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Subject: Public consultation on Proposed Non-Authoritative Guidance Extended External Reporting (EER) Assurance

Dear Sir,

The Compagnie Nationale des Commissaires aux Comptes (CNCC) and the Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC) are pleased to provide you with their comments on the Proposed Non-Authoritative Guidance Extended External Reporting (EER) Assurance, hereafter the "Guidance".

The needs for **non-financial information (hereafter "NFI"), and more generally EER, are increasing** very substantially and very quickly, in particular, in demand from the stakeholders' and the investors' communities. The demand for better information from companies is driven partly by investors needing to better understand potential financial risks resulting from the sustainability issues faced, and partly by the demand for financial instruments that actively seek to address environmental and social challenges (such as green bonds for example).

However, as at today, it appears that the **NFI currently disclosed by companies does not adequately meet the needs of the intended users**. The following problems have been identified:

- There is inadequate publicly available information about how non-financial issues, and sustainability issues in particular, impact companies, and about how companies themselves impact society and the environment. In particular:
 - Reported NFI is not sufficiently comparable or reliable;
 - Companies do not report all NFI that users think is necessary, and many companies report information that users do not consider to be relevant;
 - Some companies from which investors and other users want NFI do not report such information;
 - It is hard for investors and other users to find NFI even when it is reported.
- Companies incur unnecessary and avoidable costs related to reporting NFI. Companies face uncertainty and complexity when deciding what NFI to report, and how and where to report such information. In Europe, in the case of some financial sector companies, this complexity may also arise from different disclosure requirements contained in different pieces of EU legislation. Companies are under pressure to respond to additional demands for NFI from sustainability rating agencies, data providers and civil society, irrespective of the information that they publish as a result of the European Non-financial Reporting Directive (NFRD).

Envoyer obligatoirement toute correspondance aux deux adresses ci-dessous :

We are convinced that the **development of non-financial reporting standards is necessary** to allow for more transparent, relevant, reliable and comparable NFI and we consider that the standard-setting should ideally be performed at an international level because it is important that the NFR requirements be the same for all entities operating globally, and because it is crucial to maintain a global level-playing field for listed companies.

Moreover, **external assurance is key to reliable NFI**. Our experience in France, with the statement on NFI (*Déclaration de Performance Extra-Financière – DPEF*) (“Statement”), demonstrates that wherever external assurance is provided, quality improves. We therefore consider that external control of NFI, and more globally EER, should be mandatory. We support that, internationally and in Europe in particular, the same assurance standards for NFI be used. Accordingly, we suggested in our response to the European Consultation Document Review of the NFRD that the EU endorse ISAE 3000 (Revised) – *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, which is the only reliable and relevant international assurance standard for NFI assurance available as of today. We also believe that the guidance issued in France by the Compagnie Nationale de Commissaires aux Comptes (CNCC) on providing assurance on NFI, which benefits from the strong experience from the French profession in verifying NFI, can be a useful reference.

Taking into account the contextual elements mentioned above, we fully **support the IAASB’s Non-Authoritative Guidance** to assist assurance practitioner in the application of ISAE 3000 (hereafter “the Standard”). We believe that it should help promote consistent high-quality application of the Standard in EER assurance, enhance trust in the resulting assurance reports, and lead to greater confidence in the credibility of EER reports so that they can be trusted and relied upon by their intended users.

However, we have concerns about the volume of the Guidance (109 pages). We identified several repetitions in the text that could be deleted.

On the other hand, certain clarifications (especially with regard the following concepts: criteria, materiality, reasonable and limited assurance and difference in the work effort between the two) and further examples (especially in terms of wording paragraphs of the assurance report) should be provided.

As far as the level of assurance is concerned, and due to the fact that practice may not be homogeneous in all countries and in particular that the level of work effort at which it is applied respectively is reasonable and limited assurance engagements may vary from country to country, we strongly recommend the creation of an international ESG observatory at IFAC level, which would include the preparers and the assurance providers, to identify and benchmark practices in terms of reported information and assurance provided (work effort, minimum number of hours requested, ...) similar to what the EFRAG lab is doing for corporate reporting information.

Responses to specific and general questions raised in the Public Consultation are set out below.

If you have any further questions about our views on these matters, please do not hesitate to contact us.

