

**EER Consultation Paper July 2020 (Chapter 6)****Question 1: Does the draft Guidance address the challenges for practitioners****06.1.1 Q1 - The Guidance addresses the challenges****1. Investors and Analysts****ICGN - International Corporate Governance Network**

The Guidance has addressed the challenges for practitioners that have been identified as within the scope of the draft Guidance.

**3. Accounting Firms****BDO - BDO International Limited**

The IAASB has overall addressed all challenges raised in the 2019 EER consultation paper.

**CG - Crowe Global**

The draft Guidance does adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance

**EYG - Ernst & Young Global Limited**

Yes, the EER Guidance comprehensively covers the areas identified within the scope of the draft Guidance and we believe that it does include useful guidance to address practical challenges

**RSMI - RSM International Limited**

We believe this chapter sufficiently addresses reporting topics for inclusion in the EER report. The diagrams used are clear and the examples used are useful.

**4. Public Sector Organizations****AGSA - Auditor-General of South African**

The guidance paper provides very good practical application guidance and examples covering the range of assurance engagements that can fall within the ambit of ISAE 3000R, especially in relation to the pre-engagement and planning stages of the engagements.

**GAO - United States Government Accountability Office**

We believe that the draft guidance addresses the challenges for practitioners that have been identified as within the scope of the draft guidance.

**5. Member Bodies and Other Professional Organizations****BICA - Botswana Institute of Chartered Accountants**

The draft Guidance adequately addresses challenges identified by practitioners. In particular the guidance gives clarification to practitioners in dealing with qualitative information and assessing material misstatements in relation to entity prepared non-financial information.

Assurance of non-financial information in Botswana is not developed mainly because majority of companies do not report non-financial information. That notwithstanding there has recently been reforms to enhance non-financial information reporting in the country and this guidance will be of significant assistance to the practitioners.

### **GRI - Global Reporting Initiative**

The guidance is comprehensive and covers a wide range of different types of Extended External Reporting engagements, different concepts and further guidance to support the key principles in ISAE 3000 (Revised) 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. It provides much needed detailed and specific guidance for practitioners which until now has been absent, with the exception of more specific guidance that was provided in ISAE 3410 'Assurance on a Greenhouse Gas Statement'.

We are pleased to see that the 'process for identifying reporting topics' has a dedicated chapter (Chapter 6) in the guidance, and that whilst not a requirement of ISAE 3000, some frameworks, such as the GRI Standards, require preparers to report this process and its outcome. Even if not required it is useful since it can provide evidence as to whether the criteria are suitable.

### **IAAA - Inter-American Accounting Association**

Yes, we consider that it adequately addresses the commitments.

The draft guidance is sufficiently explicit and rich as technical material, which we are sure will be of great help to professionals who offer their services independently, as well as having a great impact on the management of the preparers of the information on which the Professionals will issue their EER.

### **ICPAR - Institute of Certified Public Accountants of Rwanda**

Yes. We agree that the Guidance adequately addresses the challenges for practitioners that have been identified as within the scope of the draft Guidance.

### **ICPAU - Institute of Certified Public Accountants of Uganda**

ICPAU believes that the draft Guidance, to a big extent, addresses the challenges for practitioners that have been identified as within the scope of the draft Guidance. ICPAU is also very appreciative of the illustrations in the draft Guidance as these will further enhance the application of ISAE 3000 (Revised).

### **SAICA - South African Institute of Chartered Accountants**

SAICA has noted the significant improvements made from the EER Assurance Consultation Paper (February 2019) that was submitted during Phase 1 of the project. We are satisfied with the scope of the Draft Guidance and believe that the guidance provided therein adequately addresses the ten key challenges that were identified at the beginning of the project.

## **06.1.2 Q1 - The Guidance does not address the challenges**

None

## 06.1.3 Q1 - Mixed views on the Guidance addressing the challenges

### 2. National Auditing Standard Setters

#### AUASB - Australian Auditing and Assurance Standards Board

The AUASB and our stakeholders agree that Chapter 6, together with Diagram 8, is a most useful starting point to assist users to navigate the guidance and undertake a deeper dive into other relevant chapters, as appropriate.

As already highlighted, the AUASB's stakeholders unanimously found this chapter useful in setting the context for EER assurance, with Diagram 8 reinforcing the connectivity between the assurance practitioner and the preparer's roles. The AUASB is of the view that the reporting entity needs to perform the necessary thinking on EER subject matter and consider other credibility enhancing steps before engaging an independent assurance practitioner to opine on its Report. Hence, both EER preparers and assurance practitioners will utilise the content of Chapter 6 prior to determining the assurance scope. With this in mind, the AUASB suggests that Chapter 6 would be better placed before Chapter 3: Determining Preconditions and Agreeing the Scope.

In practice, credibility is built up over time, requiring substantial process work by the preparer to engage with its stakeholders, collate feedback and develop data points and controls before seeking independent assurance. It is important that the reporting entity has performed the necessary thinking on the EER subject matter and considered and advanced other credibility enhancing steps prior to seeking to engage an independent practitioner to opine on the Report. Re-ordering Chapter 6 within the guidance document may help to overcome the real challenge that practitioners face, playing the role of educator to the preparer.

During our outreach, we introduced the guidance using Diagram 6 to more effectively engage with a broader stakeholder group. This Diagram helped the different stakeholder groups present to understand the roadmap and role of the preparer in getting ready for an assurance engagement. If the entity is not ready for assurance, it may be that the practitioner can assist with other services, as explored in paragraph 107. These options, however, are buried too deep in the guidance and would more usefully be positioned up front and considered before, not within, the assurance process.

The AUASB understands and broadly supports the rationale behind the change in terminology to “the entity's process to identify reporting topics” from the entity's “materiality process”. We appreciate that this change has been made to avoid unnecessary confusion with the way in which assurance practitioners think about the term “materiality”. This new language was also broadly supported by the stakeholders during outreach.

The AUASB and some stakeholders consider that the language used in this chapter remains overly complex and confusing, especially when referring to the “entity's development of criteria to identify reporting topics”. Stakeholders also raised this as confusing, highlighting confusion in the examples in paragraph 221, which seem to mix criteria around reporting topics (including relevance to stakeholders and material risks with more specific indicators in example 2). We consider that this is better articulated in the covering memo, where it is clearer that the process to identify reporting topics may be needed where the EER framework in itself does not result in suitable criteria i.e. the “process to identify reporting topics” is how the preparer goes about developing the criteria further. The idea that all of these layers form part of the criteria may assist.

We find the use “of criteria to identify reporting topics” confusing as it is unclear how the process differs from the criteria. It implies that there is a need for “separate” criteria to identify reporting topics where we understand that this is only one part of whether the criteria are suitable. This concept is described clearly in

the first sentence of paragraph 220, however we encourage the IAASB to consider a different way to describe the “criteria to identify reporting topics” in the last sentence.

### CAASB - Canadian Auditing and Assurance Standards Board

Chapters 6 & 7: Revisit content or need for separate chapter

Chapters 6 and 7 are the areas of the guidance where we have the most concerns, for the following reasons:

We believe a careful review should be performed of the use of ‘EER report’ and ‘EER information’ throughout the guidance to ensure that when ‘EER Report’ is used it is only used in the context of an entity issuing a whole report or statement. We support using both terms ‘EER report’ and ‘EER information’ but not interchangeably.

The scope of Chapter 6 is not explicit. It would be helpful to the users of this guidance to understand the circumstances that are presumed in the guidance that is included in Chapter 6.

Criteria is a term defined in ISAE 3000 and well understood and used by practitioners today. Chapter 6, and other areas of the guidance, use this term in a different context which will create significant confusion. We suggest removing the term “criteria” when referring to identifying reporting topics throughout the guidance and referring instead to “the entities process to identify reporting topics”.

