph 127 of Chapter 8 provides contrasting examples of EER frameworks where the criteria may or may not be suitable on their own. The last example in this paragraph intends to illustrate where criteria may be considered suitable on their own and refers to the Sustainability Accounting Standards Board (SASB) standards as an example of an EER framework that would not require an entity to undergo a materiality process. The SASB standards provide relevant topics and measures/disclosures that have a

likelihood of being material; however, it is still the preparer's judgment to determine the SASB topics and measures that are material to the business and would provide useful disclosure to investors. Accordingly, DTTL believes that the reference to the SASB standards in this context may cause confusion and the reference should be replaced with another EER framework that defines the content to be included in the EER report (e.g., a specific regulation). See below for the recommended changes to clarify this example.

> 127. In this case the criteria may already be suitable, and the preparer may not need to undertake a 'materiality process' because the EER framework-setter has already made a judgment about what the intended users want to know **and has specified in the EER framework the topics and related elements that should be disclosed in the EER report**. This is common in reporting to meet specific regulatory requirements~~, but some generally applicable EER frameworks assess what indicators are likely to be relevant criteria for specific industry sectors, for example as in the Sustainability Accounting Standards Board (SASB) standards~~.

DTTL agrees with the distinction between intended users and stakeholders discussed in Paragraph 139. Within the related example, however, the parties referenced may not be effective in demonstrating the relationship between the stakeholder (victim of child slavery) and the third-party agents (charity/politicians/lobbyists) as in this example this relationship may not be clearly defined. DTTL recommends revising the example to use a stakeholder and third-party agent who have a more clearly defined relationship. A possible suggestion is to use members of a workforce union working for a manufacturing company as the stakeholders as they may not take the time to read the company's report, however, the union officials would read the EER report and they could represent the third-party agents in a revised example.

The table in paragraph 144 is a good overview of broad groups of intended users and how their possible context(s) within an entity's materiality process. DTTL has several recommendations, however, regarding the terminology used within the table.

- The "Governments, regulators and legislators" category includes "Global organisations." The "Wider society" category may be more appropriate for "Global organisations." Alternatively, if the IAASB believes that "Global organisations" should be included under the "Governments, regulators, and legislators" category, DTTL recommends adding an example such as "(e.g., European Union)" to "Global organisations" and an example such as "(e.g., United Nations)" to the "Wider society" category.

- "Trading negotiable instruments" and "Financial decisions in other entities" are included as examples of items that may influence decision making or be affected by the entity in these areas for the "Wider society" category. DTTL believes that linking those examples to the "Investors and economic stakeholders" category as these are the user groups who would partake in those activities.

- In the "Investors and economic stakeholders" category "Share market" should be expanded to include "Share/stock market." DTTL believes that the term "Share market" may be unfamiliar in certain jurisdictions and that the examples of what may influence this user group has not been included. A possible example of something that may influence this user group is evaluating sustainability practices.

Chapter 10: Assuring Narrative Information

Paragraph 187 provides contrasting examples of purely factual narrative subject matter information and subjective narrative subject matter information. DTTL believes that these examples are useful; however, DTTL recommends that the IAASB incorporates examples of how subjective narrative subject matter information may be revised to be more factual in nature and what potential courses of action practitioners may take if the subject matter information remains subjective. DTTL has included examples of how some of the examples of subjective narrative subject matter information may be revised to be more factual in nature below.

- "We produce healthy food for children."

  As there are different views as to what constitutes healthy food, this subjective narrative information may be revised as "we produce food with less than X grams of sugar for our children within our target market."

- "We have successfully implemented flexible working throughout the organization."

  As there are different views as to what constitutes success or a flexible working arrangement, this subjective narrative information may be revised as "we have implemented a program to allow for flexible working throughout the organization by providing employees with the option to telecommute or to have reduced work arrangements. Employees on reduced work arrangements work less than 40 hours a week whereas employees who telecommute are expected to work 40 hours a week; however, they do not work in the entity's office(s). We have 20 employees who telecommute and 10 employees who are on reduced work arrangements."

DTTL suggests adding language to paragraph 188, following the examples above, to recognize that the practitioner can work with the preparer to reduce the degree of subjective subject matter information.

Paragraph 195 provides an example of analyzing narrative information to differentiate between claims or indicators that may be individually significant and information that may be considered other information. The conclusion over sentence (1) determines that it may be considered other information without providing details on the scope of the engagement. The example indicates that the criteria requires reporting "the water intake by the company in the reporting period, the changes from the previous period, and an explanation for the change"; however, DTTL believes that the conclusion also depends on the scope of the engagement. If the scope of the engagement was limited to the specific criteria mentioned above, then DTTL agrees that the conclusion is valid; however, if the scope of the engagement encompassed the entire EER report then there may be additional considerations relevant to this example. In addition, the example does not provide guidance on how a practitioner would note other information within the EER report and clarify that they are not providing assurance on such information. DTTL recommends either expanding this example to include clarity regarding presentation of other information or including clarification elsewhere (e.g., Chapter 13).

Use of Terminology

In most cases, DTTL believes that the terminology used is sufficiently simple and is consistent with other IAASB literature, including ISAE 3000 (Revised). There are several terms, however, that DTTL believes are complex or not consistent with other IAASB literature. These terms include assertions, topics, categories, subject matter elements, and materiality process. DTTL has provided commentary and recommendations over assertions in response to **Question 1** and topics, categories, subject matter elements, and materiality process following the list of terms below.

References 11-12

Based on the extent of new terminology, DTTL recommends adding a glossary and defining the following terms. In certain cases, these terms may be defined by linking, referencing or amending a definition already included in other IAASB literature.

- Aspects.

- Assertions.

- Extended external reporting.

- Extended external reporting framework.

- Extended external reporting report.

- Forecast.

- IMSB.

- Integrated reporting.

- Materiality.

- Materiality process.

- Preparer.

- Projection.

- Qualities.

- Reporting boundaries.

- Subject matter elements.

- Sustainability reporting.

- Those charged with governance (TCWG).

Use of terms Topics and Categories

The diagram in paragraph 80 depicts the relationship between underlying subject matter, criteria, and subject matter information; however, it is unclear whether some of the terminology used in the diagram is appropriate. Specifically, it is unclear if there is a difference between topics and categories. Throughout the proposed draft guidance, including the examples contained in paragraphs 81 and 82, it appears that these terms (i.e., topics and categories) are used interchangeably. If both terms are interchangeable, DTTL recommends simplifying the proposed draft guidance, including the diagram and related examples, by choosing one term and using it consistently. If both terms are necessary and they are not intended to be interchangeable, DTTL recommends adding additional clarification to illustrate the differences between topics and categories.

References 13-14

Use of the term Subject Matter Elements

The explanation of subject matter elements within paragraph 11 of the Introductory Memorandum states the following:

References to "subject matter elements" or "elements" are analogous to "assets," "liabilities," "income" or "expenses," which are aspects of the underlying subject matter (the entity's financial condition and performance) to which criteria are applied in preparing financial statements.

This explanation implies that the term subject matter elements conveys the same concept as "aspects" of underlying subject matter. While the term subject matter elements is not used in ISAE 3000 (Revised) it does use the term aspects. The introduction of the term subject matter elements may cause confusion; therefore, DTTL suggests using the term "subject matter aspects" instead (as the term aspects is already established under ISAE 3000 (Revised)).

Use of the term "Materiality Process"

DTTL appreciates the logic behind using the concept and term materiality process; however, the use of materiality process and materiality within the current version of the proposed draft guidance may lead to confusion amongst practitioners as these terms are meant to convey different concepts. DTTL suggests using a term such as "basis of preparation and presentation," rather than materiality process, since the term basis of preparation and presentation incorporates the concept of the entity determining which topics and related aspects will be included in the EER report. The draft proposed guidance can still recognize that the term materiality process is commonly used by preparers and in EER frameworks. Furthermore, using materiality in a manner consistent with ISAE 3000 (Revised) will provide more clarity to practitioners.

15. EYG

References 1-2

We agree with paragraph 6 of paper "The purpose of this guidance document <u>is to provide practical assistance to a practitioner</u> carrying out assurance engagements over EER in the form of guidance on the application of the standard". However, we do believe that the guidance is more lengthy and detailed than necessary. We encourage the IAASB to make the key points more prominent and reduce lengthy explanations; otherwise the guidance (particularly after the addition of the Phase 2 topics) may become too unwieldy for practical implementation.

Consistent with our introductory comments in this letter, we believe effort should be made to communicate more 'straightforward' engagement circumstances (e.g., published criteria are suitable and the entity has a mature reporting process) and not imply that significant efforts need to be taken or that topics outside of the Standard need to be addressed for most EER engagements. Therefore, we encourage providing contrasting examples when entities are more sophisticated and the published criteria is sufficient without needing to be supplemented. Doing so, in our view, will improve the understandability of the guidance and its practical application and facilitate the guidance remaining fit-for-purpose into the future.

Reference 3

We find the diagrams and figures useful. For example, the graphic in Chapter 8 that describes procedures performed by the preparer v. practitioner is insightful. The use of examples helps in better understanding the guidance particularly when the examples are specific and provided in the context of specific frameworks or in the context of criteria that has been developed or customized for the engagement.

16 GTI

Reference 1

- The proposed guidance includes repetition of information from ISAE 3000 (Revised). For example, Chapter 2 either repeats or summarizes paragraphs from ISAE 3000 (Revised). We would recommend that wherever possible, such repetition is removed. However, if based on feedback received this chapter is retained, we would suggest that it is made clear that the paragraph references included in this chapter refer to paragraphs in ISAE 3000 (Revised) and not paragraphs in the draft guidance. This is an instance where the interchangeable use of 'ISAE 3000 (Revised)' and 'the standard' becomes confusing.

Reference 2

- Terminology – we note the introduction of new terminology, examples of which are included in chapter 1 of the proposed guidance, which are noted as being analogous to existing terminology. We would recommend, where possible, that terminology remains consistent with that already developed and understood.

Reference 3

- Paragraph 46 includes a diagram of the preconditions for an assurance engagement, which is based on paragraph 24 of ISAE 3000 (Revised). This diagram is hard to follow. It further includes what appears to be a decision of 'is the process to prepare report (system of internal control) adequate.' This would suggest that a 'yes' or 'no' response is required, neither of which is included in the diagram. It is also not clear what the implications of each of the responses would be. We would suggest either deleting or revising this diagram.

Reference 4

- An example is provided under paragraph 82 to illustrate terms from non-financial statement reporting. The example itself notes that the criteria may need to be more specific in order to be suitable. We would recommend that such specificity is provided, or if this is not possible an alternative example be used.

17. KPMG

References 1-2

We welcome the alignment of terminology with that used in ISAE 3000 (Revised), which will support consistent usage. We also support the use of terminology that is not derived from ISAE 3000 (Revised) but complements the application of requirements in the standard, and is commonly used in practice, such as "elements" and "qualities", since use of such terminology is necessary in order to provide sufficiently detailed guidance.

Reference 3

Much of the content of the Guidance Document appears to focus, at least implicitly, on sustainability engagements. It is unclear whether this is intentional or whether, as a more established engagement type, examples inevitably draw from practical considerations identified in performing such engagements.

We recommend that the Guidance Document be broadened beyond sustainability engagements and focus more specifically on particular challenges that arise across a wide range of EER Assurance

engagements. As part of this, we suggest that the IAASB address a broader base of assurance engagement types and include a more diverse pool of examples, applicable to each concept being illustrated, in the Guidance Document.

Reference 4

We also suggest that in selecting terminology, the Guidance Document be aligned to terminology that is widely used and understood in the context of engagements performed in accordance with ISAE 3000 (Revised), as well as audits of financial statements performed in accordance with the ISAs, rather than concepts and terms that are applicable more specifically to sustainability assurance engagements.

Reference 5

Whilst much of the content of this section is very helpful in addressing practical challenges, we are concerned that the term "materiality process" may be confusing in respect of whether and how it involves materiality considerations. We suggest that references to materiality are reserved for the context of design of assurance procedures in order to obtain sufficient evidence, as well as identification and assessment of misstatements, and not used in respect of determining which aspects or attributes of the underlying subject matter should be measured/evaluated for inclusion in the subject matter information. We suggest that a different term be used, and that the guidance focus on consideration of suitable criteria that define the matters for inclusion in the subject matter information, as well as relevance to users, linked to the precondition that there be a rational purpose to the engagement.

References 6-7

As a result of this inter-relationship of aspects of the preconditions, we note that at certain points in the guidance concepts appear to have become co-mingled, or descriptions may imply this, e.g. assertions and criteria, identifiability of subject matter information and suitability of criteria, and, as we refer to above, materiality and completeness of subject matter information, which may be misleading to users.

Development of End-to-End Case Studies

To help address the complexity in this area described above, we suggest that the IAASB develop end-to-end case studies for inclusion in the Guidance Document, to illustrate the application of these concepts throughout the guidance, rather than treating these matters as discrete considerations.

Reference 8

The Guidance Document is long, with many inter-related sections and concepts. Accordingly, we recommend that the IAASB consider the use of smart technology within the Guidance Document, in particular, the use of "click-through" functionality to facilitate access and enhance its usefulness to practitioners.