Yours faithfully,



Jean Bouquot
President of CNCC



Charles-René Tandé
President of CSOEC

Questions for respondents

Chapter 1: Applying Appropriate Competence and Capabilities

Question 1: *Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

1) Appropriate assurance competence and subject matter competence

Based on the challenges that arises in meeting the public interest on EER assurance engagements, we consider there is an increased need for a high level of assurance competence as well as extensive subject matter competence to be able to perform such engagements.

Paragraph 28 of the Guidance details the specific skills required:

- the application of professional skepticism and professional judgment;
- obtaining and evaluating evidence;
- understanding information systems and the role and limitations of internal control; and
- linking the consideration of materiality and engagement risks to the nature, timing and extent of procedures.

Accordingly, these skills involve far more than the application of subject matter competence.

We fully agree with the statement of this paragraph but, we consider that it should be further strengthened.

As a matter of fact, we consider that providing NFI or EER assurance services requires a very high level of education in, and practical experience with, a broad range of matter. These include environmental and human resources management processes and reporting, societal issues, but also corporate governance, risk management, audit process, and, to some extent, IT risks, accountancy, tax and financial matters because of the connectivity between financial and non-financial information. Assurance service providers must have a deep understanding of the sector, strategy, risks and opportunities, governance, economic, financial and reporting issues of the company.

Yet, if quality and environmental management certification skills are needed, providing assurance on information reported or disclosed is very different from certifying a management process (e.g. ISO9001, ISO14001, OHSAS18000...).

Assurance service providers have to be able to assess the business as a whole. Therefore, they must have a sufficient understanding of the reporting entity's sector, its strategy and governance as well as economic conditions in its operating environment. This understanding is key to be able to integrate opinions of other experts working on the engagement team and form a comprehensive opinion. The opinion will be formed based on evaluating the effectiveness of internal control and performing other procedures described in professional standards.

Professional practice is still evolving. It is important to involve experts to ensure a diverse skill base to deliver quality service and to meet business needs. The multidisciplinary model of most auditing firms is a reliable mechanism to develop skills and expertise, and the accountancy profession has a long-standing experience in involving experts with relevant expertise, may it be in environment, social, governance, risk matters or other key skills.

Finally, we believe that assurance will enhance the credibility of EER only if the assurance practitioner fulfils certain criteria, which are

- independence;
- compliance with a professional ethical framework;
- applying quality control procedures.

2) Situation when the entity has subsidiaries, divisions, branches or operational sites at a remote location or in a different jurisdiction

We consider that the Guidance should include the considerations similar to those of ISA 600 (proposed ISA 600 revised) relating to the component auditor to address the situation where entity has subsidiaries, divisions, branches or operational sites at a remote location

Moreover, concerning paragraph 44, we consider that the modal “may” in the following sentence “the practitioner may use the work of another practitioner to perform assurance procedures at that entity”, could be confusing. It could imply that the practitioner uses subcontracting. This might be dangerous in terms of responsibility for the practitioner. We therefore recommend that the paragraph be redrafted in the spirit of ISA 600. It could be for example: “When the entity has a subsidiary, division, branch or operational site at a remote location or in a different jurisdiction, the practitioner determines whether the work will be performed by the engagement team or a local practitioner on its behalf. The local practitioner is a part of the engagement team. The engagement partner remains responsible for the overall assurance conclusion and for the quality control of the engagement”.

Question 2: Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

We have no comment.

Chapter 2: Exercising Professional Skepticism and Professional Judgment

Question 1: Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

We fully agree with paragraph 59 which emphasizes “practical experience” and “job coaching” to be able to exercise professional judgment. This paragraph states that these two factors “may be particularly important in developing the ability to exercise professional judgment, including through the example set by engagement partners, and through more experienced engagement team members providing appropriate direction, supervision and review to less experienced members of the team”. We consider that this paragraph should be more affirmative by removing the modal “may”. As a matter of fact, in case of engagement team with low seniority, adequate tools, detailed work plan and appropriate supervision are essential to ensure a full exercise of professional judgement and professional skepticism.

Moreover, we consider that paragraph 59 should also emphasize the importance of documenting professional judgment, i.e. documentation of the work on which the professional judgment is based.

Question 2: Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

The diagram proposed in paragraph 55 sets out the behaviors/ skills supporting the exercise of professional skepticism and the impediments/other factors affecting exercise of professional skepticism. We consider that this diagram should be moved to the beginning of the chapter 2 since it gives an overview of the items that will be further developed in the Guidance. We also suggest that the diagram include references to the relevant paragraphs in the Guidance. This should improve the readability of the document.

Finally, we believe that 2 additional factors should be mentioned in the “impediments and other factors affecting exercise of professional skepticism”, i.e. the lack of transparency and the lack of availability imposed by management.