We recognize this Chapter was significantly modified to respond to the comments received on Phase 1 of the consultation as described in section 3.6 of the explanatory memorandum. We agree that there is a need for practitioner guidance on the entity’s process to identify reporting topics. However, we have significant concerns that the scope of this Chapter is not explicit, and about certain terminology. Our concerns are as follows.

#### Scope of this Chapter

It would be helpful to the users of this guidance to understand the circumstances that are presumed in the guidance that is included in Chapter 6. For example, our stakeholders believe these were the circumstances that would cause a practitioner to want to refer to this chapter:

The practitioner has been asked to provide assurance and the preparer must establish a process to decide what to include in their reported EER information because:

There is no framework, standard or regulation to follow, or

The framework, standard or regulation does not sufficiently specify information to be reported, whether due to:

no clearly defined process for identifying reporting topics, or

the ability to report on everything defined in the framework, standard or regulation is not practicable.

Also, some stakeholders indicated they read this Chapter as a guide for preparers in choosing what to include in the reported EER information, instead of assisting the practitioner in determining whether there is alignment between what they are being asked to assure and reporting topics that the preparer considers important to meeting users’ information needs. It was also confusing to see this guidance placed after Chapter 4 which discusses the suitability of criteria (measuring the underlying subject matter) because it is providing guidance on when the preparer has to identify the underlying subject matter (before it is measured).

We considered two options on how the content of this guidance could be amended to address our concerns on the scope of this Chapter:

Significantly amending the content of this Chapter to be clearer on the scope of the guidance in this Chapter, and the Chapter moved before Chapter 4. Decisions about suitability of criteria (in the sense defined in ISAE 3000) are in practice made after decisions have been made by the preparer on the topics on which it will report, and/or whether entity developed criteria will be called for to decide which subject matter information will be topics reported. We believe the first two sections (paragraphs 214 to 219) should be revised to be clear that the guidance in this Chapter is only relevant for the specific scenario when the practitioner has been asked to provide assurance and the preparer has to establish a process to decide what to include in their reported EER information because:

There is no framework, standard or regulation to follow, or

The framework, standard or regulation does not sufficiently specify information to be reported, whether due to:

no clearly defined process for identifying reporting topics, or

the ability to report on everything defined in the framework, standard or regulation is not practicable.

The amended guidance should also make a direct link to ISAE 3000 by including the concept of reporting topics being clearly identified as part of understanding and evaluating the suitability of the underlying subject matter (ISAE 3000 paragraph 24(b)(i)).

This option would fully address our concerns by making the scope explicit and moving the content earlier in the guidance, aligned with when the practitioner would need this guidance in providing assurance on EER.

Another option we considered was that the amended guidance be placed throughout other Chapters in the guidance where it makes sense, such as in Chapter 3, Determining Preconditions and Agreeing the Scope and/or Chapter 4 in the section on “Entity-developed criteria and criteria selected from multiple frameworks: Considering the entity’s process to develop or select criteria”.

In this option, Chapter 3 could specify that in setting the scope of the engagement the practitioner will need to consider whether it is reasonable to assure the selected subject matter information, and whether there is alignment between the subject matter information the practitioner is being asked to assure and the reporting topics expected to be chosen by the preparer. We believe under this option Chapter 6 could be removed from the Guidance.

While we considered this option as it would address the concern that the scope of the guidance is not clear because it would not be a separate stand-alone Chapter, we do not prefer this option. Incorporating some of the guidance on the entity’s process to identify reporting topics into Chapters 3 and 4 would mean that guidance that is only necessary for a specific scenario is combined with other guidance that is always applicable. This could cause users of the guidance further confusion and make needed guidance harder to locate.

Our preferred solution is option (a) as it will focus related guidance in one place for an area which is often complex when there are no established frameworks.

Other areas of the guidance in Chapter 6 that we believe need clarification regardless of the option chosen to clarify the scope of the Chapter

Criteria

Criteria is a term defined in ISAE 3000 and well understood and used by practitioners today. Chapter 6, and other areas of the guidance, use this term in a different context which will create significant confusion. For example:

Criteria is defined in ISAE 3000 paragraph 12(c) as:

“The benchmarks used to measure or evaluate the underlying subject matter. The "applicable criteria" are the criteria used

for the particular engagement.”

Paragraphs 216, 218 and 219 refer to “criteria to identify reporting topics”. This reads like the preparer is using one set of criteria to decide what to include in the EER information, and another set of criteria to then measure or evaluate what is included in the EER information.

Paragraphs 220 and 221 have further examples where the terms “criteria” and “suitability” are confusing as they are used in two different contexts; one for identifying reporting topics, and another for considering the suitability for developing subject matter information (as discussed in Chapter 4).

Paragraph 228 is an example where the guidance uses the term “considerations” to identify material reporting topics included in the EER framework.

Paragraph 255 is about disclosure of the preparer’s process to identify reporting topics but talks about the process used by the preparer to develop criteria for deciding what to include in the EER report and what to leave out.

Earlier references in Chapter 4 of the guidance (paragraph 124) indicate that EER criteria may (a) specify how to identify, measure or evaluate, or (b) make disclosures about relevant (aspects) of underlying subject matter, to be referred to thereafter as 'reporting topics', or (c) address how to present the subject matter information in the EER report.

Throughout other chapters in the guidance there are many different uses of the term criteria, such as: framework criteria (paragraph 8), entity developed criteria (paragraph 8), measurement or evaluation criteria (paragraph 51), applicable criteria (paragraph 126), etc.

This results in many different meanings for EER criteria.

We suggest removing the term “criteria” when referring to identifying reporting topics throughout the guidance and referring instead to “the entities process to identify reporting topics”. We suggest the guidance should be reviewed to ensure this terminology is used consistently.

#### EER report versus EER information

As discussed in our response to question 1 on the Introduction, we believe a careful review should be performed of all instances of the use of ‘EER report’ and ‘EER information’ throughout the guidance to ensure that when ‘EER Report’ is used it is only used in the context of an entity issuing a whole report or statement such as a sustainability report, a corporate social responsibility statement, a public sector performance report, value for money report, or a greenhouse gas statement. We support using both terms ‘EER report’ and ‘EER information’ but not interchangeably.

Having the term ‘EER report’ defined in paragraph 7 of the guidance makes it difficult to determine which parts of the guidance apply when providing assurance on only elements of the EER information and not a full EER Report.

## CNCC-CSOEC - Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables

We consider that the entity's process to identify the reporting topics for inclusion in its EER report and the outputs of that process should be clearly described in the EER report. This implies a description of the Business Model ("BM").

The BM allows to demonstrate how entities earn their money, explain what their CSR challenges are, how they create value and how this value is allocated between different types of stakeholders, i.e. suppliers, employees, governments (with taxes), shareholders, others. The concept of value creation has to be understood as being a net of the value created and destroyed by the entity. The BM allows to describe the various types of capital that are used, consumed and generated by the entities' activities, and which make up altogether the overall value of the entity in the end. This is the key point to explain the entity's performance and to identify the risks for the entity and for the stakeholders.

For example, the NFRD that identifies four sustainability issues (environment, social and employee issues, human rights, and bribery and corruption) requires entities with respect to those issues to disclose information about:

its BM;

its principal risks associated with the entity's activity/ies, including where relevant and proportionate, the risks associated with its business relationships, its products or services;

its policies;

its measures and outcomes, including KPIs associated to the principal risks.

We consider that the Guidance should explain that the entity's process to identify reporting topics should be based on a description of the BM.