Reference 9

We welcome the alignment of terminology with that used in ISAE 3000 (Revised), which will support consistent usage. We also support the use of terminology that is not derived from ISAE 3000 (Revised) but complements the application of requirements in the standard, and is commonly used in practice, such as "elements" and "qualities", since use of such terminology is necessary in order to provide sufficiently detailed guidance.

Reference 10

We also suggest that in selecting terminology, the Guidance Document be aligned to terminology that is widely used and understood in the context of engagements performed in accordance with ISAE 3000 (Revised), as well as audits of financial statements performed in accordance with the ISAs, rather than concepts and terms that are applicable more specifically to sustainability assurance engagements.

Reference 11

In connection with the above, we highlight that the Guidance Document describes a "materiality process" to determine which aspects ("topics and related elements" as set out in the Guidance Document) of the underlying subject matter should be included in the subject matter information. We note that considerations in this regard apply, in particular, to sustainability engagements and therefore we suggest that the Guidance Document clarify that it may not be applicable to other types of assurance engagements.

Whilst much of the content of this section is very helpful in addressing practical challenges, we are concerned that the term "materiality process" may be confusing in respect of whether and how it involves materiality considerations. We suggest that references to materiality are reserved for the context of design of assurance procedures in order to obtain sufficient evidence, as well as identification and assessment of misstatements, and not used in respect of determining which aspects or attributes of the underlying subject matter should be measured/ evaluated for inclusion in the subject matter information. We suggest that a different term be used, and that the guidance focus on consideration of suitable criteria that define the matters for inclusion in the subject matter information, as well as relevance to users/link to the precondition that there be a rational purpose to the engagement.

Reference 12

To help address the complexity in this area described above, we suggest that the IAASB develop end-to-end case studies for inclusion in the Guidance Document, to illustrate the application of these concepts throughout the guidance, rather than treating these matters as discrete considerations.

Reference 13

Use of Smart Technology

The Guidance Document is long, with many inter-related sections and concepts. Accordingly, we recommend that the IAASB consider the use of smart technology within the Guidance Document, in particular, the use of "click-through" functionality to facilitate access and enhance its usefulness to practitioners.

References 14-15

Overall, we believe the draft guidance is clear and easy to understand, and that the examples and diagrams are helpful to better illustrate key points.

We support that terminology is aligned with that used in ISAE 3000 (Revised), which will support consistent usage. We also support the use of terminology that is not derived from ISAE 3000 (Revised) but complements the application of requirements in the standard, and is commonly used in practice, such as "elements" and "qualities" since use of such terminology is necessary in order to provide sufficiently detailed guidance.

We suggest that terminology be aligned to ISAE 3000 (Revised) and ISAs rather than specifically focused on sustainability engagements (e.g. use of "materiality process" as we describe above).

References 16-17

As noted in our response to Question 1, we suggest that the examples are broadened beyond sustainability engagement matters and focus more specifically on particular challenges that arise across a wide range of EER Assurance engagements.

Reference 18

The Guidance Document is long, with many inter-related sections and concepts.

References 19-20

Accordingly, we recommend that the IAASB consider the use of smart technology within the Guidance Document, in particular, the use of "click-through" functionality to facilitate access and enhance its usefulness to practitioners.

Additionally, to help address the complexity regarding the inter-relationship of the preconditions for an assurance engagement, we suggest that the IAASB develop end-to-end case studies for inclusion in the Guidance Document, as we describe in our response to Question 1.

Reference 21

We note that the description of challenges and guidance in respect of the materiality process is very helpful, however, as we describe above, we believe the term "materiality process" itself may be confusing/misleading to users of our report.

18. MZS

Reference 1

- We believe that the link with the ISAE 3000 framework could be improved so that the user of the guidance is clear on what is coming from the ISAE 3000 and what is guidance. It will also ensure there are no contradictions (it seems to be the case when we compare the § 31 of the consultation paper and the §A3 of ISAE 3000 for the "extent is likely to be less").

- This linkage and more generally speaking the reporting could be done in an innovative format.

Reference 2

- We believe that the split between what is expected from the preparer versus what is expected from the practitioner should be organized.

- As the guidance is intended to be also used by preparers and practitioner, we recommend an ad-hoc process to make sure it is widely and appropriately released.

Reference 3

- In Chapter 3 of the consultation paper (§46), we think it is a good idea to have a diagram. However, the output is misleading and especially clarification on the order of the steps should be

provided. Depending on the re-ordering of §46, it should be reflected in §47. The very first question should be around the rational purpose of the engagement.

- The example of §48 relates to greenhouse gas emissions. There is already a standard on this topic. We thus suggest to provide another example.

Reference 4

- The term "materiality process" is new and we should make it clear that it is the process from the preparer.

- The guidance on the issue of materiality is very helpful, as it is a complicated matter. We recommend separating more clearly reporting materiality and the materiality concept relevant for the assurance engagement.

Reference 5

- We have made several tests among auditors and experts: the feedback we receive is that the document is written for people who are very knowledgeable of the auditing standards and of ISAE 3000. But no so easy to be understood by expert practitioners in EER in the firms. So, the first year the engagement must be performed, a huge time of investment will be needed. We encourage to have a pilot phase (see our overall comments) to make the standard easier to use especially for expert practitioners in EER and to compare with the other framework developed in other EER initiatives (see also overall comments).

Reference 6

§ 16-17 (Examples, diagrams and terminology)

- We think that charts and examples are helpful and really a must have.

Reference 7

- For ISAE 3000, we recommend highlighting when it is a copy or put a footnote but not summarize

Reference 8

- Terminology:
  - ο careful not to introduce new terms without further guidance and examples;
  - ο the terms subject matter information, underlying subject matter, elements, qualities, resulting subject matter information, phenomena, are quite confusing as, distinction among are not easy to understand.
  - ο the more we use the term EER, the more we face people having difficulties to understand in a straight forward manner. This term may not reflect the variety of the scope and especially the fact that it is not restricted to financial information.

Reference 9

§ 34 Term materiality process

See above our response to Q1.

References 10-11

§ 19-21 relationships with ISAE 3000 revised

- The guidance is quite lengthy, especially with the outcome of phase 2 adding up. As a result, the guidance may be less accessible in practice and the impression may arise that the guidance is closer to a new standard.

- We recommend not to introduce new terms that could be perceived as new concepts

Reference 12

- The § 80 to 82 include terms that are not easy to understand.

19. PwC

References 1-3

Recognising that this is only phase 1, we are concerned that, to be useful, the guidance needs to be perceived as manageable. In moving forward with phase 2 (and in finalising phase 1), we encourage a close focus on the most salient points of guidance, in the context of EER, and avoiding excessive background, or theoretical, content that unduly adds to its length. The guidance should avoid becoming an exercise in general education about concepts in ISAE 3000 (Revised).

We believe that the introduction of certain new concepts may detract from the usefulness of some aspects of the guidance and give rise to confusion rather than clarity, as described below.

Subject matter element "qualities"

We do not support the proposed concept of "qualities" of subject matter elements. In outreach with practitioners that conduct engagements of this nature, the term was not widely understood and was considered to be confusing. Our view is that it should be removed. Instead, the simpler concept of "characteristics" of the subject matter elements that are to be measured, which is used in the International Framework for Assurance Engagements, is more intuitive and easier to understand.

Assertions

We support the guidance on considering assertions during an EER Assurance engagement and believe that doing so is reflective of current practice. However, we find the description of "categories" of assertions to lack clarity. ISAE 3410 and ISA 315 already contemplate "categories" of assertions, as noted in the guidance. In our view, the categories in those standards are described in a different (and clearer) way to the content in paragraphs 171-183 of the guidance. We believe the extensive discussion of "categories" of assertions and how they may map back to the characteristics of suitable criteria is over-complicating the concept of assertions and found that the proposed guidance hinders rather than helps the practitioner's thought process. In our view, this is also likely to add further confusion when considering materiality and assessing misstatements. We provide a suggestion for how to simplify the discussion of assertions in our response to question 2 in appendix 1.

References 4-8

Subject to our overarching comment on length, our comments below, and in response to question 6, we believe the guidance is clear and easy to follow.

Subject matter element qualities

The introduction of the term "qualities" is causing confusion. In outreach with practitioners that conduct engagements of this nature, the term was not widely understood and the consensus from our practitioners was that it should be removed. We believe that a simpler concept of "characteristics" of the subject matter elements that are to be measured will be more easily understood and applied. See also our response to question 6 on the accompanying background and contextual information where the concept of "qualities" is further addressed.

Assertions

While ISAE 3000 (Revised) does not refer to the use of assertions, we support the guidance on considering assertions during an EER assurance engagement and believe that this is reflective of current practice. However, we find the description of "categories" of assertions to lack clarity. ISA 315 and ISAE 3410 already contemplate "categories" of assertions as noted in the guidance. However, in our view the categories in those standards are described in a different (and clearer) way to the content in paragraphs 171-183, being:

- ISA 315 - (i) assertions about classes of transactions and events, and related disclosures, for the period under audit and (ii) assertions about account balances, and related disclosures, at the period end.

- ISAE 3410 - (i) assertions about the quantification of emissions for the period subject to assurance and (ii) assertions about presentation and disclosure.

We believe the extensive discussion of "categories" of assertions and how they may map back to the characteristics of suitable criteria may be over-complicating the concept of assertions such that the intended guidance hinders rather than helps the practitioner's thought process. This section of guidance gave rise to most questions in outreach with current practitioners. At its simplest, assertions are most easily thought of in terms of "what can go wrong" - what is it about that subject matter that could give rise to a material misstatement?

We suggest focusing on (i) describing the concept of assertions and (ii) how they can be used by the practitioner in considering the types of misstatements of the subject matter information. In doing so, recognising that some practitioners performing these engagements may not have recent audit experience to draw upon or be familiar with ISAE 3410, we believe there would be value in including (potentially in an appendix) a more general description of each assertion, how the information may be misstated and how assertions otherwise may impact a practitioner's testing approach, by providing a few examples i.e., extending the concept explored in paragraphs 182 and 184.

With respect to "neutrality", we suggest that "freedom of bias" is the better term to use and is best addressed as part of considering other assertions, rather than a discrete assertion, or category of assertions, in its own right. This avoids the risk of confusion with the concept of neutrality as a characteristic of suitable criteria.

Narrative and future-orientated information

Chapter 10 provides useful guidance on how a practitioner may approach narrative information, in particular the example in paragraph 195 on how to potentially address sentences or sections of significant narrative information. We believe this is an area where a more detailed worked example that includes the specific criteria, as well as additional shorter examples covering different types of narrative information,

would be worthwhile. This is a challenging area and illustrations are likely to add most value here. It is unclear to us, however, whether the example in paragraph 195 was intended to illustrate an approach to presentation of the entity's final EER report, or merely an approach to the practitioner's documentation of their work performed. We believe the latter, but clarity would be welcomed.

We also suggest that examples that illustrate how to consider forward-looking scenarios would also be useful.

References 9-10

Evaluation uncertainty

Chapter 12 of the guidance includes reference to "evaluation uncertainty". Guidance is needed on how this term differs from "measurement uncertainty".

Reference 11

Lastly, given materiality is already a commonly understood concept for practitioners in the context of an assurance engagement, it may be more helpful to avoid using this term in describing the entity's process. Referring to considering the entity's "scoping" or "basis of preparation" process may limit the potential for confusion with the existing concept.

2. CFC

References 1-2

Answer: The draft guidance application framework introduced some new concepts additional to those present in the ISAE 3000, such as the terms 'elements and qualities' related to the 'underlying subject matters' under assurance. Besides that, the 'underlying subject matters' under assurance that can arise in an Integrated Report, can be quite different from those seen in other reports so far under the ISAE 3000 scope.

As the current Integrated Reports released to the market are still quite heterogeneous with respect to their content, purpose and end users (natural in introducing a new way of looking at business performance and consequently new factors for decision making), the assurance process could ensure more clearly the adequacy of the Integrated Report under review to the integrated reporting framework (IIRC), rather than fully delegating the adequacy of the selected 'underlying subject matters' to the preparer (see Chapter 3).

One way of addressing this question would be to add exhaustively, perhaps in Chapter 3 or 7: (i) examples of possible subject matters related to the 6 capitals addressed in the IIRC framework; ii) examples of possible elements related to each subject matter.

This technique was used, for example, in the introduction of the concept of "intangible assets" in the financial reports, when it was necessary to fully explain inside the accounting standards the possible intangible assets classified by nature for managers, accountants and auditors understanding.

Another point related to transparency and better understanding would also be to require the benchmarks used by the preparer of the Integrated Report for the definition of the elements, if possible, within its business segment. The draft guidance points only to the need for benchmarks for the selected measurement or evaluation criteria.

Reference 3

The use of diagrams may help readers to better understand the proposed Standards. However, without specific definitions and a clear structure for each diagram, it could be difficult to convey the underlying message. We present some discussions about potential improvements in the diagrams.

- Paragraph 46: the figure should be enhanced. For example: what is the purpose of the arrows? What is the sequence of events?

- Paragraph 62: the figure would portrait a system, but the connections are not there.