Chapter 3: Determining Preconditions and Agreeing the Scope

Question 1: Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

We have no specific point to report.

Question 2: Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

We have the following comments on the diagram of paragraph 69:

- The reference in the boxes relating to the Quality Management Considerations for Practitioner Firm should be ISQC¹ and not ISQC;
- We do not understand the place and the meaning of the boxes “SMI” and “Process to prepare SMI”;
- We do not understand the connection between the diagram and the rest of the document.

We recommend the IAASB to further clarify the diagram and its connections with the rest of the Guidance.

Chapter 4: Determining the Suitability and Availability of Criteria

Question 1: *Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

The concept of “criteria” and “suitable criteria” are part of preconditions for agreeing the scope of the EER assurance engagement and for planning it. However, the Guidance does not provide any practical information on what is called “criteria” in ISAE 3000.

As a matter of fact, in some cases, the first challenge of a practitioner is to determine what constitutes the criteria, as some information may be established without formal and unique protocol or identified guidelines. We therefore consider that the Guidance should state, between paragraphs 124 & 125 for instance, that:

- the criteria constitute the basis for preparation of the EER information, as are the accounting principles for the preparation of the financial statements;
- the criteria may be supported by multiple information or methodological precisions; for instance, some precisions presented in the methodological note disclosed together with the EER, some explanations within an internal reporting tool (e.g. precision on units or scope within an Excel sheet...) or within an internal policy;
- the criteria may not be a single document even if getting a unique or few protocols or guidelines by issues (Environment, HR...) may be a good practice;
- the issuer should clearly identify and formalize what elements constitute the criteria;
- the differences between the concept of “criteria” and other concepts such as “methodological note” or “entity’s procedures”.

In other cases, some information, especially qualitative or future-oriented, may not need any criteria to be established. Or it could be considered that the criteria are part of the EER information itself and is assessed in the same time (e.g. number of Committee meetings during the year...). The Guidance could state, for instance after paragraph 131 that:

- this kind of situation should be limited to some specific information and mention which ones;
- the relevant information should be assessed with the same 5 characteristics than the criteria, i.e. relevance, completeness, reliability, neutrality and understandability.

Considering Neutrality (paragraph 155 and after), the Guidance could also address the question of the graphic presentation of some information, as performance indicators (charts, diagrams, index, comparisons...). Issuers could use some significant bias to modify the perception of the performance even if the underlying calculation methodology could be assessed as neutral (e.g. starting a graph at 100, to present a performance going from 100 to 105 to emphasize the difference between both values; or compare the company’s performance with an incomparable universe).

Concerning the Availability (paragraph 179 to 184), the Guidance consider the criteria as a whole. It should rather mention which minimum information should be available, especially as aspects concerning the internal organization, governance or responsibilities are sometimes considered as confidential and may not be useful for intended users. Yet, it could be specified that some part of the criteria concerning the definition, the scope of reporting and the key methodological aspects (estimations, methodological changes over years...) should be disclosed with the EER report or, as stated in paragraph 182, outside the EER report (e.g. website).

Question 2: *Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

Concerning the use of examples within the “characteristics of suitable criteria” parts (paragraphs 141 to 160), there are very helpful and useful for practitioners. However, we encourage the IAASB to also provide examples for the criteria Completeness (paragraph 149) and Understandability (paragraph 158).

Chapter 5: Considering the System of Internal Control

Question 1: *Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

The aim of chapter 5 is to provide guidance to the practitioner that is relevant during the planning stage of an EER assurance engagement, in understanding an entity's system of internal control relevant to the preparation of the subject matter information.

We have the following concerns regarding the content of chapter 5:

- The Guidance does not address the case where the entity has ineffective internal control and the potential impacts on the work effort in both cases (limited and reasonable assurance engagement). We believe that the Guidance should tackle this issue, especially in paragraphs 211 and 212. The Guidance should also mention that analytical reviews performed by entities on EER information and explanations provided are part of the elements of internal control;
- The guidance does not address the case of groups. It should explain that a good practice is to perform initially the evaluation of the operating effectiveness of internal control at corporate level and then at the level of consolidation sub-levels;
- Paragraph 201 addresses the case where the EER reporting process involves the use of IT to collect or process data and information, without providing any details on the nature of work that can be done depending on the complexity of IT tools and the level of assurance required. We consider that further guidance should be provided on this issue.