Concerning the concept of materiality (see also comments in chapter 9) and the selection of information to be reported in the EER, we consider that the principle of materiality developed in the NFRD should be included in the Guidance. The NFRD requires entities to disclose information "to the extent necessary for an understanding of the development, performance, position and impact of the entity's activities". This materiality principle implies that entities reporting pursuant to the NFRD must disclose (i) how sustainability issue may affect the development, performance and position of the entity; and (ii) how the entity impacts society and environments. We fully support the double materiality concept (impact of society an environment on the entity "outside-in" and impact of the entity on society and environment "inside-out) developed in the NFRD. Moreover, since this concept may be difficult to understand, we also consider that there is a need for:

entities developing a materiality assessment process and disclosing it, i.e. disclosing how the entity defines materiality and how the entity identifies (through a solid due process) and reports on its reporting topics;

explaining how this materiality process takes into account the ability of the entity to create sustainable value on different time horizon, i.e. how it is decided which topics will yield the most useful view of the risks and opportunities that drive the short, medium and long-term sustainable value creation of the entity.

A proper understanding of the materiality definition for EER information and its application is key for determining which information is necessary to be presented, to enable users of that information to understand the entity's development, performance and position and its capacity to create long-term sustainable value

## IDW - Institut der Wirtschaftsprüfer

### Chapter 6: Considering the Entity's Process to Identify Reporting Topics

We would like to make the general comment on this chapter that at some points the chapter distinguishes well between 1. the practitioner's consideration of the process to develop the criteria for identifying reporting topics and 2. the practitioner's consideration of whether the resulting criteria were appropriately applied to identify reporting topics. However, in other parts of this chapter, it was unclear which part of the process was being addressed (see paragraphs 239 to 254 in the guidance). In other parts, reference was made to assisting intended users' decision-making when identifying reporting topics, which is inappropriate if the criteria developed are determined to be suitable and therefore meet the qualitative characteristics of suitable criteria, including relevance and completeness – both of which refer to the factors or information that assists decision-making by intended users. We note that in a number of paragraphs, reference was made to "relevance" or "completeness" instead (e.g. paragraphs 237, 240, 243, 246, 251, and 252 of the guidance), which is the appropriate approach.

214. Since considering the entity's process to identify reporting topics is not a requirement in the standard per se, we suggest that the word "on" in the first sentence be changed to "when". The words "when appropriately presented and disclosed in the EER report is superfluous, since suitable criteria would include criteria for appropriate presentation and disclosure.

217. The word "to" needs to be inserted in between "prepare" and "make". At the end of the sentence, the words "the intended users and purpose" leave it unclear as to "purpose of what?". In line with the wording used in the standard, we suggest changing these words to read "the information needs of intended users".

218. It is not clear what the difference is between specifying what topics are to be included in the EER report and identifying them.

220. Given the nature of suitable criteria and the fact that the appropriate application of these would meet the information needs of intended users, the word "therefore" needs to be inserted in between the words "suitable criteria and" and "the resulting".

221. In the second paragraph of the example, the words "that would assist intended users' decision-making" needs to be replaced with "that would be relevant and complete" because the appropriate application of the criteria would lead to information that would assist intended users' decision-making. The same applies to the last paragraph, in which "would assist intended users' decision-making" should be replaced with "would be relevant and complete."

222. The assertion that the identification of reporting topics is a part of the EER reporting process is not in line with the definition thereof because the definition does not address the process for developing suitable criteria for identifying reporting topics.

223. We would like to point out that once having considered the suitability of the criteria for identifying reporting topics and then determined that the criteria were appropriately applied, there is no additional need for the practitioner to consider the reporting topics identified as a result of the application of the criteria other than to consider whether the results of these processes are reasonable. Consequently, the sentence should read. "The extent to which the practitioner considers the appropriateness of the entity's process to develop suitable criteria for the identification of reporting topics and to appropriately apply those criteria, may depend...". In the last sentence, there is no explanation as to why or how these processes may be an important consideration on whether the engagement has a rational purpose: one ought to be provided.

225. As pointed out in our general comments, the treatment of both the entity's process and the practitioner's considerations draw inappropriately on the concept of assisting intended users' decision-making, rather than drawing on the relevant characteristics of suitable criteria. In relation to the entity's process, the second box should refer to developing a list of reporting topics that may be relevant, complete and neutral. The box thereafter should state the entity considers factors that may be relevant, complete and neutral and establishes criteria. The following box should state that the criteria are applied to identify reporting topics (period). The second box with the practitioner's considerations (step 2) does not adequately reflect what the practitioner needs to do with the entity's process and the results of that as described above. In particular, the box should have the practitioner consider:

Whether the entity's process to identify purpose of the report, the intended users and the consideration of the framework was effective and whether the results of that process were reasonable

Whether the entity's process to develop a list of reporting topics that may be relevant, complete and neutral was effective and whether the list of reporting topics was reasonable

Whether the entity's process to consider the factors that may be relevant, complete and neutral and to establish the criteria was effective and determine whether the process resulted in suitable criteria

Whether the criteria to identify reporting topics were appropriately applied and consider the reasonableness of the results thereof.

These considerations then need to be reflected in the steps described in paragraphs 239 to 254 of the guidance. The final point made in the box on step 2 in identifying reporting topics (essentially whether the understandability of the EER report is appropriate, including presentation, such that relevant topics are not obscured by irrelevant ones) is not

really a consideration for the selection of reporting topics – it is a matter that relates to the consideration of the presentation of the report and really does not belong in this chapter. Furthermore, the narrative in the chapter thereafter does not deal with this issue.

228. Reference is made here to the identification of "material" reporting topics. While EER frameworks may use the term "materiality" in this way, the standard does not. We suggest that in line with the terminology used in the standard and to explain the connection to the terms often used in EER frameworks, reference is made to "to identify relevant reporting topics (which some EER frameworks refer to as "material reporting topics")". This would then lead in nicely to the use of the term "material" in the example box following.

233. We find the last sentence in this paragraph to be confusing – it is unclear to us what it means and how it relates to the distinction between stakeholders and intended users.

234. An EER report may also have just one group of intended users. This should also be added.

236. In line with our comments above on the use of "assists decision-making", we suggest that the phrase after the semi-colon be changed to read: "something that is relevant to one group of intended users may not be so to another".

239. As noted in our comments to paragraph 225 of the guidance, there is a disconnect between step 2 as described in the box under practitioner's considerations, where the practitioner considers the effectiveness of the process, and this and the following paragraphs to paragraph 254 of the guidance, which focus almost solely on the outcome of the process. This would be exacerbated if our proposals for

paragraph 225 of the guidance were to be taken up. Our comments following on these paragraphs deal with the technical issues we have identified in those paragraphs – not with the additional redrafting needed to have them appropriately deal with the process as described – or ought to be described in paragraph 225 of the guidance.

In line with our comments above, we suggest that “assist intended users’ decision-making” be replaced with “are relevant”.

240. This paragraph essentially just repeats the “definition” of relevance as a characteristic of suitable criteria and then adds “purpose of the EER report” without further explanation. This can only add to the confusion of readers of this paragraph. In our view, this paragraph can therefore be deleted.

241. In line with our comments above, we suggest that “assist decision-making by intended users” be replaced with “be relevant”.

244. In line with our comments above, we suggest that “assist intended users’ decision-making” be replaced with “be relevant”.

246. In (a), there needs to be an “or” after the comma within the parentheses. It seems to us that the term “irreversible” in (e) is unclear (what is the time period under consideration for irreversibility?) – we suggest it be deleted.