- Paragraph 80: the figure is not clear. The use of the 'plus' sign and the 'arrow' does not make it clear if the 'subject matter information' is the result of 'underlying subject matter' + 'criteria'. Also, the figure doesn't mention 'qualities'. Why?

- Paragraph 89: although this figure is clearer, when compared to the others, it would be beneficial to make it clear that the relation between the 'third box' with the five characteristics shown below.

- Paragraph 130: about step 2 for the practitioner: why not include 'yes' or 'no' boxes when evaluating both questions? It would be easier for the reader to follow the decision process.

Reference 4

Would it not be better to narrow the scope of the project by focusing on a more effective and targeted approach to the audit of integrated reporting?

20. GAO

Reference 1

We believe that the examples and diagrams in the draft are clear and understandable, but we believe that additional examples can be added to better clarify certain topics. Specifically, the draft could provide additional examples of "qualities" of elements outlined in paragraph 11b. In addition, the guidance on internal control systems for operations and on nonfinancial statement areas could be more robust. For example, paragraphs related to the effect on the overall engagement strategy when internal controls cannot be tested or relied upon should be expanded to provide examples related to non-financial areas. In addition, in paragraph 70 we suggest the IAASB consider adding another type of control activity related to accurate and timely recording of transactions. In chapter 9, we believe IAASB should add an example to illustrate how a practitioner would conclude that they have identified all appropriate assertions. The draft should also include examples for the accumulation of misstatements section in chapter 12.

21. ACCA-CAANZ

Reference 1

We welcome the opportunity to comment on the Consultation Paper ("the Paper"). We support the notion that the guidance needs to be practical and should not conflict with current standards. To this end, we suggest that framework neutrality be taken into account when making use of examples, including examples on both qualitative and quantitative information. Also, the new concept of 'materiality process' has a different meaning than 'materiality' in ISAE 3000, which could create confusion. The guidance should therefore be clear on the differences. Similarly, it is also important that the differences between limited and reasonable assurance are set out clearly.

Reference 2 -

Although the guidance is developing in the right direction, it already seems long. Given the fact that this is only Phase 1, it is only expected to get even longer. We appreciate the scope of work involved in the development of the guidance and hence it was divided into two phases; however, some of the questions might have been better answered if we had seen all the guidance at once. We would support revisiting some of the consultation if necessary going forward.

Reference 3

- The diagram in par. 46 of the Paper appears to be a complex process, while there might be a simpler approach practically.

Reference 4

We encourage a wider range of examples, ensuring framework neutrality. We are cognisant that this is a standard-setting challenge. We have also made comment, in our response to Question 2 below, on the prevalent use of examples pertaining to quantitative information and the need for more examples on qualitative and narrative information.

Reference 5

To name it a 'materiality process' seems rather confusing.

Reference 6

Also the meaning of the term, 'decision-making' seems vague, and we have also addressed this in our response to Question 2 below.

References 7-8

Examples on quantitative information (Chapters 7 & 9)

The guidance and especially the examples appear to focus on quantitative information. But where assurance over subject matter information is most onerous is around qualitative information and narrative information (consisting mostly of qualitative information). More examples and guidance on these would be useful. For example, in par. 82 guidance would be helpful on how to measure or evaluate qualitative 'elements qualities.' Another example is in par. 114, which refers to criteria requiring an entity to report 'water intake in reporting period.' The measurement in this example is again quantitative, ie the volume or units of litres.

The example provided in par.195 is helpful; however, it is based on criteria that have a quantifiable element. It would be more difficult to assure criteria such as, "An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time" (see Integrated Reporting Framework, par. 3.6). Examples therefore need to focus on narrative-based criteria, too.

Reference 9

'Materiality process' (Chapter 8)

As pointed out in our response to Questions 1 and 4, the term is confusing. We have suggested a way to improve the terminology in our response to Question 4.

Reference 10

'Decision making' (Chapter 8)

The Paper discusses the characteristic of relevance as influencing the decisions of intended users. The wording of the guidance is often vague about what 'decision-making' by users cover. This is harder when dealing with users other than economic users, and the guidance is a good opportunity to clarify.

References 11-12

Generally, the guidance seems long. Given the fact that this is only Phase 1, it is only expected to get even longer. It could be shortened, especially where it repeats text from ISAE 3000.

Reference 13

Materiality process

'Materiality process' is a new concept that has a different meaning than 'materiality' in ISAE 3000. This could create confusion particularly for those that are only familiar with the term in ISAE 3000. The guidance should therefore be very clear on the differences. The 'materiality process' could be redefined so that the connection is made to the process of attaining completeness and relevance.

Reference 14

It appears many sections repeat what is already contained in ISAE 3000, for example Chapter 3, par. 43-45, 47, 49, and parts in Chapter 10, although the examples in Chapter 10 are helpful. (For other matters not addressed in ISAE 3000, refer to our responses to Questions 1 and 2.)

Reference 15

Some use of hyperlinking technology alongside ISAE 3000 may be worthwhile to consider.

22. AE

References 1-2

The structure is important for the guidance to be user-friendly. Whilst the structure of the draft guidance is workable, the document is already quite lengthy. Depending on the volume that will be added after phase two, the guidance might become too voluminous and difficult to use. It might be necessary to adapt the structure to keep the guidance user-friendly. Using digital solutions could improve this.

Reference 3

The draft guidance addresses a very complex matter – materiality – which is very helpful. However, the guidance should provide a clear distinction between such concepts as 'materiality' and 'the materiality process'. The latter is a newly introduced concept, which is not related to the concept of materiality as used in ISAE 3000. Assurance practitioners already familiar with the existing concept of materiality might not be aware of the distinction between the two concepts. Equally, as the draft guidance is also addressing preparers, it is advisable to make clear the distinction between the different perspectives of materiality to avoid adding another level of complexity.

Reference 4

Referring to paragraphs 82 and 98, we would welcome more examples in order to help practitioners identify the elements to be taken into account in different contexts.

References 5-6

Paragraph 33 ('materiality processes')

The term "materiality processes" is new. The introduction of such a term raises some concerns as this term is not intended to relate to the concept of materiality as used in ISAE 3000, which this guidance will accompany. This might create confusion amongst assurance providers as many of them will already be familiar with the existing concept of materiality and therefore not be aware of the distinction between that concept and the materiality process.

Reference 7

Additionally, the draft guidance also includes some details on the preparer's role (paragraphs 26, 27 and 127). Preparers might use different terminology/terms for this, so to avoid confusion, the guidance needs to clearly indicate what perspective it refers to.

Reference 8

Paragraphs 16-17 (examples, diagrams and terminology)

Visuals and examples should be used more wisely.

Visuals - In principle, visuals can be very helpful, but they should be well thought-through, properly put into context and introduced in the best place within the guidance. In the current draft, some visuals are not properly referenced in the text or do not include a link to other parts of the guidance. Their usefulness is therefore limited. For example, in paragraph 80 – the links between the different elements are not clear.

Examples - The draft guidance includes some examples, but some do not provide solutions that are sufficiently practical. Besides, examples which are relevant now could become obsolete relatively quickly. Therefore, it is worth considering the most appropriate location for such examples.

References 9-10

The divergence in terminology used by assurance practitioners, preparers and other involved stakeholders brings confusion in practice and it would be helpful to align the terminology even if the IAASB's effort alone will not be sufficient.

Some of the terms used (subject matter information, elements, qualities etc) are used in financial audits. It could be useful to showcase how these link to the terminology used within the framework of ISAE 3000 (Revised).

As referred to in our response to Question 1, there could be more practical examples on assertions to assist assurance practitioners.

Reference 11

Paragraph 34 (term 'materiality process')

The materiality process is not addressed in the Standard ISAE 3000 (Revised). We refer to our response to Question 1

Reference 12

Also, using digital solutions and cross references would improve the structure.

23. AICPA

References 1-4

Terminology

Use of the Term Report

Paragraph 3 of the explanatory memorandum states, "This project aims to enable more consistent and appropriate application of ISAE 3000 (Revised) such that users of EER reports will have greater trust in the resulting assurance reports." In this sentence, the term *EER report* is used to refer to the presentation prepared by the preparer and the term *assurance report* is used to refer to the practitioner's written report in which the practitioner expresses a conclusion about whether the subject matter information is in accordance with the criteria. In the remainder of the paper, the term *report* is used almost exclusively without any modifier (but usually appears to refer to the presentation prepared by the preparer). We believe it would improve the clarity of the paper to establish a convention that differentiates which use of the word report is intended, for example, *practitioner's report* and *EER presentation.*

Material Topics and Related Elements

Paragraph 213 of Chapter 12, "Considering the Materiality of Misstatements," states, "If during the assurance engagement the practitioner identifies a misstatement within subject matter information included in the EER *report* for material topics and related elements, the practitioner is required to make a judgment as to whether the misstatement is material." The paper needs to provide a better explanation of what the term *material topics and related elements* means before it is used in the text. For example, is this concept different from the concept included in paragraph 219*a* which refers to an aspect of the underlying subject matter that has been determined as being particularly significant (material)?

Maturity of Governance and Internal Control

In numerous places in the paper there are references to the maturity in governance and internal control (see paragraph 10). Although the term *maturity* may be well understood in the literature, to our knowledge there are no established criteria to assess maturity. For that reason, we suggest that this discussion refer to the effectiveness, rather than the maturity, of internal control.

Building Assertions

On page 6 in paragraph 10*c*, we recommend that the term *building assertions* be replaced with the term *identifying assertions* or *considering* assertions to be more descriptive, and better align with the discussion in Chapter 9, "Performing Procedures and Using Assertions."

Also see our comments regarding the terms *materiality process* and *building and using assertions* in Question 5.

Diagrams and Other Illustrations

Diagram Illustrating Effect of Internal Control on Preconditions

Chapter 6, "Considering the System of Internal Control," indicates that the existence of the following preconditions in an assurance engagement may depend on the adequacy of the entity's system of internal control:

- whether the preparer has a reasonable basis for the subject matter information

- whether the roles and responsibilities of the preparer are suitable

- whether the practitioner expects to be able to obtain sufficient appropriate evidence

The chapter then identifies matters for the practitioner to consider when assessing the adequacy of the entity's internal control in this context. This concept represents guidance that is not included in ISAE 3000 and we believe it is helpful incremental guidance. The diagram in paragraph 46 of the paper contains 13 squares that each represent a requirement or application guidance in ISAE 3000 related to the preconditions for an assurance engagement, and also contains a new square that represents the incremental guidance introduced in chapter 6. This diagram includes curved lines and arrows intended to illustrate the relationship between the consideration of internal control and the preconditions. We believe that the box representing the consideration of internal control gets lost in this diagram and that the curved lines and arrows make the diagram difficult to navigate. We believe it would be preferable to delete the diagram in paragraph 46 because it obfuscates rather than clarifies the text in chapter 6.

Diagram of Components of internal Control

In the diagram of the components of an entity's system of internal control in paragraph 62, the control environment, risk assessment process, and process to monitor the system of internal control are grouped together and bracketed with the label "governance and the oversight of the reporting process." Paragraph 65 states that these three components of internal control are considered together but does not explain why that is the case. Our initial thought is that governance and the oversight of the reporting process relate to all components of internal control, and for that reason it would be helpful to explain why this approach is taken.

Diagram in the Introduction of Chapter 7

The relationship of the items in the diagram in paragraph 80 of chapter 7 and the rationale for their depiction is not evident. For example, why is the word *elements* depicted with each letter encircled and set apart from the rest of the diagram? Where do *elements* come from and are they part of *categories* or *topics*?" The diagram and subsequent discussion need to be better integrated, for example, the term *categories* is included in the diagram, but not discussed in the paragraph. If the diagram cannot be revised to make it more meaningful, it should be deleted.

References 5-8

Considerations for the Practitioner and Other Subheadings

It is not always clear whether the paper is directing guidance to the preparer or to the practitioner. It would improve the usefulness of the paper if it better differentiated guidance directed to the preparer from guidance directed to the practitioner.   Throughout the paper there are lists of considerations for the practitioner intended to help the practitioner implement the guidance. These lists are identified by a vertical subheading "Considerations for the Practitioner" alongside the lists of matters for the practitioner's consideration. We suggest that these subheadings be placed horizontally at the beginning of each list because some readers missed these subheadings during an initial reading of the document.

Categories of Assertions and Characteristics of Suitable Criteria

Paragraph 177 of the paper contains a table with examples of categories of assertions that may be used in EER engagements and the characteristic of suitable criteria to which the category relates. We suggest that the two columns be labeled "Assertions" and "Characteristic of Suitable Criteria" to make the table easier to understand.

Examples

Subject Matter Elements

Paragraph 48 states that identifiable underlying subject matter means that the subject matter elements are well-defined and distinct from other things. This is followed by an example of identifiable underlying subject matter related to greenhouse gas emissions. This example does not include the term *subject matter elements* or an example of subject matter elements. Adding this term and an example will help the reader understand what a subject matter element is.

Reference 9

We also believe that it would be preferable to use a term other than *materiality process* for this concept because (1) that term is not included in ISAE 3000 (2) the word materiality and forms of that word mean something else to both preparers and practitioners, and (3) the process really relates to evaluating the completeness of the criteria. Although we appreciate the guidance in this chapter, we think the level of complexity introduced is beyond what is needed.