Finally, we regret that the Guidance does not address the matter of SMEs. Such entities are also concerned by EER. Internal control in such entities may be less complex, less structured and less documented than in larger entities. We therefore believe that the IAASB should tackle this issue and explain the potential impacts on the work effort of practitioner, i.e. more tests of details and a higher coverage rate of the information, sites, entity's activities tested.

Question 2: *Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

We do not understand the positioning of the paragraph 187 (preconditions for an assurance engagement) within chapter 5 (considering the system of internal control). We therefore believe that the paragraph 187 should be deleted.

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

Question 1: *Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

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.

Question 2: *Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

We do not have any specific comment on the question.

Chapter 7: Using Assertions

Question 1: Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

Chapter 7 provides guidance on how assertions may be used by a practitioner as a tool to consider the different types of potential misstatements that may occur in the subject matter information, and to assist the practitioner in designing assurance procedures to obtain evidence about whether the subject matter information has been prepared in accordance with the criteria, or whether it is misstated.

We consider that, in the context of EER information, “relevance” could be added as an assertion, i.e. relevance of the suitable criteria and the information provided.

Question 2: Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

We have no specific point to report on that question.

Chapter 8: Obtaining Evidence

Question 1: Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

The aim of Chapter 8 is to provide guidance on the requirements of the Standard to obtain evidence, and on determining how much evidence is enough in both limited and reasonable assurance engagements.

We consider that the Guidance should further detail the work effort to be performed in case of a limited assurance engagement and in case of a reasonable assurance engagement. A comparison with the context of financial reporting could also be made.

First of all, the following points could be reminded:

- As far as financial reporting is concerned:
 - In a reasonable assurance engagement, the assurance service provider obtains sufficient appropriate evidence to reduce the risk of a material misstatement of the subject matter information to an acceptably low level. The work effort in this type of engagement entails extensive procedures that include consideration of the reporting entity's controls, and substantive testing. Reasonable assurance is the same type of assurance as the one required in an audit of financial statements where the auditor expresses a positive opinion on whether the financial statements give a true and fair view in accordance with the applicable reporting framework.
 - In a limited assurance engagement, the work effort is not equivalent: the assurance service provider performs different and fewer tests than those required in a reasonable assurance engagement. A limited assurance engagement primarily focuses on inquiry, observation and analytical procedures, although it also involves a level of substantive testing over metrics. Limited assurance is the type of engagement where the practitioner expresses a negative opinion on the fact that, based on the procedures performed and evidence obtained, nothing has come to their attention that the subject matter information is materially misstated.
- As far as non-financial reporting is concerned, we consider that the main difference between limited and reasonable assurance is the depth number of tests of detail performed (coverage rates and rotation in site selection, KPIs) and not the nature of procedures performed as it can be the case in the context of financial information. Based on practitioner's experience, the coverage rate generally expected to express a limited assurance is about 20% on information considered important versus 50% in case of reasonable assurance. This rate is to be fine-tuned according to the entity's activities, its organization, its risk profile and the professional judgment of the practitioner. As a matter of fact, EER is a juxtaposition of information, prepared with potentially few internal controls and no specific rules such as double-entry, contrary to what it is for financial reporting. This is why procedures to be performed cannot be limited to interviews and analytical procedures (as it is the case for a review of financial information) but must systematically include tests of details even in a limited assurance engagement.

We believe it fundamental that the guidance should clearly specify this matter.

Concerning EER assurance engagements, France benefits from a long experience, especially in terms of verification of NFI (statement on NFI (*Déclaration de Performance Extra-Financière* – DPEF) that can be a useful reference. As a matter of fact, for many years now, France has understood the benefits of NFR and made compulsory, for certain large undertakings and groups, assurance engagements on the Statement on NFI (*Déclaration de Performance Extra-Financière* – DPEF) ("Statement") by an independent third party, who is, in most cases, the statutory auditor of the entity. Based on the work performed, the practitioner provides a report expressing a limited assurance on:

- The compliance of the DPEF with the requirements of the French law;
- The fairness of the information provided regarding the outcomes (including key performance indicators) and the measures implemented on the main risks.

In his/her report, the practitioner concludes whether, based on the procedures performed, nothing has come to his/her attention that causes him/her to believe that the NFI Statement is not presented in accordance with the applicable regulatory requirements and that the NFI Statement, taken as a whole, is not presented fairly in accordance with the entity's procedures, in all material respects (i.e. "negative assurance" is provided).