248. In line with our comments above, we suggest that the part of the first sentence beginning with “in terms of their” to the end be replaced with “in terms of their relevance or ‘impact’ as a proxy for relevance, if they were to exist or occur”. In the following sentence “assist intended users’ decision making” would be replaced with “be relevant”. In (a) we suggest the word virtually be inserted in between “is” and “certain”, since nothing is completely certain.

249. In line with our comments above, “interest to intended users” can be replaced with “relevance”. In the example box thereafter, “assist decision-making by intended users can be replaced with “relevant”. It is unclear to us how for a three-year investment time horizon, an event that is five years out could be “priced into” the investment and hence be relevant.

251. As of this paragraph, the guidance jumps to consideration of the suitability of the criteria without having dealt with 1. whether the practitioner’s consideration of entity’s process to develop a list of reporting topics that may be relevant, complete and neutral was effective and whether the list of reporting topics was reasonable, and 2. consideration of whether the entity’s process to consider the factors that may be relevant, complete and neutral and to establish the criteria was effective. These appear to be missing.

252. In the first paragraph in the box following this paragraph, the words “assists intended users’ decision-making should be replaced with “is relevant”. The second paragraph in the box is a matter related to the understandability of the EER report – not the relevance and completeness of the criteria as described in the introductory sentence of paragraph 252 of the guidance. Furthermore, the paragraph does not deal with whether the criteria are understandable as “defined” in the standard, but deals with how the reporting topics have actually been included in the EER report so that they are not obscured by irrelevant information (the words “irrelevant information should replace the words “information that does not assist users’ decision-making” anyways). Unless this is somehow clearly related to the application of the understandability characteristic of suitable criteria, this issue is something that ought to be dealt with towards the end of the engagement – not when considering reporting topics and therefore should not be dealt with in this chapter of the guidance.

253. This paragraph appears to jump directly to considering the actual reporting topics included or excluded and does not deal with the practitioner’s consideration of whether the criteria to identify reporting topics were appropriately applied first, which should be done prior to considering the reasonableness of the results of that process.

254. By stating “it may be appropriate not just to consider the suitability of criteria, this paragraph appears to suggest that the suitable criteria cannot include the consideration of reporting topics that are relevant only when taken together with other reporting topics. We believe that suitable criteria can do this. Throughout this paragraph and in the following box, “assist user(s) decision-making” or “assist decision-making by users” can be replaced with “are relevant” (in the paragraph) or “be relevant” (in the box).

255. If the disclosure of the process used to develop the criteria is important for users’ understanding of the criteria

and of what has been included in the EER report and what has been left out, then it would not be appropriate for this information to be outside of the EER report. This should be distinguished from situations where such information is only “helpful”.

#### **NZAASB - New Zealand Auditing and Assurance Standards Board**

In New Zealand preparers are grappling with the vast number of EER frameworks which raises the challenge of identifying what topics to report on and then how to report on those topics. This is the necessary first step, prior to any assurance being sought. Preparers need this type of information as much as practitioners do. If the entity is not ready for assurance, it may be that the practitioner can assist with other services, as explored in paragraph 107.

These options however are buried too deep in the guidance and would more usefully be positioned up front and considered before, not within, the assurance process.

The NZAuASB is supportive of the terminology “the entity’s process to identify reporting topics” in lieu of the entity’s “materiality process”. We consider that it is in the public interest to use a different term to avoid unnecessary confusion with the way in which assurance practitioners think about the term “materiality”. This new language was also broadly supported by the stakeholders we engaged with.

The NZAuASB considers that the language used in this chapter remains overly complex and confusing, especially when referring to the “entity’s development of criteria to identify reporting topics”. Stakeholders also raised this as confusing, highlighting confusion in the examples in paragraph 221, which seem to mix criteria around reporting topics (including relevance to stakeholders and material risks with more specific indicators in example 2). We consider that this is better articulated in the covering memo, where it is clearer that the process to identify reporting topics may be needed where the EER framework in itself does not result in suitable criteria i.e. the “process to identify reporting topics” is how the preparer goes about developing the criteria further. The idea that all of these layers form part of the criteria may assist. We found the use of “criteria to identify reporting topics” confusing as it is unclear how the process differs from the criteria. It implies that there is a need for “separate” criteria to identify reporting topics where we understand that this is only one part of whether the criteria are suitable.

We think this concept is described clearly in the first sentence of paragraph 220 but encourage the IAASB to consider a different way to describe the “criteria to identify reporting topics” in the last sentence. E.g.

paragraph 220 “In undertaking a process to identify reporting topics, the preparer is effectively extending or developing, and then applying, the criteria for identifying reporting topics ... “

Paragraphs 217 and 221 refer to the practitioner considering “their appropriateness”. The practitioner is required to determine the “suitability” of criteria. It is unclear how “appropriateness” differs from “suitability” and/or how a practitioner would consider the criteria’s “appropriateness”. “Appropriateness” seems to be used in relation to the judgements made by the preparer. If the practitioner is using the same factors to consider appropriateness as they would to determine suitability, we recommend using the same term. If not, we urge the IAASB to add guidance on how a practitioner would consider appropriateness, where it relates to the criteria. The NZAuASB considers that the examples in this chapter will be extremely helpful in practice. It is unclear what the practitioner would do where the preparer has not undertaken a process to identify the reporting topics as this is where the assurance process starts. Paragraph 222 appears to draw a distinction between a limited assurance engagement and a reasonable assurance engagement. This gives rise to a question around suitable criteria. For all assurance engagements, a practitioner is required to determine that the criteria are suitable (as a precondition). We understand that there is no difference at the precondition stage between a limited and reasonable assurance engagement, but this paragraph implies that there is a difference when it gets to the planning phase. This goes to comments in our previous submission to the IAASB over the work effort required at the precondition stage to determine whether the preconditions are met. We suggest that the guidance needs to be clearer as to whether there is an expected difference in work effort between a limited assurance engagement and a reasonable assurance engagement to determine whether the criteria are suitable or not.

The need to better distinguish between reasonable and limited assurance engagements was also raised during outreach with our stakeholders.

### 3. Accounting Firms

#### DTT - Deloitte Touche Tohmatsu Limited

Overall, Chapter 6 seems to fairly outline issues practitioners might face in practice, without providing much help or guidance on how to solve these. This is perhaps not achievable in the draft guidance and should be resolved – as noted in our cover letter – by development of global high-quality, non-financial reporting standards.

Par. 226 finishes by saying 'the practitioner may need to consider whether this suggests the preconditions for an assurance engagement are not all present,' but provides no guidance as to how the practitioner might respond if they are not all present. To aid the practitioner in completing their work it would be desirable to refer to what the practitioner should do in this situation. We suggest adding a cross reference back to the section which deals with preconditions.

#### GTI - Grant Thornton International Ltd

In our opinion, this chapter would be better positioned earlier in the draft Guidance because it sets out the considerations made by the practitioner in determining whether the reporting topics on which the EER assurance engagement is to be performed have an appropriate purpose. As these are actions performed at the start of the engagement, it would seem logical that this would be placed before chapters 3-5.

We are also of the view this chapter would benefit from better clarity between the procedures that would be performed in a limited assurance engagement and those that would be performed in a reasonable assurance engagement. For example, in relation to the processes used to prepare the subject matter

information, the draft Guidance appears to be proposing the process only needs to be understood for a limited assurance engagement but the process and internal controls also need to be understood in a reasonable assurance engagement. It would be helpful if the draft Guidance was expanded to provide clarity on why it is important to understand controls in a reasonable assurance engagement, particularly in light of the fact that understanding the controls will have no impact on the extent of the testing required, i.e., the effect understanding controls may have on the nature and timing of the procedures to be performed.