Reference 10

The presentation of the material and terminology used in chapter 9 are too complicated, and even after reading it several times, some readers struggled to determine what procedures the practitioner should be performing and more importantly, why the practitioner is performing them. The concept that criteria are the benchmarks for evaluating underlying subject matter is well established in ISAE 3000. What is needed here is simpler guidance that provides a link from that point to the additional guidance being offered in chapter 9 and a better explanation of the problem this chapter is addressing.

Reference 11

Consistency of Terminology With ISAE 3000

Paragraph 9 of Chapter 1 states, "Terminology in this guidance is consistent with ISAE 3000 (Revised)." However, terminology introduced in this paper, such as *building assertions*, *materiality process*, *subject matter elements and their qualities* are not used in ISAE 3000. For example, in explaining what the term *subject matter elements* means, paragraph 48 of the paper states the following

> Subject matter elements or elements are analogous to assets, liabilities, income or expenses, which are aspects of the underlying subject matter (the entity's financial condition and performance) to which criteria are applied in preparing financial statements.

It shouldn't be necessary to introduce the term *subject matter elements* because ISAE 3000 already uses the term *aspects* to represent the same concept. In addition, the explanation of that term and many other explanations in the paper analogize between EER engagements and financial statement audits. In explaining what the term *subject matter* elements means, it would be more helpful if the paper provided examples of elements of subject matter information other than financial statements, for example, aspects

of a greenhouse gas emissions presentation. Paragraph 2 of the explanatory memorandum states that assurance engagements on EER are similar in concept to an audit (a specific type of assurance engagements) but they are performed on EER reports rather than on financial statements. Again, it shouldn't be necessary to state that assurance engagements on EER are similar to audits because ISAE 3000 goes to great lengths to explain the nature of assurance engagements covered by that standard and the types of subject matter addressed. The paper seems to assume that the reader is unfamiliar with ISAE 3000 and attempts to compensate for that by rewording the requirements in ISAE 3000 with less rigorous wording and analogies to financial statement audits. We believe that ISAE 3000 should provide the foundation for any concepts introduced in the paper.

25. ASSIREVI

References 1-4

We believe that the draft guidance is sufficiently clear and easy to understand.

Regarding the Section 3 of the Explanatory Memorandum about 'Significant Matters', we report below some issues and opportunities for improvement which may be evaluated.

Examples, diagrams and terminology

We found that examples and diagrams included in the Draft Guidance are appropriate in the way they can effectively enable the reader's comprehension with respect to practical cases. In addition, whenever it is deemed necessary, the purpose of boxes named as "CONSIDERATIONS FOR THE PRACTITIONER" may be introduced in *Chapter 1: Introduction*, by explaining the way such boxes clarify/deepen/summarize specific contents which are already expressed within the text of the document.

We believe that terminology used in the Draft Guidance is consistent with terminology from the ISAE 3000 (Revised). At best, the insertion of a glossary for those recurring words that are not characteristic from the IAASB vocabulary may furtherly support the reader throughout the document.

The term 'materiality process'

The preparer's *'materiality process'* is correctly distinguished by the concept of *materiality of misstatements* considered by the practitioner, and the distinction is also clear from a formatting point of view. In fact, we consider it's clear that the use of "*materiality process*" relates to a process and not to the Materiality concept as mentioned in the Standard. However, we believe that the opportunity to change the terminology, in order to avoid confusion when referring to the *'materiality process'*, should be taken into consideration. In this respect, terms such as *relevance* (e.g. *'relevance analysis'* or *'relevance assessment'*) or *priorities/prioritization* (e.g. *'topics prioritization process'*) might be considered as globally used equivalent expressions to refer to.   Alternatively, a preliminary paragraph clearly explaining the difference of the two concepts both deriving from the word *material/materiality* may also be helpful for all intended users of the Draft Guidance.

Assertions

Paragraph 173 in Chapter 9 of the Draft Guidance clearly describes the meaning of the term *assertion* for the purposes of this document, not to be confused with similar wordings. However, since the use of assertions is not required by ISAE 3000 (Revised) and is adapted from other IAASB standards, some confusion may emerge about the distinct purposes of the characteristics of suitable criteria (in ISAE 3000

(Revised)) and of assertions (in other IAASB standards) depending on the experience and background of the practitioner. We suggest the introduction of one or more examples to clarify this point as well as of a clarification on the context where assertions may be used.

Reference 5

We also evaluate that the distinction between "*relevance*" and "*materiality*" stated in Paragraph 98 could be not fully understandable since "relevance" is not only a characteristic of suitable criteria, but also a concept interrelated to materiality. We would accordingly suggest to further analyze this aspect and to provide guidance and further examples regarding the link existing between the two concepts.

As previously mentioned in question 2, the Draft Guidance additionally develops the "Entity's materiality process" in Chapter 8, without pointing out any link between such process and the concept of materiality for the practitioner. We instead would evaluate useful to investigate further and develop the interrelation between the two concepts given that we do not consider appropriate that "materiality for the practitioner" and "materiality for the preparer" are dealt as not interrelated and separate concepts.

Reference 6

The description of challenges and guidance in respect of the materiality process is very helpful, however, as described above, we believe the term "materiality process" itself may be confusing to users extended external reporting.

26. CPAA

References 1-2

Moreover, the guidance is at risk of becoming a lengthy and overly complex document. In its current form, the draft guidance (Phase 1) is 57 pages long (including Appendix 1). Given that Phase 1 does not address all identified challenges and does not discuss several challenges in their entirety, CPA Australia is concerned that practitioners may find it challenging to implement such a lengthy document. We suggest inserting hyperlinks referring to relevant sources and standards (e.g. ISAE 3000 (Revised)), which provide necessary detail (refer to our response to **Question 3**). Such measures would not only shorten the overall length of the guidance but also facilitate understandability and readability (refer to our response to **Question 2**).

Reference 3

Further, to foster the credibility and understandability of the guidance, the inclusion of examples in an EER assurance process case study may be helpful. Such case study, which contextualises all ten key challenges potentially faced in the assurance engagement would help practitioners in using the guidance.

Reference 4

Finally, in its current form, the guidance demonstrates a predominant focus on Sustainability Reporting under the GRI framework. For the guidance to cater to other types of reporting, we recommend the inclusion of examples/case studies that address <IR> and management commentary.

References 5-7

- Provision of more "high level" examples: for example, with respect to the 'Materiality Process'. We suggest including examples that demonstrate in detail how entities report their materiality process and present their materiality results. In this regard, we suggest the provision of best practice <IR>, best practice management commentary and best practice Sustainability Report examples that illuminate the materiality process. This would allow users of the guidance document to work through a more explicitly described process. Through the coverage of a multitude of diverse reporting matters, the guidance would evidently adopt a bigger picture perspective, while users would be offered a clearer demonstration of the applicability of the guidance.

- Shortening the main body of the guidance and moving examples/case studies to the Appendix would improve the usability and readability of the guidance. In this context, it might not be necessary to provide multiple examples comparing financial reporting with GRI. In fact, the examples may shift users' focus towards financial reporting, away from EER. Provided examples may even give the wrong impression to assurance providers with limited accounting knowledge. To ensure the integrity and credibility of the guidance we propose centring examples on matters related exclusively to EER.

Reference 8

- We welcome the attempt to use plain language in order to facilitate the readability of the guidance. However, the guidance still uses a lot of jargon and technical language, which makes it read somewhat like a standard and makes it somewhat inaccessible in places. Further work to simplify language and reduce the use of jargon and technical language would be beneficial particularly to assist assurance providers from outside the accounting profession.

References 9-10

- In addition to using more non-technical language when developing Phase 2, we also suggest streamlining the guidance by providing case studies. This would help to make the guidance more practical by illustrating how to apply what is proposed by the IAASB. Incorporating case studies in the Appendix that exemplify and contextualise all ten key challenges for EER would enhance the usability of the guidance (refer to response to **Question 1**).

References 11-12

- ISAE 3000 (Revised) is repeatedly interpreted and paraphrased, which not only increases the length of the guidance but potentially hinders its usability. We suggest including a reference at the beginning of the guidance to the importance of ISAE 3000 (Revised) in understanding the guidance and rely on cross-references using hyperlinks to relevant paragraphs of ISAE 3000 (Revised). In this way, the IAASB could cut the length of the document, and enhance usability of the guidance.

References 13-15

- Overall, the structure of the guidance can be enhanced using more examples in the form of case studies that draw from other commonly used EER frameworks such as <IR>, Sustainability Reporting and management commentary (refer to responses to **Question 1** and **Question 2**).

28. EFAA

Reference 1

The guidance on the issue of materiality is helpful but we suggest the guidance more clearly distinguish reporting materiality for preparers from the materiality concept relevant for those performing an assurance engagement. In addition, we suggest that the assessment of materiality be described more explicitly for example, to explain what work needs to be performed to take qualitative aspects into account.

Reference 2

The draft guidance is generally clear and easy to understand.

References 3-4

The diagrams and figures are useful. T

Reference 5

The guidance relies on examples from practice, although some do not provide sufficiently practical solutions

Reference 6

ISAE 3000 is sometimes simply repeated without additional explanation and illustrative examples.

Reference 7

As a result, the guidance has become quite lengthy and may, therefore, become less accessible. We encourage the Board to address this and consider whether better to place the examples in an appendix so that they are easier accessible and might be more easily updated over time.

References 8-9

Notwithstanding and as mentioned earlier, the guidance would benefit from additional illustrative examples.

Reference 10

The guidance introduces terms not used in ISAE 3000 for example, 'considerable' and 'significant' professional judgment. We suggest these be eliminated.

Reference 11

We welcome the guidance for preparers of EER. This will prove useful to SMEs and SMPs preparing EER for their SME clients. However, we suggest the Board consider clearer distinction between guidance for preparers and guidance for assurance providers.

Reference 12

We wonder whether the guidance should emulate ISAE 3410 by providing guidance on specific subject matters such as specific aspects of NFI.

29. FACPCE

References 1-3

Q2) Is the draft guidance clear and easy to understand, including through the use of examples and diagrams, and the way terminology is used? Ifnot, where and howshouldit be improved?	Paragraphs 16-17 (examples, diagrams and terminology) Paragraph 34 (term 'materiality process') Paragraphs 37 and 40 (assertions)	We consider that it adequately addresses the challenges and, in our opinion, we would have to expand the practical examples on issues such as materiality, affirmations, and future-oriented information, as well as we think it is appropriate to identify these examples with each type of Report.
		We add comments on each related paragraph:
		Paragraph 9 to 15
		1. Adequately delimit the space of an EER. If the content can not be defined with precision, it is difficult to establish specific criteria to contrast the information with a standard meter.
		2. In that sense, it can not be any kind of information. Regardless of whether it is quantitative or qualitative information, if the issuance of an assurance report is sought, it is key to have the definition of one or more areas that allow the definition of the scope of the tasks of the practicing professional and with it, the required qualifications of your work team.
		For example, if it is information referring to the future (of the type of projected states) it will probably require the participation of economists and actuaries.
		3. Some of the issues that may be involved have not yet been developed or have been partially done, such as chapters 3, 4, 9 and 10
		Paragraph 25
		Governance and Internal Control are not synonymous nor understand the same concepts, so the Guide should not treat them equally. The detail of section 71

		seems scarce for governance issues.
		Paragraph 29
		We consider it convenient to clarify about the type of afirmations referred to in the guide classified by types of reports to which it refers

3. IRBA

References 1-3

Examples**:**

- We encourage the IAASB to include working examples that "flow" through the document. This involves developing one example/case study throughout the material. These working examples could include three different frameworks: the IIRC's integrated reporting framework, the GRI framework and a financial reporting framework. The latter would be for comparison purposes, for practitioners to understand what the related principles in financial reporting frameworks are, as practitioners are generally more familiar with these principles. Paragraph 98, for example, includes financial reporting and EER examples, that we found helpful. This type of layout and content could be extended throughout the document. This would also reinforce the fact that the guidance is applicable to a wide range of EER.

- We recommend that more practitioner "considerations" be included in the guidance. We refer you to the IRBA-issued SAAEPS 1 mentioned in earlier paragraphs. The SAAEPS includes extensive lists of considerations for practitioners, serving as an aide memoire and the beginnings of a work programme and procedures. In addition, SAAEPS 1 states that: "The guidance is supplemented by a series of questions that the practitioner may ask. After receiving feedback from the reporting entity, the practitioner may consider the responses collectively to determine whether the sustainability assurance engagement exhibits the characteristics set out in the objective paragraph of this SAAEPS."

Diagrams:

- Although we believe that the diagram in paragraph 46 is useful, we encourage the IAASB to better link it to the related questions (considerations) in paragraph 47. The diagram includes only a few references, and that makes it seem incomplete. The grey blocks could be referenced to the requirements and application material paragraphs in ISAE 3000 (Revised). For example, "preparer's roles and responsibilities are suitable" could be referenced to paragraph 24a of the standard, while "take responsibility for the underlying subject matter" could be referenced to paragraph A238 of the standard, and so on (a reference for each block that provides the link to the source of the block).