To express such a limited assurance conclusion on the NFI Statement, the procedures to perform consist in:

- obtaining an understanding of the entity's activity and the description of the main risks associated;
- assessing the suitability of the criteria of the entity's procedures to prepare the NFI Statement, with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- verifying that the NFI Statement includes each category of information required by the French law, i.e. social and environmental information, as well as, when applicable, information regarding compliance with human rights, anti-corruption and tax avoidance legislation, and provide information requested by the French regulation;
- verifying that the NFI Statement presents the business model and a description of the main risks associated with the entity's activity, including where relevant and appropriate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including KPIs associated to the main risks;
- referring to documentary sources and conducting interviews to
 - assess the process used to identify and confirm the main risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the main risks and the policies presented, and
 - corroborate the qualitative information (measures and outcomes) that the auditor considered to be the most important;
- obtaining an understanding of internal control and risk management procedures the entity has put in place and assessing the data collection process to ensure the completeness and fairness of the information;
- for the KPIs and other quantitative outcomes that the auditor considered to be the most important and presented in Appendix (list of quantitative information: KPIs, outcomes), implementing:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
 - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work is carried out on a selection of contributing entities (to be detailed and covers between X% and Y% of the consolidated data relating to the key performance indicators and outcomes selected for these tests);
- assessing the overall consistency of the NFI Statement based on the auditor's knowledge of the entity.

The French guidance, i.e. Avis technique Intervention du commissaire aux comptes – *Intervention de l'OTI – DPEF*, is available at <https://doc.cncc.fr/docs/avis-technique-intervention-du-c-5e3051e03aa25?q=avis%20technique%20OTI>

We believe that the French guidance could be a useful reference for the IAASB.

Question 2: *Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

We have no specific point to report.

Chapter 9: Considering the Materiality of Misstatements

Question 1: *Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

Concerning materiality thresholds, paragraph 306 states that practitioners often use percentage, which is the common practice, especially when the assurance is provided on quantitative information (e.g. number of training hours or water consumption). Thus, the evaluation of the materiality of a misstatement has also to be done taking into account the use of the information by the intended users and a possible consequence of a misstatement of the information (e.g. misstatements that have impact on the covenants). We fully support paragraph 322 which really provides added value to the practitioners, especially paragraph 322 e).

Indeed, some performance indicators may be used for allocating bonuses or may imply contractual consequences (e.g. covenants) if some given level of performance is reached or not, as clearly illustrated in example 322 e).

In this context of paragraph 322 to 324, the Guidance should emphasize the very important role of the practitioner and its professional judgement to determine for each specific situation the appropriate level of materiality threshold and clearly state, as opposed to common guidelines, the acceptable percentage of misstatement (e.g. 2%, 5% or more) or a unique approach for all the information and indicators of a same EER report. A comparative analysis with the financial reporting could also be made, for example in the Supplements.

We have a concern with the supplements. These are quite long documents (47 pages for the supplement A and 57 pages for the supplement B). We do not understand the nature of their interconnection with the Guidance. For example, supplement A contains 19 paragraphs that deal with materiality. We consider that for such a significant issue, all Guidance should be concentrated in one document only, i.e. in the proposed non-authoritative guidance.

Finally, paragraph 330 (e) deals with the practitioner's considerations of materiality and specifically "whether those considerations are in the context of the whole report or less than the whole report, and whether they are in respect of qualitative or quantitative subject matter information". We consider that further explanation should be provided to clarify what are the considerations to take into account in each case

Question 2: *Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

The graph before paragraph 304 (diagram 10) is very clear and useful. In the situation where a material misstatement is corrected, there is a "no further action" needed. We agree with that.

However, this does not preclude the practitioner to draft comments or recommendations within their assurance report or within the management letter. This possibility could be added in this chapter. It is a common practice in France.

The very important paragraph 322 could be highlighted and placed before the section starting at 310. (Accumulating Misstatements).