To differentiate between the procedures and guidance provided for limited assurance engagements and that provided for reasonable assurance engagements, we recommend consideration be given to presenting the guidance in a similar manner to that in ISAE 3000 (Revised).

Further, we found Diagram 8 – Entity's Process to Identify Reporting Topics, to be confusing. It identifies two steps, step one is colour coded in yellow, step 2 is colour coded in green. There is then a set of boxes at the end of the diagram, colour coded in blue, which are not identified as a step. It is not clear whether the boxes highlighted in blue are meant to be additional steps. It is also not clear in the text where the content of the blue boxes is discussed.

#### **PwC - PriceWaterhouseCoopers**

Management remains responsible for determining what information is to be included in their reporting. While we understand that many EER frameworks are worded in such a way that leaves room for interpretation, it is important not to convey an impression that the assurance practitioner is capable of independently determining what should be reported. The practitioner may express views to the preparer that what is being reported may not appear appropriate or relevant, but guidance should not imply the practitioner is the arbiter on this point. Therefore, we find reference to how “effective” the entity’s materiality process was (Diagram 8) to be unhelpful - effectiveness is a subjective concept and we recommend removing this term. The key test should be whether the entity’s process identified the reporting topics that management had determined would assist users’ decision-making.

## **4. Public Sector Organizations**

#### **AGA - Office of the Auditor General Alberta**

Chapter 6 paragraph 243 includes considerations of interest in EER. It focuses mainly on private sector considerations. It would be useful to include some public sector considerations, e.g.:

changes to surplus/deficit

performance in key sectors such as health care – for example wait list times for major surgeries

performance on strategic priorities or key initiatives included in public business plans

#### **AGNZ - Auditor-General of New Zealand**

As noted earlier, a large part of this chapter should appear much earlier in the Guidance. Diagram 8 addresses the significant matter of assessing reporting bias in the EER, arguably, the most significant threat surrounding EER. Diagram 8 also provides an important overview of the assurance engagement. We recommend that this Chapter be moved to the beginning of the Guidance and draw a stronger connection with the other Chapters of the Guidance.

We also recommend reviewing the discussion on criteria in this Chapter as it seems to repeat the discussion in Chapter 4.

The content of Chapter 6 is also very technical (see paragraph 215), and we recommend that it be reviewed and re-written using simpler language.

## 5. Member Bodies and Other Professional Organizations

### ACCA-CAANZ - Chartered Accountants Australia and New Zealand and Association of Chartered Certified Accountants

As mentioned above, we appreciate that the term “materiality process,” has been renamed. However, the use of the term “criteria” in the context of identifying reporting topics (eg paragraphs 214, 219, 200, 221 and 240) may cause confusion. It is not clear how this relates to the requirement for the practitioner to determine the suitability of criteria.

### AICPA - The American Institute of Certified Public Accountants

Chapter 6 of the Guidance addresses situations in which an EER framework does not provide sufficiently detailed criteria for a preparer to make reliable judgments about which reporting topics should be included in the preparer's EER report. Paragraph 221 of Chapter 6 states, in part, that in evaluating the suitability of the criteria in these circumstances, the practitioner may need to consider the appropriateness of the judgments made by the preparer “in developing criteria to identify reporting topics.” We question the use of the phrase “developing criteria” when referring to the factors a preparer considers in determining the topics to be included in an entity's EER report. ISAE 3000 (Revised) consistently and exclusively uses the term criteria to refer to the benchmarks for measuring or evaluating the underlying subject matter.

We understand that the term “criteria” is used in this context in literature of the Global Reporting Initiative (GRI) and certain other organizations. However, we believe the terminology and definitions used in IAASB interpretive assurance literature should be the same as the terminology and definitions used in ISAE 3000 (Revised). Doing so enables the IAASB to build on its assurance standards and create a body of assurance literature that is consistent and meaningful. If the IAASB believes it is helpful to refer to alternative terminology used by the GRI or other organizations, that can be done parenthetically.

The first sentence of paragraph 214 of Chapter 6 states, “This Chapter provides guidance to the practitioner on considering an entity's process to identify reporting topics for inclusion in its EER report and the outputs of that process.” We are uncertain about the meaning of the word “outputs” in that sentence. If “outputs” is intended to mean the resulting EER information, then the word “outputs” is appropriate. If not, it might be helpful to provide examples of the outputs to help the reader better understand this concept.

### Assirevi

The topic of this Chapter is crucial in the process of preparing an EER (e.g. Sustainability Report or NFRD). In fact, the language is focused more on the role of the preparer and less on the role of the practitioner. Overall, this paragraph seems to fairly outline the issues that practitioners might face in practice, without however providing much help on how to solve them.

The last sentence in paragraph 226 states that “If the preparer has not undertaken an appropriate process to determine the contents of the EER Report, the practitioner may need to consider whether this suggests the preconditions for an assurance engagement are not all present”. This point is not sufficiently clear and detailed about what the practitioner should do in this situation, nor is this matter addressed in (nor linked to) Chapter 3, which deals with preconditions. In addition, this statement in the context of Chapter 6 may be misleading with respect to the extent of procedures that should be carried out before the acceptance of an

engagement – whether in relation to a limited assurance engagement, “considering the process used to prepare the subject matter information”, or in connection with a reasonable assurance engagement, “obtaining an understanding of internal control over the preparation of the subject matter information”. It is beneficial to point out that conducting extended procedures on the entity's process before the acceptance of the engagement, to identify reporting topics as part of the verification of the pre-conditions, may not be practically feasible; the Guidance should hopefully take this circumstance into account.

Paragraphs 244, 245 and 246 refer to the concept of impact, in a way similar to the “double materiality” concept described in the new consultation on the NFRD EU Directive, which requires that companies disclose not only how sustainability issues may affect the company, but also how the company affects society and the environment (this is the so-called “double materiality perspective”). These paragraphs should better clarify this concept.

Paragraph 250 does not seem to be clearly linked to either the preceding or the following paragraphs.

#### **CPAA - CPA Australia**

Differentiating limited and reasonable assurance engagements: Where reasonable assurance and limited assurance are discussed in the same paragraph, but require different procedures, we suggest presenting that guidance in a tabular format, much like the format used in ISAE 3000. Chapter 6 Paragraph 222 is a good example of where greater clarity would be achieved if the reasonable assurance and limited assurance guidance could be separately identified, as this paragraph contains sentences which combine the requirements for reasonable assurance and limited assurance with respect to internal controls and risk assessment.

Reporting topics: The first paragraph of Chapter 6 is confusing and may need to be redrafted in plain English or omitted. It discusses criteria at length, but we are not sure that it is necessary to use the term criteria in this context. It is important that criteria are used for the measurement or evaluation of the subject matter and it may cause confusion to use this term for identification of the reporting topics.

We suggest that Chapter 6 incorporates an Integrated Reporting example to illustrate the selection of reporting topics by identifying which of the six <IR> capitals will be addressed in the report. Other examples of frameworks have been used to illustrate this process of identifying reporting topics, but as the <IR> framework is gaining traction, we consider that it is particularly relevant to illustrate.

#### **FAR - Institute for the Accountancy Profession in Sweden**

If applicable, it is not clear if the Assurer should review the materiality assessment made by the company, and if that is the case it is not clear if there is a difference between reasonable and limited.

Paragraph 252: FAR see an increased issue with reports increasing in content and in many instances, there are information that risk obscuring the material information. FAR believe that the challenge with balance and the responsibility of the assurer could be expanded to better guide the Assurer of what is expected.

#### **MIA - Malaysian Institute of Accountants**

Chapter 6: Considering the entity's process to identify reporting topics

Changing the term from “materiality process” to “process to identify reporting topics” is useful to avoid confusion with materiality.