- Although we believe that the diagram in paragraph 130 is useful, it could be better linked to the paragraphs explaining the content that follows the diagram. Sub-headings that link to the diagram could be used in the explanatory paragraphs.

- We believe that throughout the guidance, where tables could be used to simplify the content of a paragraph, these should be used.

References 4-6

Terminology:

- For new or additional definitions, we recommend that the IAASB considers including a section in Chapter 1 on definitions.

- Terminology can further be simplified with practical application examples for the different forms of reporting.

- Proposed additional definitions of terminology related to subject matter concepts, such as definitions for "elements", "topics" and "categories", are useful as it is difficult to explain and apply the high-level definitions included in ISAE 3000 (Revised). We urge the IAASB to include a comparative table with examples where the application of these concepts can further be explained for the different forms of reporting. We suggest that it would be useful to include the comparative term or concept from the financial reporting framework.

- If the term "materiality process" is used in the guidance, we propose that a definition be included. The definition could be "materiality framework for preparers of EER reports".

30. FAR

Reference 1

- FAR's recomme `ndation is to evaluate a shortening of the document.

References 2-3

- As it is now there are quite a number of areas of repetition from ISAE 3000. In addition, FAR has identified a number of areas of repetition within the Guide e.g. Materiality process.

References 4-5

- FAR acknowledges that the consultation paper is not the final guide, however FAR has not been able to identify any section with definitions. FAR believes that it would be beneficial to include such a section, including e.g. Stakeholder, Stakeholder-dialogue, Statutory Sustainability report, Sustainability report, Materiality analysis, Indicator, Criteria. The level of detail should depend on the expected audience of the Guide.

Reference 6

- FAR believes that the wording "Extended External Reporting" might be confusing for the Audit profession. There are already established forms of wording in the profession e.g. ESG/CSR/Sustainability reporting.

31. FSR

Reference 1

A glossary may also be useful to consider.

Reference 2

we would encourage more examples (a case collection) to be included to make the guidance a useful tool and source of inspiration. E.g., it would be helpful to have examples that could highlight paragraph 52 as ISAE 3000 could be used by practitioners for readiness, for example, on internal processes. The examples may be included in a separate section (or through 'click-down' menus) to ensure the guidance itself is not too lengthy.

References 3-4

Yes, we overall consider it clear and easy to understand. The Explanatory Memorandum on pages 5-13 is generally good – very systematic and easy-to-read. It gives a good comprehension of what is included in the guideline. Furthermore, the overview provided on pages 18-21 is useful and makes an otherwise relatively heavy guide easier to read.

In chapter 6, item 76 etc. we would like to praise the inclusion of a detailed description of assurance readiness assessment and we consider the example in chapter 8, item 127 a good example.

Reference 5

The divergence in terminology used by assurance practitioners, preparers and other involved stakeholders can bring confusion in practice and it would be helpful to align the terminology even if the IAASB's efforts alone will not be sufficient. In this context a glossary and definitions may be helpful to include in the guidance. E.g. in terms of definitions some of the terms used (subject matter information, elements, qualities etc.) are used in financial audit and it could be useful to showcase how these link to the terminology used within the framework of ISAE 3000 (Revised).

References 6-7

- Item 46: The illustration is not helpful for understanding the text and should be further developed.

Reference 8

- Item 49: In the second last sentence, it is not clear what is meant by item A56.

Reference 9

Chapter 6

- Item 65: Second sentence - below is not right.

- Item 77: In the last sentence - no reference to ISAE 3000 if the conclusion cannot be given. It is recommended, that the second phase continues to work with what must be written and disclosed in the statement, including the extent to which the assurance provider can refer to the pieces of information with causal explanations in the report.

References 10-11

Chapter 7

- Item 82: More examples are recommended as this is difficult to understand. Few examples can create limitations in the comprehension.

- Item 98: Credit for the inclusion of relevance and materiality differences. However, it is suggested to further clarify this. For instance, with several examples and/or insertion of illustrations.

References 12-13

- Items 102 – 104: It is recommended to include examples also in section: Completeness.

- Item 114 etc.: It is recommended to assess the practical examples of water for professional correctness, including assessing whether one or more examples of water could be replaced with waste – thus, that it is not water examples that are through-going in the guideline.

- Item 114: It is recommendable to give another example to facilitate comprehension.

References 14-15

Chapter 8

- Item 129: It is recommended to extend the description of "outcome of the materiality process" and provide examples to help the practitioner in reviewing what constitutes sufficient insight as part of the assessment.

Reference 16

- Item 136: Delete bullet 4 as it regards a financial report and not an EER report. Alternatively, it has to be explained how it can relate to an EER report. Especially because this guide belongs to ISAE 3000, which does not include financial information and data.

References 17-18

- Item 151: More examples are requested with the inside-out perspective. The examples included are predominantly outside-in perspective.

- Item 154: This example does not work well as it creates more confusion than clarity on how the time perspective affects valuations.

- Item 156: The listed examples primarily include actions in relation to internal documents etc. It is also recommended to include external sources.

Reference 19

Chapter 9

- Item 183: Why does this item only apply to reasonable assurance engagements?

Reference 20

As mentioned earlier we suggest a web-based guidance to make it into a useful online tool where you easily can seek information in practice.

32 GRI

References 1-2

- The examples ought to include more challenging cases particularly the use of narrative information, and not be over-reliant on the assumption that all assurance practitioners are very familiar with financial reporting and auditing concepts. By providing examples from financial reporting, alongside non-financial reporting, it assumes that practitioners will be able to understand the non-financial examples purely on the basis of being familiar with financial auditing.

Reference 3

- As indicated above, restructuring the guidance to separate out examples and detailed case studies could assist with making what will be a very lengthy document, more navigable.

33. IAAA

Reference 1

Yes, in our opinion the document is excellent, especially the examples and diagrams will make a difference in its application and for an adequate understanding of the purpose of the future guide.

Regarding the terminology, expanded with reference to that contained in ISAE 3000 (Revised), we consider it is very appropriate to incorporation of new terms frequently used in the public activity of independent accountants. The new terms, we believe, will help familiarize the professionals with the new guide and the services covered with it.

We disagree with IAASB about "some concern" that such terms are not easy to understand and, in some cases, may be misleading. We reiterate, in our opinion, the terminology used will help in a decisive and positive way to the understanding of the guide and its purposes since it is extremely simple and accessible, at the same time accompanying the level of technical precision and coherence of all the IFAC standards.

35. IIRC

Reference 1

We further recommend that at least one example in this section address the implications of the International <IR> Framework's Guiding Principle on *Connectivity of information*.

Reference 2

In its present form, the Draft Guidance is best suited to individual performance measures and routine transactions. In our view – and recognizing the inclusion of integrated reporting in Paragraph 1 of the Draft Guidance – further guidance and examples are needed in relation to subject matter information that is more subjective, qualitative and descriptive in nature. We offer this recommendation in the context of understanding and ensuring appropriate internal control systems for integrated reporting-based assurance engagements.

References 3-8

'EER report' terminology

In our view, the term *'EER report'* is problematic for two reasons:

A.   Of minor note, the term's unabbreviated version reads *Extended External Reporting reports*, which is presumably non-ideal phrasing.

B.   More significantly, inclusion of the word *'report'* implies a discrete disclosure channel for the extended subject matter information. This contradicts a core philosophy underpinning integrated reporting, namely that preparers should communicate matters that substantively affect their ability to create value in a cohesive and connected way, rather than via multiple, potentially disjointed, channels.

In other words, material matters generally link to one or more of the preparer's strategy, governance, performance and prospects. It follows, then, that the related disclosures should also reflect these links within the preparer's mainstream report (whether an integrated report, management commentary, management's discussion and analysis, directors' report, operating and financial review, or other core investor-oriented document).

On this basis, we recommend that alternative terminology (e.g., *EER information* or *extended external disclosures*) be considered.

Clarity of terminology

Overall, we recognize that the terminology in the Draft Guidance is generally consistent with that used in other audit and assurance standards and guidance, including ISAE 3000 (Revised). We are also mindful that the terminology lends an expected level of precision to a field in which consistency and accuracy are of paramount importance. Finally, we appreciate that audit and assurance practitioners are generally conversant in this terminology.

Notwithstanding these observations, we see an opportunity to simplify the language, which, in our view, is overly cumbersome and complex. We believe that the precision offered by this 'traditional' terminology should not preclude a broader-based understanding of assurance concepts by reasonably-informed participants in the corporate reporting system. As the assurance field extends to new and emerging subject matter information, accessibility should become all the more important. This rationale is well captured by the Explanatory Memorandum's Paragraph 21 (p. 8), which states, *"While the draft guidance is intended to be primarily a resource for practitioners, in some areas it includes details about the preparer's role in relation to an assurance engagement. This is because an appropriate understanding of the nature of the preparer's role in preparing an EER report is likely to assist practitioners in performing effective EER assurance engagements."*

Clarity of diagrams/examples

In general, we find the flow charts and illustrative examples (including, notably, the *narrative information* example in Paragraph 195 of the Draft Guidance and the *apple analogy* in Paragraph 10 of the Contextual Information) to be helpful. Nonetheless, we see opportunities for improvement as follows:

C.   As noted in Section A of this response, we believe the scope of examples should be extended to include manufactured capital, intellectual capital and other material contributors to an organization's strategy, business model, risks and opportunities, and overall ability to create value.

D.   Further to our comments in Section C of this response, we recommend that the examples (such as that provided in Paragraph 190 of the Draft Guidance) be reviewed for conciseness and readability.

Materiality process

We agree with the use of the term *'materiality process'* as referenced in Paragraph 34 of the Explanatory Memorandum. Of minor note, we believe the term *'materiality determination process'* would be more accurate and appropriate.

We recommend that the IAASB clarify the concept of *'materiality'* as presented in both ISAE 3000 (Revised) and the Draft Guidance, highlighting any key interpretive differences to avoid confusion.

36. ICAEW

Reference 1

- While the structure of the proposed guidance looks appropriate, the content included in phase 1 is already long. There will be a need to revisit the question of suitability of structure and perceived usefulness in phase 2 when we have the opportunity to see the proposed guidance in its entirety. To ensure that the guidance as a whole is relevant and accessible to practitioners, there needs to be a focus on avoiding unnecessary background material and theoretical content.

References 2-3

- Chapter 8 introduces the concept of the entity's 'materiality process'. The term 'materiality process' is a newly introduced concept and should not be confused with the concept of 'materiality' as used in ISAE 3000 (Revised). We believe that there is a need to make this distinction clearer in the proposed guidance, particularly for those practitioners who might be less familiar with the term. We also question whether the proposed guidance goes far enough when it addresses disclosure of the entity's 'materiality process'. In our view, the importance of disclosure should be emphasised and, where the 'materiality process' is not disclosed, the practitioner would want to understand the preparer's justification for this.

- We understand from outreach with firms that the term 'qualities' of subject matter elements is not a concept that is widely understood. Instead, the term 'characteristics' of the subject matter elements that are to be measured, which is used in the International Framework for Assurance Engagements, is preferred.

References 4-5

- The example in paragraph 108, while relevant, fails to mention that survey results are inevitably biased by the way questions are framed and what questions are used. It would be helpful to highlight this point as this is an inherent risk that could bias the whole EER report and skew the meaning of a related assurance report.

References 6-7

CHAPTER 8: CONSIDERING THE ENTITY'S 'MATERIALITY PROCESS'

- While there is helpful guidance in this section, the term 'materiality process' is a newly introduced concept and should not be confused with the concept of 'materiality' as used in ISAE 3000 (Revised). It would, therefore, be helpful if this distinction could be made clearer, particularly for those practitioners who might be less familiar with the term.

Reference 8

- The example in paragraph 150 explains considering 'impact' but the example again fails to consider the need to disclose the basis used which we believe is important in order for a user to evaluate the report.

- It is not clear in the diagram in paragraph 153 whether the consideration of likelihood and magnitude is intended to be gross or net of any related control.

- Paragraph 156 highlights some of the sources a practitioner could use in evaluating the completeness of the criteria. However, while the list references interviews with stakeholders it fails to include result of management interviews with stakeholders and this needs to come out more clearly. The list could be developed further by suggesting the things that management should be doing and leading on to what the practitioner might do. It might therefore be preferable to include a side by side list of the activities expected of management in one column, alongside what the practitioner might do in another. They will not be the same but they will highlight review and evaluation versus independent substantive evidence collection.

- Paragraph 163 discusses what to do in circumstances where information results from criteria that is not suitable or available and this is discovered after the engagement has been accepted. It doesn't say though that any discovery of unsuitable or unavailable criteria should be disclosed by management in their report.

References 9-12

- Yes, other than the points highlighted in response to question 1, the proposed guidance is clear and easy to understand. The proposed guidance is, however, already long in length and with the addition of content in phase 2 there will be a need to revisit whether, and to what extent, the guidance as a whole remains relevant and accessible to practitioners. We would encourage the IAASB to focus on avoiding unnecessary background material and theoretical content in the guidance.