Diagram 8 guides the practitioner to consider if the entity's process is effective in identifying reporting topics. As the term "effective" may be rather subjective, it would be better to assess if the entity's process identified reporting topics that management determined would assist the intended users' decision making.

### **SASB - Sustainability Accounting Standards Board**

There are two matters in the Guidance that we ask be addressed.

First, page 109 of the Guidance quotes a definition of materiality that is included in SASB's Conceptual Framework. As SASB's website states, SASB has received considerable feedback from investors and companies and is in the process of revising the Conceptual Framework, including the definition of materiality. The new definition, which will be included in a forthcoming proposed update to the Conceptual Framework (p.48), is as follows:

A topic is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions that users make on the basis of their assessments of financial performance and long-term enterprise value. SASB evaluates the financial materiality of sustainability factors by assessing whether a given factor is reasonably likely to affect the financial condition, operating performance, or cash flows of companies within an industry. Assessments are based on evidence of financial impact and evidence of investor interest.

Although this new definition will not lead to changes in SASB's approach and analysis of materiality, the definition better aligns with IASB's definition of what is material, per Amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

### **SVI - Social Value International**

In relation to Q1 and the challenges for practitioners we just have the following two comments regarding the sections on 'Intended users' and 'Considering Impact' Paragraphs 232-255:

Paragraph 233: The guidance recognises the challenge in impact where those affected are often not intended users. The proposed solution is that their interests can be taken into account by other parties who are intended users. SVI would propose two alternatives in order of preference; a) That the assurance process is designed as if they were intended users; b) That it is recommended that one of the intended users acts in their interests.

Paragraph 250: The guidance recognises the challenge of identifying impact and the need for open dialogue with stakeholders. Social impacts are often intangible aspects of wellbeing and this requires careful attention and dialogue with stakeholders. This is an area SVI has expertise in and would be keen to share experiences.

## **06.1.4 Q1 - Other comments and recommendations**

### **3. Accounting Firms**

#### **EYG - Ernst & Young Global Limited**

EER Guidance Chapter 6 paragraph 217 contains the phrase "when both the intended users and their information needs may be diverse or difficult to communicate with". We recommend clarifying this phrase as information needs cannot be difficult to communicate with.

## **06.1.5 Q1 - Comments on Diagram 8**

### **2. National Auditing Standard Setters**

#### **AUASB - Australian Auditing and Assurance Standards Board**

As already highlighted, the AUASB's stakeholders unanimously found this chapter useful in setting the context for EER assurance, with Diagram 8 reinforcing the connectivity between the assurance practitioner and the preparer's roles.

The AUASB and our stakeholders agree that Chapter 6, together with Diagram 8, is a most useful starting point to assist users to navigate the guidance and undertake a deeper dive into other relevant chapters, as appropriate.

#### **NZAASB - New Zealand Auditing and Assurance Standards Board**

In our experience, Diagram 8 was the most useful diagram to start to engage with the guidance. We introduced the guidance at our outreach using this diagram to more effectively engage with the broader stakeholder group, for all stakeholders to understand the roadmap and demonstrate the key role of the preparer in getting ready for an assurance engagement.

If the entity is not ready for assurance, it may

be that the practitioner can assist with other services, as explored in paragraph 107. These options however are buried too deep in the guidance and would more usefully be positioned up front and considered before not within the assurance process.

In our experience, Diagram 8 is a key diagram. During our outreach, we introduced the guidance using this diagram to more effectively engage with a broader stakeholder group, for all stakeholders to understand the roadmap and demonstrate the key role of the preparer in getting ready for an assurance engagement.

### **3. Accounting Firms**

#### **GTI - Grant Thornton International Ltd**

Further, we found Diagram 8 – Entity's Process to Identify Reporting Topics, to be confusing. It identifies two steps, step one is colour coded in yellow, step 2 is colour coded in green. There is then a set of boxes at the end of the diagram, colour coded in blue, which are not identified as a step. It is not clear whether the boxes highlighted in blue are meant to be additional steps. It is also not clear in the text where the content of the blue boxes is discussed.

#### **RSMI - RSM International Limited**

The diagrams used are clear and the examples used are useful.

### **4. Public Sector Organizations**

#### **AGNZ - Auditor-General of New Zealand**

Diagram 8 addresses the significant matter of assessing reporting bias in the EER, arguably, the most significant threat surrounding EER. Diagram 8 also provides an important overview of the assurance engagement.

## 5. Member Bodies and Other Professional Organizations

### CPAA - CPA Australia

Diagram 8 is not clearly mapped to the Guidance and does not seem to follow the suggested process in Chapter 6. As explained above, we do not consider using the term “criteria” is useful in this context as criteria are used to measure or evaluate the EER information itself. The identification of reporting topics relates to the engagement having a rational purpose and the EER information not being misleading due to selective use of reporting topics, rather than identification of suitable criteria. The diagram includes “develop list of reporting topics that may potentially assist intended users’ decision-making”, which seems to be a pre-emptive step that could be removed, as consideration of the user needs should come first. The diagram introduces the idea that criteria for identifying reporting topics need to be available to users without explaining this anywhere else in the Guidance. We consider this is taking criteria out of context and the part of the diagram on “make criteria available” should be removed. In addition, the diagram requires a legend to explain the colour coding.

Diagrams: The diagrams need to be reviewed to ensure that they clearly convey the information intended and provide an aid to communication of the Guidance. Specifically, we consider that diagrams 5 and 8 could be simplified or restructured and diagram 7 could reflect the COSO internal controls framework.

### 06.1.6 Q1 - Comments on Diagram 9

## 3. Accounting Firms

### RSMI - RSM International Limited

The diagrams used are clear and the examples used are useful.

### 06.1.7 Q1 - No comment

## 2. National Auditing Standard Setters

### HKICPA - Hong Kong Institute of Certified Public Accountants

No comment

### JICPA - Japanese Institute of Certified Public Accountants

No comment

## 3. Accounting Firms

### KPMG - KPMG Network

No comments on chapter

## 5. Member Bodies and Other Professional Organizations

### AE - Accountancy Europe

No comment

#### **BRLF - Australian Business Reporting Leaders Forum**

No comment on Questions 1 and 2 on a chapter by chapter basis

#### **FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas**

No comment on chapter

#### **ICAS - Institute of Chartered Accountants Scotland**

No comments on a chapter-by-chapter basis

#### **IIA - Institute of Internal Auditors**

No responses to Question 1 or Question 2 on a chapter by chapter basis

#### **IIRC - International Integrated Reporting Council**

No response to Question 1 and Question 2 on a chapter by chapter basis

#### **ISCA - Institute of Singapore Chartered Accountants**

No comment on chapter

#### **MICPA - Malaysian Institute of Certified Public Accountants**

No comment for this chapter

### **6. Academics**

#### **DEAKIN - Deakin University Integrated Reporting Centre**

No comment on Question 1 or 2 on a chapter by chapter by chapter basis.

No comment on Introduction.

### **Question 2: Is the draft Guidance structured in a way that is easy to understand**

#### **06.2.1 Q2 - The Guidance is structured in a way that is easy to understand**

##### **2. National Auditing Standard Setters**

###### **IDW - Institut der Wirtschaftsprüfer**

With one exception we believe that the guidance is structured in a way that is easy for practitioners to understand and use.

##### **3. Accounting Firms**

###### **CG - Crowe Global**

The draft Guidance is structured in a way that is easy for practitioners to understand and use. The structure is logical, and the order of chapters makes sense.

### **EYG - Ernst & Young Global Limited**

Although the EER Guidance is long, we believe that the structure works well. The structure appears logical, flows well, and the use of diagrams and examples is helpful.

### **KPMG - KPMG Network**

We believe the document is structured in a clear and helpful way, with distinct chapters and additional material in Supplements A and B for ease of use. With the exception of our recommendations below regarding smart technology, we do not suggest other modifications as to structure and layout, such as further grouping together of particular chapters into sections.

### **RSMI - RSM International Limited**

The draft guidance is easy to understand and the form and structure as suggested in paragraph 18 are appropriate. The diagrams are generally well presented. The guidance is, though, very long and this may deter practitioners from using it.

## **5. Member Bodies and Other Professional Organizations**

### **BICA - Botswana Institute of Chartered Accountants**

The draft Guidance is structured in a way that is easy for practitioners to understand and use during EER assurance engagements.

### **FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas**

The structure as designed makes it easy to access and understand its content.

The volume achieved in development represents a difficulty that can be solved with the automatic relationship through links to other related regulations such as ISAE 3000 and related example

### **GRI - Global Reporting Initiative**

The consultation paper suggests some different ways of structuring or ordering the chapters, but the order in which they are currently given is satisfactory, in that they provide a sequential order of moving through the various stages of an assurance engagement.

### **IAAA - Inter-American Accounting Association**

Yes, the guide draft is structured in a way that is easy to understand and, we are certain, that once the professionals become familiar with its use, it will be user-friendly. In our opinion the document is excellent; especially the examples and diagrams will help a lot in its application and for a proper understanding of the purpose of the guide.

### **ICPAR - Institute of Certified Public Accountants of Rwanda**

Yes. We agree that the draft Guidance is structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements.

### **ICPAU - Institute of Certified Public Accountants of Uganda**

ICPAU believes that the draft Guidance is structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements. The structure addresses specific issues per chapter and this will make it easy for practitioners to quickly navigate through the Guidance to the exact information they require as they perform the EER Assurance engagements.

### **MICPA - Malaysian Institute of Certified Public Accountants**

The structure is clear for practitioners to understand and use in performing EER assurance engagement

### **SAICA - South African Institute of Chartered Accountants**

The Draft Guidance is written in a manner that is easily understandable and consistent with ISAE 3000 (Revised). We believe that it will be of great use to EER assurance engagement providers, irrespective of their experience in performing EER assurance engagements. The IAASB has made exemplary use of diagrams and short examples to elaborate on the principles contained in the Draft Guidance.

### **SVI - Social Value International**

The guidance is structured in a way that is easy for practitioners to understand and use

## **06.2.2 Q2 - The Guidance is not structured in a way that is easy to understand**

None

## **06.2.3 Q2 - Mixed views on the structure of the Guidance**

### **1. Investors and Analysts**

#### **ICGN - International Corporate Governance Network**

The draft Guidance is well structured. The structure of the discussion of “What” is addressed in the chapter, “Why” they are relevant and “How” to overcome the challenges for each chapter is clear and consistent across all chapters.

We, however, observe that while some in some chapters of the Guidance (Ch1, 3, 4, 5, 6, 8, 9), the relevant paragraphs of the Standards are listed right at the beginning, in the other chapters (Ch2, 7, 10) the reference to the Standard paragraphs are blended in the explanatory text. It would be helpful for users of the Guidance if all chapters consistently start with the reference to the relevant Standard’s paragraphs. Detailed reference to the Standards can still be kept in the discussion text of the chapters

### **2. National Auditing Standard Setters**

#### **AUASB - Australian Auditing and Assurance Standards Board**

Relocation of Chapter 6 Considering the Entity’s Process to identify Reporting Topics to the start: Our stakeholders unanimously found this chapter useful in setting the context for EER assurance, with Diagram 8 reinforcing the connectivity between the assurance practitioner and the preparer’s roles. The AUASB is of the view that the reporting entity needs to perform the necessary thinking on EER subject matter and consider other credibility enhancing steps before engaging an independent assurance practitioner to opine on its EER report. Hence, both EER preparers and assurance practitioners would utilise the content of

Chapter 6 prior to determining the assurance scope. With this in mind, the AUASB suggests that Chapter 6 would be better placed before Chapter 3: Determining Preconditions and Agreeing the Scope.

As already highlighted, the AUASB's stakeholders unanimously found this chapter useful in setting the context for EER assurance, with Diagram 8 reinforcing the connectivity between the assurance practitioner and the preparer's roles. The AUASB is of the view that the reporting entity needs to perform the necessary thinking on EER subject matter and consider other credibility enhancing steps before engaging an independent assurance practitioner to opine on its Report. Hence, both EER preparers and assurance practitioners will utilise the content of Chapter 6 prior to determining the assurance scope. With this in mind, the AUASB suggests that Chapter 6 would be better placed before Chapter 3: Determining Preconditions and Agreeing the Scope.

In practice, credibility is built up over time, requiring substantial process work by the preparer to engage with its stakeholders, collate feedback and develop data points and controls before seeking independent assurance. It is important that the reporting entity has performed the necessary thinking on the EER subject matter and considered and advanced other credibility enhancing steps prior to seeking to engage an independent practitioner to opine on the Report. Re-ordering Chapter 6 within the guidance document may help to overcome the real challenge that practitioners face, playing the role of educator to the preparer.

Relocation of Chapter 6 Considering the Entity's Process to identify Reporting Topics to the start: While our stakeholders unanimously found this chapter useful in setting the context for EER assurance, with diagram 8 reinforcing the connectivity between the assurance practitioner and the preparer's roles, concerns were consistently raised about the placement of this chapter. The AUASB is of the view that the reporting entity needs to perform the necessary thinking on EER subject matter and consider other credibility enhancing steps before engaging an independent assurance practitioner to opine on its EER report. Hence, both EER preparers and assurance practitioners would utilise the content of Chapter 6 prior to determining the assurance scope. With this in mind, the AUASB suggests that Chapter 6 would be better placed before Chapter 3: Determining Preconditions and Agreeing the Scope.

### **CAASB - Canadian Auditing and Assurance Standards Board**

We do not believe that Chapter 6 is easy for practitioners to understand and use. As indicated in our response to Chapter 6, question 1, we believe the scope is not clear and it is re-defining or misapplying well defined concepts used by practitioners today which will create significant confusion. We have made suggestions in response to question 1 on how to structure the content of this guidance, such as:

Being more explicit on the scope of this guidance, that Chapter 6 is only relevant for a specific scenario;

Replacing the term "criteria" with "the entities process to identify reporting topics"; and

Performing a careful review of the use of the terms "EER report" and "EER information" throughout the guidance.

As discussed in response to question 1, if Chapter 6 is retained as a separate chapter we also believe the content, redrafted as suggested in our response to question 1, should be placed before Chapter 4. Decisions about suitability of criteria (in the sense defined in ISAE 3000) are in practice made after decisions have been made by the preparer on the topics on which it will report, or whether entity developed criteria will be called for to create subject matter information for the topics to be reported.

The concept of completeness when identifying reporting topics is included in Chapter 6 but is located at paragraph 251 and the example in paragraph 254. It appears too late in the guidance. We suggest moving it nearer to the beginning of the Chapter, for example near paragraph 219.

We also believe that if the content of Chapter 6 remains as a separate chapter (although positioned before Chapter 4 as we suggest above), only high-level introductory guidance should be left in the guidance and the detailed steps, especially paragraphs 238 onwards, should be moved to an appendix or supplement of the guidance. We believe this content should be moved out of the main guidance because paragraphs 225-250, and Diagram 9, seem to focus on sustainability reporting which is only one type of EER. It reads like an introduction to sustainability reporting for practitioners with little or no subject matter competence.