- Overall, we think that practitioners would benefit from the inclusion of more specific and practical examples. For example, we think that the example in paragraph 49 could do with more specific examples on rational purpose (as noted above) and that the examples in paragraph 82 could be made more specific.

References 13-14

- Yes we broadly agree, though the introduction of new terms and concepts such as 'materiality process' may lead to some confusion for practitioners less familiar with performing EER assurance engagements and so we think there is a need to give greater clarity in these areas (see, for example, our comments in response to question 1 above).

- We also understand from outreach with firms that the term 'qualities' of subject matter elements is not a concept that is widely understood. Instead, the term 'characteristics' of the subject matter elements that are to be measured, which is used in the International Framework for Assurance Engagements, is preferred.

37. ICAG

Reference 1

Yes, the draft is easy to understand and it has set out the preconditions required to be present before the practitioner can accept or continue the engagement. (Page 17 and page 24). Also, the examples, diagrams and other pictorial illustrations make it easy to understand and provide a clearer view of the guidance. The diagrams indicating underlying subject matter that is measured or evaluated against by applying suitable criteria or benchmarks which resulted in the subject matter information are easily interpreted from the diagram. (Page 80b)

Terminology used in the draft guidance is concise and expresses the various subject matters in brevity. The guidance has provided clear explanations of what these are by relating them to IAASB standards concepts which are commonplace and understood.

References 2-3

The use of the wording *"materiality process"* is a bit confusing. The concept is understandable, but the *wording* used are more confusing than the concept since the *traditional* concept of materiality points to measurement process (magnitude) whether qualitative or quantitative whiles we are describing a process that is developing "criteria" further and improving it to be more relevant resulting in subject matter that is more helpful. In summary for a sifting process we are using a "measurement" word which appears to be counter-intuitive

38. ICAS

Reference 1

16. *Paragraph 33 ('materiality processes')*

This represents the introduction of new terminology and risks creating some confusion around what assurance practitioners already understand to be the concept of materiality and how this then relates to the new proposed concept of 'materiality processes'. Therefore, we do not believe that use of the term 'materiality processes' is appropriate in this context.

Reference 2

The guidance is already extremely lengthy which will be further compounded following the inclusion of material produced during phase 2 of the project.

We would suggest that the examples which are currently included within the main body of the text could be inserted into a separate supplementary paper, entitled 'Implementation guidance' or simply 'Examples' to reduce the overall length.

The introduction of effective signposting might also help users to navigate the guidance.

39. ICPAU

Reference 1

COMMENT:

ICPAU believes that the draft guidance is clear and easy to understand, including the use of examples and diagrams, and the way the terminology is used.

4. AUASB

References 1-2

Examples: Further work is needed on the examples provided throughout the guidance, including:

- *Themed Examples:* Flow an example EER assurance process through the challenges, i.e. work through an example EER assurance engagement from start-to-finish, anchoring on an example relevant to each challenge. This may work well in an appendix.

- *Financial Examples:* Acknowledge that EER assurance practitioners will come from a wide range of backgrounds, some financial, some non-financial. With this in mind, include financial examples with non-financial examples, where possible.

Reference 3

- **Boundaries of an EER engagement**: Potential blurring of the lines between the role of the assurance practitioner versus that of the EER preparer, with regard to materiality, the materiality process, subject matter and suitable criteria.

Reference 4

- **Hyperlinks:** To reduce the length of the document and repetition of ISAE 3000 (Revised) requirements, a suitable technology solution is suggested, such as hyperlinks. This could maintain the linkage to ISAE 3000 (Revised) so that the guidance is accessible to all assurance practitioners.

Reference 5

Key concerns include the length and complexity of the draft guidance. Targeting multiple users may not assist in meeting the overall purpose of the guidance.

References 6-7

- **Table in Paragraph 47:** The AUASB questions the need for the table in paragraph 47 a)-g) in addition to the diagram in paragraph 46**.** It may be more useful to integrate the content in paragraph 47 into the diagram. If paragraph 47 remains in the guidance, it could be enhanced with an example flowing through the different stages. For example, could the greenhouse gas emissions of the entity be considered in terms of the contribution to climate change in comparison to peers in the sector?

Reference 8

- **Materiality vs Materiality Process:** Separating the terms and highlighting the difference between 'materiality' and 'materiality process' is helpful. The chapter on the 'materiality process' aims to provide assurance practitioners with guidance when considering an entity's 'materiality process', first by reviewing the context of the process and then by reviewing the materiality results. Where this is applicable to the engagement, this would contribute to the assurance practitioner determining whether or not the criteria are suitable and would be performed as part of agreeing the scope of an EER engagement

References 9-12

- The following key points are highlighted with respect to the clarity of the draft guidance, in particular the important role that examples play in "bringing the guidance to life":
    - o **Reporting Frameworks:** Whilst the draft guidance purports to be reporting framework-neutral, there is an overriding Sustainability Reporting (SR) and Global Reporting Initiative (GRI) theme, with many examples relating to sustainability and greenhouse gas reporting. This manifests itself in significant gaps emerging with respect to relevant examples for other types of reporting, such as <IR>. No examples are provided throughout the draft guidance in

relation to the fundamental subject matter of an <IR>, including, but not limited to, the business model, strategy and value creation.

ο **Examples:** Further work is suggested on the examples provided throughout the draft guidance, including:

▪ *Themed Examples:* Flow an example EER assurance process through the challenges, i.e. work through an example assurance engagement from start-to-finish, anchoring on an example relevant to each challenge. This may work well in an appendix.

▪ *Financial Examples:* Acknowledge that EER assurance practitioners will come from a wide range of backgrounds, some financial, some non-financial. With this in mind, include financial examples alongside non-financial, where possible.

ο **Terminology:** The technical language used in the draft guidance may be challenging to understand for assurance practitioners or EER preparers from different backgrounds. In Australia, this is of particular importance because the definition of 'assurance practitioner' in ASAE 3000 is broader than that included in ISAE 3000 (Revised). It encapsulates other assurance practitioners from outside the accounting profession. This draft guidance could also be useful for EER preparers to better understand what the assurance practitioner expectations may be of them with regard to EER and the assurance process.

References 13-14

- **Hyperlinks and Accessibility:** Use of hyperlinks to more detailed examples within published EERs would add value. In addition, reducing the amount of repetition of ISAE 3000 (Revised) requirements through a suitable technology solution. Practitioners rarely read a standard or guidance document in hard copy these days. Hence, in its current form, the draft guidance may not be easily accessible or 'user-friendly' for assurance practitioners. A technology solution could enhance the accessibility of the draft guidance and links to ISAE 3000 (Revised).

- **Length:** The draft guidance is quite lengthy and could be more useful if the focus were on how to apply ISAE 3000 (Revised) to EER assurance through use of examples and case studies.

References 15-16

- **Language and distribution:** The use of plain English, and language which easily translates, would facilitate the understandability of this draft guidance.   Broader distribution may be done once the final guidance has been issued through webinar's or working with professional accounting bodies, education bodies and academics in this area.

Reference 17

- **IASB Links:** Stronger links to the International Accounting Standards Board (IASB) project to update its IFRS Practice Statement 1 *Management Commentary* to ensure that the EER guidance will be fit for purpose across the broader corporate reporting suite.

40. IPA

Reference 1

Materiality processes

The term "materiality processes" is confusing and not an accurate description of the processes used in the related section of the proposed guidance.

In the "materiality processes" section the proposed guidance is describing the formulation of the reporting framework. The application of materiality is a component of applying a reporting framework. The use of the term "materiality processes" unnecessarily confuses the application of the materiality concept and its role in assurance and assessment of errors.

Reference 2

The use of the phrase of "materiality process" is confusing and not consistent with the general usage of the term "materiality". The IPA does not support the introduction of the term "materiality processes".

Reference 3

The format of the proposed guidance, particularly, in its relationship with ISAE 3000 is not clearly presented.

42. MICPA

Reference 1

> **MICPA's Comments:**
>
> Yes, the use of examples and diagrams helps one to understand the draft guidance.

43. NASBA

References 1-2

Paragraph 26 states that some EER frameworks require the preparer to determine what the important matters are to include in the EER report and that the judgments made by the preparer are often referred to as a "materiality process." Use of the term "materiality process" risks confusion with the well-understood notion of materiality, from the standpoint of performance materiality and evaluating misstatements (including omission of material narrative information based on the criteria of the framework). We recommend using an alternative term for materiality such as "relevance process."

Reference 3

See comment above regarding the use of the term "materiality process."

It would be helpful to have additional guidance for the examples provided in the fourth through sixth bullets in paragraph 49 as to how much work the practitioner needs to do to understand the needs of users as part of determining whether a proposed EER assurance engagement has a rational purpose.

In the examples provided in paragraph 136 of Chapter 8 for the purpose of the EER report, it appears that the fourth bullet describes or relates to financial reporting and not EER. We recommend removing this bullet.

In Chapter 9, related to performing procedures and using assertions, we recommend including guidance for performing procedures on estimates (for example, based on ISA 540).

Paragraph 53 of the draft guidance cautions that there may be a self-review threat to the practitioner's independence if, for example, the practitioner is advising on the development of an entity's EER processes and then plans to undertake a subsequent EER assurance engagement. We recommend including a reference to the IESBA Code of Ethics Section 900 to address these self-review threats.

44. PAIB

References 1-3

Understanding the preparer's role in supporting EER assurance

The draft guidance includes some detail about the preparer's role in relation to an assurance engagement, which is for the benefit of practitioners in understanding the nature of the preparer's role.

However, we believe it is important that practitioners *and* preparers have a mutual understanding of their respective roles and responsibilities in relation to EER assurance. There is information in both the draft guidance and the accompanying material in the 'Contextual Information', and 'Credibility and Trust Model' that may be of relevance and interest to preparers of EER reports. Although the 'Contextual Information' states that much of the material relates to the role of a preparer of EER reports, we do not believe it serves the purpose of helping such preparers fully understand their role.

The PAIB Committee is of the view that professional accountants in business play a crucial role in capturing broader aspects of value creation by advancing integrated thinking and reporting in their organizations, which includes establishing strong governance and robust processes, systems and controls over wider information collection systems for non-financial data. This contributes to an effective assurance engagement by ensuring that non-financial information can be assured.

It would be helpful if supplementary material to the draft guidance was available specifically for professional accountants in business, in order to help them understand their role in supporting EER assurance.

Challenges of framework-neutral guidance

There are increasing calls in the market from investors, businesses and other stakeholders with an interest in EER for harmonization of non-financial reporting frameworks, metrics, standards and other requirements. And while many initiatives have been established to seek alignment (such as the Corporate Reporting Dialogue and the Embankment Project for Inclusive Capitalism), the reality of the current corporate reporting landscape is that it remains complex, fragmented and inconsistent, which challenges the development of EER assurance. While EER is still a developing field, we support the current approach to enable more consistent and appropriate application of existing assurance standard ISAE 3000 (Revised) to EER.

However, given that EER is such a broad topic, producing non-authoritative guidance that is 'framework-neutral' may not fully address the challenges practitioners have in applying the standard to a report prepared under a specific framework or requirement. 'Framework-neutral' guidance also seems to lead to longer and more generic guidance that might not be perceived as useful as framework-specific guidance.

We believe that further application guidance using case studies and more practical examples of how to apply ISAE 3000 (Revised) to specific frameworks and requirements will be needed. As set out in our response to the IAASB's previous consultation 'Supporting Credibility and Trust in Emerging Forms of External Reporting', IFAC's focus is primarily on integrated reporting as an umbrella Framework. To

remain relevant in the future, we believe that the accountancy profession in all its forms has to embrace integrated reporting by reporting on the business in its entirety and needs to build trust and confidence in this reporting. We therefore think it is important that the guidance references the International Integrated Reporting Framework and addresses assurance in the context of this framework. Practices around integrated reporting assurance are emerging. For example, the auditors of ABN AMRO perform a limited assurance engagement on the ABN AMRO Annual Integrated Review.

Another example of a framework specific approach is the Future-Fit Business Benchmark initiative, which includes a section within its implementation guidance on how to apply ISAE 3000 (Revised), as well as sections on assurance in action guides on each of the initiative's goals.

Reference 4

Repetition between the standard and the draft guidance

There are some sections, for example in chapter 3, where the guidance heavily repeats material already in the requirements and application material of ISAE 3000 (Revised).

The draft guidance is already very lengthy with half of it yet to be drafted. We believe that it should focus more on examples and should minimize repetition of material already in the standard, given that a practitioner undertaking an assurance engagement is required to read the standard in full. There is risk that this guidance is read instead of, rather than in addition to, the standard.

References 5-7

Overall the draft guidance is too conceptual, which limits its practical usefulness. The inclusion of examples is the most helpful aspect of the guidance. However, as noted in our general comments above, the draft guidance would benefit from more framework specific examples.

45. SAICA

Reference 1

19.   There are a number of examples included in the Draft Guidance on Greenhouse Gas emissions, but without reference to ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*. If there is a link with other subject-specific ISAEs that have already been developed, e.g. ISAE 3400, 3402, 3410, 3420, reference should be made in these type of examples to the appropriate subject-specific ISAE. The Draft Guidance should also expand on the relationship between ISAE 3000 (Revised) and that subject-specific standard; specifically, which standard takes preeminence or how the different standards are examples of the application of ISAE 3000 to specific scenarios.