We noted that the Global Sustainability Standards Board issued an Exposure Draft of their universal standards for comment until September 9, 2020. In it they are proposing a more focused approach to identifying material topics. This approach could have relevant information that could impact the content of this Chapter.

We found the ordering of Chapters did not follow the flow of an engagement as was suggested in the explanatory memorandum. The section that caused the most confusion on placement was Chapter 6. Decisions about the suitability of criteria (Chapter 4) are in practice made after the preparer has decided on the topics which it will report, or whether entity developed criteria are needed to create subject matter information for the reported topics (Chapter 6). Therefore, we believe Chapter 6 should appear before Chapter 4.

### **NZAASB - New Zealand Auditing and Assurance Standards Board**

In order to engage stakeholders with the content of the draft guidance, we found chapter 6, together with diagram 8, to be the most useful starting point to assist users to navigate the guidance and deeper dive into other relevant chapters as appropriate. Stakeholders agreed that this was a useful starting place, reflecting where both preparers and practitioners start the process from. We strongly recommend that Chapter 6 be moved to the front of the guidance. This chapter usefully sets out the context that is necessary in order to undertake assurance, reinforcing the preparer's role in preparing for assurance and that assurance is not the only solution in enhancing credibility, e.g. paragraph 107 highlights that assurance readiness work may be a more appropriate alternative. In practice credibility is built up over time, requiring lots of process work by the preparer to engage with its stakeholders, collate feedback and develop data points and controls before seeking independent assurance. The entity needs to have performed the necessary thinking on the EER subject matter and have considered and advanced other credibility enhancing steps within the entity first, before seeking to engage an independent practitioner to opine on the EER report. Re-ordering Chapter 6 may help to overcome the real challenge that practitioners face, playing the role of educator to the preparer.

## **3. Accounting Firms**

### **GTI - Grant Thornton International Ltd**

In our opinion, this chapter would be better positioned earlier in the draft Guidance because it sets out the considerations made by the practitioner in determining whether the reporting topics on which the EER assurance engagement is to be performed have an appropriate purpose. As these are actions performed at the start of the engagement, it would seem logical that this would be placed before chapters 3-5.

As noted above we recommend that chapter 6 is located earlier in the structure, but otherwise find this ordering of the topics to be very helpful.

#### **PwC - PriceWaterhouseCoopers**

Given the close relationship between the consideration of the purpose of the engagement, the intended users and the preconditions for the engagement, it may be more useful to locate Chapter 6 to follow Chapter 3. We believe this would also be useful in setting relevant context for Chapter 5 on consideration of the system of internal control. Guidance on the entity's process to identify reporting topics and what is to be reported will, to some extent, drive the consideration of the internal controls that are needed to identify, record, process and report the subject matter information.

### **4. Public Sector Organizations**

#### **AGNZ - Auditor-General of New Zealand**

re-ordering Chapters 3 to 6: Chapter 6 covers important content on the purpose of the EER report and the processes to identify the reporting topics and intended users, which we expected to be at the front of the Guidance, rather than the middle. Diagram 8 provided the clearest overview of the assurance engagement. We recommend that the content of Chapter 6 and Diagram 8 be moved forward in the Guidance, followed by Chapters 4 and 5; and

re-structuring the discussion on the suitability of criteria: Chapters 3, 4, and 6 all discuss the suitability of criteria, which results in duplication and confusion. We recommend that this material be more clearly structured in terms of what guidance is needed to make a preliminary assessment during the acceptance phase versus a more comprehensive assessment during the planning phase.

### **5. Member Bodies and Other Professional Organizations**

#### **ACCA-CAANZ - Chartered Accountants Australia and New Zealand and Association of Chartered Certified Accountants**

Much of Chapter 6 is applicable at the acceptance/continuance phase of the assurance engagement, therefore would be better placed earlier on in the Guidance.

#### **Assirevi**

Paragraphs 215 and the following often refer to “EER frameworks” as the source for guidance and instructions for the preparer. Moving from this perspective, the Chapter, even if quite long, appears nonetheless to be incomplete or to overlap different EER frameworks for practitioners. The first part of the paragraph (“EER frameworks commonly refer to such a process as a ‘materiality assessment’ or ‘materiality’”) clarifies the concept of materiality on the preparer's side. The remaining part of the paragraph (“However, the concepts of relevance and materiality are not the same, even though both refer to user decision-making. Relevance is considered in evaluating the suitability of criteria, whereas materiality is considered in the context of potential and identified misstatements of the subject matter information. Materiality is a threshold of significance to decision-making considered by the practitioner in relation to potential and identified misstatements, in the circumstances of the engagement. Applying the concept of materiality in that context is discussed in G.Ch9.”) refers to the concept of relevance and materiality on the practitioner's side. It would be therefore more appropriate to move this latter part of the paragraph to either

Chapter 4 (“Determining the Suitability and Availability of Criteria”) or Chapter 9 (“Considering the Materiality of Misstatements”).

#### **CPAA - CPA Australia**

Repositioning Chapter 6: Chapter 6 on the entity’s process to identify reporting topics is more closely aligned with Chapter 3 on determining the preconditions and agreeing the scope of the engagement. Therefore, it needs to be placed earlier in the Guidance. We suggest it be relocated immediately following Chapter 3, as it is fundamental to the conduct of the engagement and is a good introduction to Chapter 4 on criteria. We acknowledge that the Chapters in the Guidance cannot exactly sequentially follow the conduct of an engagement. Nevertheless, some approximation of the flow of the engagement should still be followed in the Guidance’s structure.

Repositioning Chapter 6: This Chapter would be better placed earlier in the Guidance. We suggest it should follow Chapter 3, as the process to identify reporting topics addressed in Chapter 6 is an essential part of satisfying the preconditions and agreeing the scope addressed in Chapter 3. Chapter 4 on the suitability of the criteria then logically follows the content in Chapter 6.

#### **06.2.4 Q2 - Other comments and recommendations**

None

#### **06.2.5 Q2 - No comment**

### **2. National Auditing Standard Setters**

#### **CNCC-CSOEC - Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l’Ordre des Experts-Comptables**

We do not have any specific comment on the question

#### **HKICPA - Hong Kong Institute of Certified Public Accountants**

No comment

#### **JICPA - Japanese Institute of Certified Public Accountants**

No comment

### **3. Accounting Firms**

#### **BDO - BDO International Limited**

No comments

#### **DTT - Deloitte Touche Tohmatsu Limited**

No comment on structure of chapter

### **4. Public Sector Organizations**

#### **AGA - Office of the Auditor General Alberta**

No comment

**AGSA - Auditor-General of South African**

No additional comments.

**GAO - United States Government Accountability Office**

GAO's

**5. Member Bodies and Other Professional Organizations**

**AE - Accountancy Europe**

No comment

**AICPA - The American Institute of Certified Public Accountants**

No comment on chapter

**BRLF - Australian Business Reporting Leaders Forum**

No comment on Questions 1 and 2 on a chapter by chapter basis

**FAR - Institute for the Accountancy Profession in Sweden**

No comment on structure

**ICAS - Institute of Chartered Accountants Scotland**

No comments on a chapter-by-chapter basis

**IIA - Institute of Internal Auditors**

No responses to Question 1 or Question 2 on a chapter by chapter basis

**IIRC - International Integrated Reporting Council**

No response to Question 1 and Question 2 on a chapter by chapter basis

**ISCA - Institute of Singapore Chartered Accountants**

No comment on chapter

**MIA - Malaysian Institute of Accountants**

No comment

**SASB - Sustainability Accounting Standards Board**

No comment on chapter

**6. Academics**

**DEAKIN - Deakin University Integrated Reporting Centre**

No comment on Question 1 or 2 on a chapter by chapter by chapter basis.

No comment on Introduction.