Reference 2

20.   In general, SAICA is satisfied that the Draft Guidance is clear and easy to understand. Please refer to our response to Question 1 above for specific matters where areas of concerns have been noted as well as suggestions on how these areas can potentially be addressed.

References 3-4

21.   Terminology not used in ISAE 3000 (Revised) has been included in the Draft Guidance, for example materiality process and assertions. We propose that a glossary of terms should be included in the Draft Guidance which will incorporate all the terms that have been used.

Reference 5

22. We also believe that more examples should be included in the Draft Guidance that cover the different types of EER engagements that practitioners may encounter in practice. These comprehensive examples should be based on the globally-known EER Frameworks such as the International Integrated Reporting Council (IIRC) Framework, Global Reporting Initiative (GRI) Sustainability Reporting Standards.

23. In South Africa, the Auditor-General performs audits of performance information and compliance which are premised on ISAE 3000 (R). More examples should also be included in the Draft Guidance to show the public sector perspective.

Reference 6

24. The diagrams used and examples should be numbered/labelled for ease of reference in the document. Please also refer to our response to Question 1 included above for specific examples of diagrams that could be further enhanced to clarify concepts to practitioners.

25. Where the examples used in the Draft Guidance relate to a subject-specific ISAE such as ISAE 3410, these should be clearly referenced and further explanations included to show how the requirements of ISAE 3000 (Revised) and the subject-specific standard have been mapped and interrelate to each other.

46. SASB

Reference 1

We appreciate the use of examples and diagrams to improve clarity, including those examples that specifically cite SASB.

47 WICI

Reference 1

In more general terms, is the IAASB document a consultation paper or a guidance? We think this is an important point to be clarified.

Reference 2

The draft guidance is not always easy to understand.

References 3-5

It is quite long, and sometimes cumbersome. Some areas need an improvement.

Paragraphs 16-17 at p. 8 (examples, diagrams and terminology)

- Diagram at page 22 is too complex.

- We would suggest avoiding continuous reference to financial reporting concepts, logics and classifications. As examples, the use of the terms (para. 11, p. 17):

   ο 'subject matter elements' or 'elements' as analogous to 'assets', 'liabilities', 'income' or 'expenses', and

   ο 'qualities' as analogous to 'value',

may be misleading. Indeed, they appear to be quite broad and potentially fuzzy concepts. Therefore, we suggest to you to identify other and more specific concepts that may be more appropriate for, and consistent with, non-financial (i.e., external extended) types of reporting.

Paragraph 34 at p. 10 (term 'materiality process')

- We agree with the use of the term 'materiality process', even though 'materiality *determination* process' might be more appropriate and specific.

- However, we believe that the concept of 'materiality' used in ISAE 3000 (Revised) and that of the consultation paper should be clarified in order to avoid an easy confusion to occur (point 34, page 10).

- As aforementioned, the draft guidance is too long and in its current version it looks much more like a discussion paper (see above), thus requiring later a more concise exposure draft.

We basically agree with the proposed draft guidance. The Guidance is basically clear and largely understandable.

The guidance is intended to provide support in using the ISAE 3000. Against that background it is not evident why numerous passages of ISAE 3000 are repeated in the guidelines without providing additional insight (e.g., Para 57, 60, 61, 64). We suggest making the guidelines more user-friendly, especially for Small and Medium-Sized Practices (SMP). A further increase of complexity when using the ISAE 3000 should be avoided.

Moreover there are some paragraphs that could be smoothed:

The term "*Subject matter Element*" is defined in Para. 11 but not the term "***Subject matter information***". The definition of "*Subject matter information"* according to ISAE 3000 Para. 12 (x) should be added in order to distinguish both terms.

Para. 11b of the Guidelines appears incomprehensible to us:

"The qualities of elements measured or evaluated using measurement or evaluation bases specified in the criteria for an EER report may be very diverse, depending on the nature of the elements. They might include, for example, when the underlying subject matter is water, the entity's 'intake volume' or 'discharge volume' of water".

How can an "*intake volume*" be a "*quality of elements*"? Logically, we would expect a "*Quantity of Elements*". Maybe additional explanations would be helpful.

We fear that the Para. 21 introduces additional requirements and recommend an alignment to the wording of ISAE 3000:

*"Carrying out EER assurance engagements **typically** requires **significant** professional judgment and the broad range of matters being reported on in EER reports may mean specialized skills and experience are required."*

ISAE 3000 Para, 37 requires only *normal* professional judgment. **Significant** professional judgment is only required on significant matters arising during the engagement (ISAE 3000 Para. 94(c)), but not typically:

"The practitioner shall plan and perform an engagement with professional skepticism, recognizing that circumstances may exist that cause the subject matter information to be materiality misstated."

"Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions."

Similar in Para. 84, which introduces "**considerable** *professional judgment*".

"The practitioner may need to exercise considerable professional judgment and professional skepticism in determining the suitability of criteria in an EER assurance engagement.

Considerable professional judgment is not used in ISAE 3000. It is moreover unclear what the difference between "**Significant** professional judgment" and "**considerable** professional judgment" is. Therefore we recommend deleting the words "Significant" and "Considerable" as it causes only confusion.

Otherwise the perception of additional and more stringent requirements cannot be excluded.

According to Para 22 of the guidelines

*"It is acknowledged that it may be **necessary** for a practitioner to involve experts in the engagement, and in some cases for the firm providing assurance services to appoint an engagement quality [control] reviewer.*

In our view "*appropriate*" would be the better adjectice. ISAE 3000 Para. 52 ff. does not contain such a requirement for the use of an external expert. Therefore, a more flexible wording should be chosen in the guidelines.

Reference 5

We recommend substituting the verb "*may*" by *"should"* in Para. 26

*"What the practitioner is required to do **may** be determined by the scope of the assurance engagement."*

49. DU

References 1-2

The language is complex and highly technical. It would be improved in relation to integrated reporting assurance engagements if the guidance and examples suggested above under Consultation Question 1 are included.

Reference 3

On the basis of the above submission regarding Consultation Question 1, there is a case to have appendices dealing with the focus areas requiring practical guidance for each of the major reporting

frameworks which may be subject to assurance, including the <IR> Framework / Management Commentary and GRI Standards.

Reference 4

The draft guidance could be better structured if direct lifts from ASAE 3000 were removed and replaced by hyperlinks, and if diagrams are introduced to bring some of the more technical aspects of the draft guidance to life.

5. CNCC-CSOEC

Reference 1

We consider that the document is already quite lengthy whereas the consultation focuses on the outcome of the sole phase one. The volume of the document including the phase 2 might become too voluminous and difficult to use. We consider important to provide guidance which is user-friendly, for example with an appropriate structure and an innovative format.

Reference 2

The draft guidance may be considered as too high level and too academic, especially if the guidance paraphrases the requirements of ISAE 3000.

Reference 3

We encourage the IAASB to provide more examples and explanations on how to apply ISAE 3000.

Reference 4

We consider that the IAASB should ensure the consistency of terminology between the standard and the guidance which is indispensable for making it easily understandable. Introducing additional terms and concepts within the guidance might be counterproductive.

50. BARNARD

Reference 1

The draft guidance presents an approach for practitioners that will be applicable regardless of any EER framework being used by the preparer. It is clear and easy to understand, including through the use of examples, diagrams and considerations. Good examples of such diagrams and considerations are the flowchart in paragraph 130 of the draft guidance that assists the practitioner with reviewing the preparer's materiality process, and the materiality considerations in paragraph 219 of the draft guidance that a practitioner may use when considering materiality initially or in a detailed manner.

51. CAATAS

Reference 1

Yes.

The draft guidance is clear and easy to understand therefore a useful resource because of the examples and diagrams that were included to help make the guidance easier to understand. Terminology is consistent with ISAE 3000 (Revised), the draft guidance acknowledges other terms used commonly in

practice where practitioners with experience in this area will easily understand the terms. The terminology used is sufficiently simple and accessible, while maintaining the required level of technical accuracy and consistency with other IAASB literature in general and ISAE 3000 (Revised).

52. SCHNEIDER

Reference 1

Clarity can be improved by avoiding statements that include 'this' without specifying the noun (for example, "This is because . . ."; "This may be . . ."). Such sentences then require the practitioner to go back and read other sentences to figure out what 'this' is actually referencing. Such vague language might also cause translation difficulties. Additionally, in several places, the draft guidance merely provides a cross-reference to see the requirements in ISAE 3000 (Revised) without categorizing the requirements. It would be more helpful if the nature of the requirements were identified in the guidance.

More specific points on terminology and improving examples, diagrams and guidance points are provided below.

References 2-5

Terminology

The draft guidance uses the term 'assuring'; such term is not used in ISAE 3000 (Revised). Rather, ISAE 3000 (Revised) uses the phrase 'obtaining assurance'. Accordingly, I recommend not using 'assuring' in the guidance and revising the titles to chapters 10 and 11 to "Obtaining Assurance Over Narrative Information" and "Obtaining Assurance over Future-Oriented Information", respectively, as well as conforming the titles in Appendix 1.

'Qualities' may not be the best term for EER measurements as the discussion of measurements in the draft guidance implies quantities (for example, paragraph 11 provides examples of volume of water intake or discharge); whereas, qualities are often thought of in terms of characteristics (for example, pollution levels of the discharged water or grade of a resource or product).

Because new terminology is introduced, it would be helpful to add a glossary in the final guidance with the definitions for those terms. However, the definition provided for 'identifiable underlying subject matter' in paragraph 48 lacks clarity with the use of the phrase 'distinct from other things' and, accordingly, should be clarified. Assurance readiness engagements are discussed in paragraphs 50-53 but not clearly defined. Starting with a definition earlier in that section might improve the readability of such section, including the connection to EER assurance engagements.

Paragraphs 67-69 also appear to introduce some new terminology, 'reporting (information) systems' and 'external information source'. While the latter is defined, the former is not but should be for understandability as to what is meant, and the definition of both included in the recommended glossary.

Examples

The example to paragraph 114 might be clarified by adding 'a bank' to the water intake example in the first sub-bullet of the first bulleted item. Also, it is unclear what the meaning is of the assumption statement in the second sub-bullet of the second bulleted item and whether that is regardless of whether it is explicitly stated.

The example to paragraph 190 is too vague as it is unclear what the criteria are that is being analyzed in the example.

The example in paragraph 203 requires further clarification on how a forecast is 'observable' (namely, that actual results in the future can be compared back to the forecasted amounts).

Examples are need to provide clarity to paragraph 219 f), g), and i). Further it is unclear what the 'factors' and 'context' are that are referred to in paragraphs 220 and 221, respectively.

Reference 6

<u>Diagrams</u>

The diagram in paragraph 46 might be improved by the following:

- Addition of a box next to "Criteria are available" that lists the ways criteria may be made available, such as the type of box that is placed next to the "Criteria are suitable" box.

- Placing the box on internal control above the box "Underlying subject matter is appropriate" and connecting the arrows to the latter, which will then naturally flow into the practitioner expects to be able to obtain the evidence needed.

- Moving the sentences in paragraphs 60-61 and 65 regarding internal control and its connection to preconditions to the section in which the diagram appears.

The last box of the diagram in paragraph 89 includes a step to "Confirm criteria will not result in subject matter information or an assurance report which is misleading"; however, the guidance does not address how to go about that.

The diagram in paragraph 130 illustrates steps for the practitioner to perform in reviewing the preparer's materiality process; it seems that a box should be added with the action to evaluate the results of such steps and that related guidance should be added as well.

It seems like the diagram in paragraph 153 should have 'high importance' or similar language placed in the upper right-hand corner to complete the diagram.

It is unclear what is meant in paragraph 216 by "depending upon the circumstances of the engagement" in terms of whether to present the misstatement to the preparer. Further, the diagram above paragraph 216 is inconsistent with the guidance in paragraph 216 regarding when the preparer corrects an identified misstatement. The diagram states "No further action"; whereas the practitioner should consider whether the nature of the misstatement may indicate that other misstatements may exist in other parts of the EER report. Similarly, paragraph 225 should note that such consideration is regardless of whether the identified misstatement was corrected by the preparer.

6. HKICPA

Reference 1

Specifically, we suggest expanding or clarifying several examples to adequately address the identified challenges (as mentioned in our response to Question 2).

We also consider additional clarity is needed for certain factors or procedures that practitioners should consider/perform. For example, under paragraph 172, further example or scenario can be included to illustrate the concepts of "assertions at the level of categories" and "level of detailed assertions".

References 2-5

We agree that the draft guidance is clear and easy to understand and likely to promote a more standardised and robust process in EER assurance engagements under ISAE 3000 (Revised). The examples are helpful in explaining assurance terms which have seldom been applied to non-financial information, such as criteria; the five characteristics of criteria; materiality; assertion; narrative information etc. For ease of reference we suggest adding a glossary in the draft guidance to properly define the terminology.

References 6-7

EER assurance reports encapsulate many different forms. However, most of the principles and illustrations in the draft guidance focus on sustainability information. We encourage the IAASB to revisit the applicability of the draft guidance to other EER, e.g. integrated reporting and provide application examples on specific industries and other form of EER to illustrate the principles in the draft guidance.

We consider the length of the draft guidance a barrier to readability particularly to small and medium sized practitioners when performing small-scale EER assurance engagements. We encourage the IAASB to revisit the draft guidance in light of scalability. For example, ISA 540 (Revised) addresses scalability in paragraphs 3, A20-A22, A63, A67 and A84 when auditing accounting estimates of simple businesses or smaller entities. Similarly we suggest the guidance to address scalability and provide clarity and practical examples on what may be appropriate for small-scale EER assurance engagements in a separate section in Chapter 2.

Reference 8

it is not easy for practitioners to follow certain examples and diagrams, such as those under paragraphs 108, 117 and 127, which require additional context or judgment to visualise the example scenarios. It would be helpful if further illustration is provided on what a practitioner should consider or perform in those scenarios.

7. IDW

Reference 1

On the whole, we believe that the draft, including the examples and diagrams, is understandable for readers prepared to make the effort to read it with diligence. The only exceptions are the narrative guidance in paragraphs 177 to 180 of the draft and the guidance in other than the first sentence of paragraph 15 of the Background and Contextual Information. In relation to paragraphs 177 to 180:

- The second sentence of paragraph 177 is unclear as to what "*categories of assertions* required by one of the five characteristics of suitable criteria" means given the categories of assertions identified in the list in the first sentence; the second sentence it is unclear what "these" refers to: the suitable criteria, the five characteristics, the assertions, or the categories thereof?

- The meaning of paragraph 179 and the example are unclear.

- Paragraph 180 is unclear as to how considering assertions at different "levels" in a "stand-back" (which is not required in ISAE 3000 (Revised)) relates to the accumulation of misstatements and considering them in aggregate as required by ISAE 3000 (Revised) paragraphs 51 and 65, respectively.

References 2-4

Of greater concern to us is the way terminology is used in the draft in a number of cases, and that in some cases the use of terminology is not as stringent as needed.

In particular, we are concerned with the use of the following terms or the way they are used:

- ***Materiality process***. We do not agree with the use of the term *materiality process* as proposed. In ISAE 3000 (Revised), the IAASB chose to use a rather narrow default meaning for the concept of *materiality* in paragraph A94 when the criteria do not provide an adequate frame of reference for considering materiality as contemplated in paragraph A93. On this basis, ISAE 3000 (Revised) clearly distinguishes *the application of the characteristics of suitable criteria* – particularly relevance and completeness – *to determine the suitability of criteria* from the concept of *materiality*. As paragraph 31 of the Explanatory Memorandum correctly notes, the *materiality process* as used in the draft involves developing or extending the criteria so that they exhibit the characteristics of the suitable criteria (especially relevance and completeness), whereas ISAE 3000 (Revised) uses the term "materiality" only in the context of potential and identified misstatements. Consequently, even though practitioners appear to be using the term "materiality process" to develop or extend the criteria, we believe that the use of this term in this way perpetuates misunderstanding about the nature of the process (which has no direct connection with the concept of materiality as described in ISAE 3000 (Revised)) – not only among practitioners – but also among preparers. The IAASB should not use terms that tend to mislead those using its standards and guidance. We therefore suggest that another term be used, such as "*criteria process*", which would be closer to its actual nature.

- **Assertions**. We agree that the term "assertions" should be used in the draft but disagree with how it is used, because the definition in ISAE 3402 (and the exposure draft of ISAE 315 (Revised)) referred to in paragraph 167 confuses **1.** the *actual* representations by the measurer or evaluator, explicit or otherwise, that *are* embodied in the subject matter information, and **2.** the *assertion categories used by the practitioner* to consider the different types of potential misstatements that may occur. In addition, paragraph 168 refers to **3.** the assertions as the many individual representations that are embodied in the subject matter information if the applicable criteria are properly applied, which essentially describes the *detailed required assertions*. Paragraphs 169 to 172 do describe and distinguish these three concepts further in a useful way but could be clearer (some unclarity results from use of the term "assertions" in the three different senses). Unfortunately, thereafter paragraph 173 again confuses the matter by referring to the existing definition, which, as noted, confuses two of the concepts. We recognize the largely appropriate use of "categories of assertions" in paragraphs 174 to 183 thereafter, but this usage is not systematically applied throughout Chapter 9 and the rest of the draft. Since ISAE 3000 (Revised) does not use the concept of assertions, and the definitions in ISAE 3402 and the Exposure Draft of ISA 315 (Revised) confuse two different concepts, we recommend that the draft not refer to the definition in ISAE 3402 or the exposure draft, but describe what assertions are for the purposes of ISAE 3000 (Revised) and the draft through a description thereof and then distinguish that concept through a description of the other two concepts. We suggest using the following terms and related descriptions in a systematic manner throughout the document:

  o *Required assertions*: The many individual representations, implicit or otherwise, that would be embodied in the subject matter information if the applicable criteria were properly applied in measuring or evaluating the underlying subject matter.

ο   *Actual assertions*: The representations, explicit or otherwise, actually embodied in the subject matter information through the actual measurement or evaluation of the underlying subject matter by the measurer or evaluator.

ο   *Assertion categories* (also termed "*assertions*"): Categories, of the detailed *required* assertions, used by the practitioner to consider the different types of potential misstatements that may occur.

Chapter 9 would need to be redrafted accordingly.

- **Qualities** *(of subject matter elements).* The draft, and in particular, the Background and Contextual Information, uses the term "qualities" to describe an aspect of underlying subject matter (or as the Background and Contextual Information explains, an aspect of a subject matter element). We disagree with the use of the term "qualities" in this context because the primary definition of the term "quality" relates to, and is therefore more often associated with, the standard of something as measured against other things of a similar kind or the degree of excellence of something; only secondarily does the word "quality" refer to a distinctive attribute or characteristic possessed by something. Readers may therefore confuse the primary meaning of the word quality with its secondary meaning, particularly upon translation, which would reduce the usefulness of the guidance in the draft. There is a real danger that translators will attribute the primary meaning of the word quality to that term and translate the term with an inappropriate term that applies only to the primary and not secondary meaning. Furthermore, measurement and psychometric theories use the terms "properties" or "attributes", respectively, to describe an aspect of an underlying subject matter for this and other reasons – not qualities. Using "attributes" or "properties" does not suffer from the same risks of misinterpretation and mistranslation. For these reasons, we recommend that the term "properties" or "attributes", rather than "qualities", be used.

Reference 5

We are also concerned that the use of some of the terminology is not in line with how particular terms are defined or described in ISAE 3000 (Revised), the use of terminology that is not used in the ISAEs on purpose, and the lack of stringency in the use of some terminology. In particular, we believe that the following terms are not being used in an appropriate manner:

- **Relevance vs. materiality.** Paragraph 98 of the draft provides an excellent explanation of the difference between relevance and materiality as described in ISAE 3000 (Revised). However, we still find a number of instances in which these concepts or terms are not appropriately differentiated. For example, paragraph 99 appears to confuse the requirements in criteria to aggregate or disaggregate information, which is a relevance consideration, versus the consideration as to whether these criteria were appropriately applied, which involves consideration of materiality of misstatements identified. The same applies to paragraph 134 and the example thereafter, in which "materiality" considerations and "material topics" are addressed, when in fact, even if an EER framework uses the term materiality in this context, these are actually relevance considerations: some clarification of this appears to be necessary here. The first bullet of paragraph 13 of the Four Key Factor Model paper speaks of a "materiality principle", when in fact the principle being applied in this context relates to relevance as described in ISAE 3000 (Revised).

- **Relevant** or **complete** vs. **assist decision-making by intended users.** In the draft – especially in Chapter 7 – we note a good number of instances in which "assist decision-making by intended

users" is used when relevance is meant, which suggests that the "definition" of relevance is being overused, rather than applying the term "relevance" when appropriate. <u>To be helpful to you, we will identify these instances in our comments by paragraph in Appendix 2.</u>

- ***Relevance*** vs. ***reliability.*** The term "reliability" is used differently in different contexts (e.g., engineering, measurement theory and psychometrics, accounting theory, and other assurance or attestation standards). This is discussed further in the FEE Paper from 2003 "Principles of Assurance", which posits a broader concept of reliability. However, ISAE 3000 (Revised) restricts the meaning of reliability narrowly in its description thereof in paragraph A45 (c) to "reasonably consistent measurement or evaluation of the underlying subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by different practitioners". In short, the meaning is narrowed to "reasonable repeatability" in similar circumstances by different practitioners. This "reasonable repeatability" meaning implies that issues associated with the needed precision and accuracy, and the needed freedom from measurement and evaluation error other than repeatability (i.e., when is the repeatability "reasonable"?), are then actually covered by the concept of "relevance" (which is congruous to the concept of "validity" in measurement theory) – not "reliability". In particular, Chapter 7 of the draft appears to confuse the narrower meaning of reliability used in ISAE 3000 (Revised) with the broader one often encountered in other fields of endeavor. We believe that the draft needs to apply the concept of "reliability" as contemplated in ISAE 3000 (Revised) rather than using a concept at variance with the usage in ISAE 3000 (Revised). <u>To be helpful to you, we will identify our instances of inappropriate use of the term "reliability" in our comments by paragraph in Appendix 2.</u>

- ***Substantive approach and substantive procedures.*** Paragraph 78 refers to "substantive approach" and "substantive procedures". Neither term is used on purpose in the ISAEs in general, or ISAE 3000 (Revised) in particular, because ISAE 3000 also applies to assurance on systems, processes and controls, for which these terms are not really useful. EER reporting often includes information on systems, processes and controls. For this reason, we do not believe that these terms ought to be used in the draft. We suggest that the draft use the phrase "perform only procedures other than tests of controls to respond to risks of material misstatement" instead of "adopt a fully substantive approach" and use "because procedures other than tests of controls to respond to risks of material misstatement" instead of "because substantive procedures".

- ***Secure, robust, reliable and adequately maintained.*** The example in paragraph 70 speaks of IT controls supporting any IT systems in being appropriately "secure, robust, reliable and adequately maintained". The series of adjectives in this sentence suggests the use of a "shotgun approach" to address control objectives for IT systems without a clear, systematic use of concepts. We suggest that reference be made to "IT controls supporting IT systems in being secure and operating effectively", the latter of which ("operating effectively") would cover robustness, reliability, and adequate maintenance, among other matters.

Lastly, we note that the use of some verbs to indicate actions by practitioners are not in line with the verbs used by ISAE 3000 (Revised). In particular, this relates to the use of the verbs **evaluate, review** or **confirm** vs. **consider** and **determine**. <u>To be helpful to you, we will identify our issues with the use of these verbs in our comments by paragraph in Appendix 2.</u>

8. JICPA

Reference 1

Terminology: "Subject Matter Elements" (or "Elements") and Their "Qualities"

Paragraph 11 states "This guidance refers to 'subject matter elements' (or 'elements') and their 'qualities' in the context of an EER report," and item b) describes "qualities" as being analogous to the financial "value" of elements of the financial statements, but this explanation alone does not make clear what the "qualities" of subject matter elements are. In particular, the example given in b) states that where the subject matter is water, the "qualities" of subject matter elements might include "intake volume" or "discharge volume." However, it is not clear why these quantitative concepts denote not only elements of the subject matter, but also their "qualities," raising the concern that readers may be confused.

We believe that the content of Paragraph 11 should be reconsidered, and this process should include reexamining whether water is an appropriate example to use for the underlying subject matter.

Moreover, as an example of a "subject matter element" (or "element") in an integrated report, for example, we suggest that "capital" or something similar could be used for explanatory purposes.

Reference 2

2. Diagram: Steps for Determining the Suitability of Criteria

With regard to the diagram in Paragraph 89 showing steps for determining the suitability of criteria, we believe it should be made clear that these steps are not necessarily to be followed in a linear manner, but may instead be followed in an interconnected or iterative manner.

Reference 3

3. Terminology: Materiality

Chapter 8 discusses materiality, but it is unclear whether this relates to guidance for determining the scope of EER, or to assessing the materiality of misstatements. As it can be assumed that many IFAC members who are the intended users of this guidance will have the auditing of financial statements in mind as they use it, we believe it should be made clear that the term "materiality" relates to determining the scope of EER. The draft's Chapter 2:" Overview of an EER Assurance Engagement" provides some relevant explanation, but we believe it is insufficient, and further explanation and enhancement is required.

Reference 4

4. Diagrams

We believe it would be advisable to add titles to diagrams, enhancing clarity by indicating what each diagram depicts so that the content is understandable.

9. MAASB

References 1-2

The draft guidance is generally comprehensible and the examples and diagrams further assist in understanding the expected outcome and roles and responsibilities of preparers and practitioners in relation to assurance engagement on various types of EER Report.

References 3-4

In terms of terminology, we would like to suggest the following:

- The terminology 'materiality process' in Chapter 8 of the draft guidance to be reworded as 'materiality process by preparer' to clearly differentiate this terminology from the general concept of materiality used by practitioners in an assurance engagement and materiality addressed in chapter 12.

- Clarification on what constitutes 'major stakeholders with significant and common interests' as stated in Paragraph 141.