Chapter 10: Preparing the Assurance Report

Question 1: Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

We welcome the content of chapter 10. However, we have the following comments:

- The chapter appears a bit confusing. The chapter should be further streamlined;
- As already mentioned, differences between limited and reasonable assurance should be explained, both at the level of the concept itself but also in terms of work effort;
- Concerning the assurance report, paragraph 334 states that « although the Standard specifies basic elements that are required to be included in assurance reports at a minimum, it does not require a standardized format for assurance report”. Even if we support this statement, we consider that the Guidance should provide examples of standard paragraphs, such as responsibility paragraphs, ... Moreover, we do not understand the paragraph 335 that mention an “assurance conclusion expressed in a binary manner”. Although we understand that it probably refers to the binary pass/fail model of the audit opinion, we believe the concept of “binary manner” should be further explained;
- Paragraph 337 (a) deals with a key consideration for the practitioner, i.e. who the assurance report is intended for and for what purposes. We consider that an example should be provided to explicit this matter;
- Paragraphs 341 and 342 refer to two concepts, i.e. “addressee” and “intended users”.
We consider that these concepts should be further clarified. In our point of view, the addressee should be the legal representative of the entity and not the stakeholders as mentioned in paragraph 342. Stakeholders are indented users.
Paragraph 341 should be completed as follows: “An addressee identifies to whom the assurance report is directed. This may be done, for example, by referring to the intended users, “the shareholders and Board of directors” in the title of the assurance report or in the body of the report;
- Paragraph 343 (b) deals with the identification of the subject matter information and, when appropriate, the underlying subject matter in the assurance report, making it clear what has been assured, and linking the output of the engagement to the scope of the engagement. We consider that the Guidance should provide examples of how this can be done (tick marks, reference to the paragraph of the document, ...). The term of “output of the engagement” is not clear enough and should be further clarified;
- Paragraph 344 deals with the information provided in the assurance report, especially an indication of the differences between a limited and a reasonable assurance engagement. As mentioned here below, the difference is a question of coverage rate and not a question of nature of procedures performed. However, we believe that such practices may not be homogeneous in all countries. This is why we strongly recommend the creation of an international ESG observatory at IFAC level, which would include the preparers and the assurance providers, to identify and benchmark practices in terms of reported information and assurance provided (work effort, minimum number of hours requested, ...) similar to what the EFRAG lab is doing for corporate reporting information ;
- Second sentence of paragraph 345 appears long and difficult to understand. It should be useful to provide an example, e.g. “we believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures”. Moreover, example for a reasonable assurance engagement should be provided. We only have an example for a limited assurance engagement.
- Paragraph 346: an example should be provided to illustrate paragraph 346 (clear identification of both the information subject to assurance as well as the excluded information);

- Paragraph 359
This paragraph relates to inherent limitations. We consider that further development should be made to explain the differences between inherent limitations and limitations imposed by the circumstances or by management;
- Paragraph 362 deals with the statement to identify the responsible parties. Example given in paragraph 362 details the types the responsibilities of the directors. However, we consider that the following responsibility is missing “designing, implementing and maintaining the internal control relevant to the preparation of a statement that is free from material misstatement, whether due to fraud or error.”
- Examples of paragraphs 365 and 366. We consider that the double reference (ISAE 3000 and ISAE 3410) is not appropriate. Only ISAE 3000 should be mentioned. In case of specific standards, we do not mention in the report all the specific standards. Only the principal one is referred.

Finally, we totally disagree with the considerations developed in paragraph 375 that it is appropriate to include in a long form report information about materiality. We consider that the EER is not mature enough to promote such a practice.

Question 2: Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

We have the following comments:

- Paragraph 349 deals with the identification of the applicable criteria in the assurance report
 - reference to G.352 and 353 should be added to the existing one (S.A51);
 - For a better readability, we consider that each of the 3 examples should be framed individually.
 - We do not understand the sentence in italics: “the absence of a significant body of established practice on which to draw to evaluate and measure the subject matter information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time”. It should be deleted or clarified;
 - Example C of paragraph 349 deals with the case when the entity has selected criteria from one or more frameworks and has developed its own criteria. Hybrid framework is very common in practice. We consider that the criteria should be disclosed and a reference provided as to where they are accessible and where they are accessible;
- Paragraph 355 should follow paragraph 351, for a better fluidity;
- Example of paragraph 362: “A statement as follows is acceptable” and “ Statements ... of the standard” should not be put in italics, since these sentences are not intended to be maintained in the final report;
- Paragraph 370 is too vague. Examples should be provided of acceptable drafting of work performed;
- Paragraph 372 states that when experts are used, it may be helpful to include information relating to the extent of specialized skill or knowledge. We consider that example of wording should be provided.

Chapter 11: Addressing Qualitative EER Information

Question 1: Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

We have no specific comment. We find the content of the chapter interesting and clear.

Question 2: Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

We have a comment on the order of the chapters. As chapters 11 and 12 deal with transversal/cross-functional/ multidisciplinary topics/ (i.e. respectively addressing qualitative EER Information and addressing future-oriented EER information), we believe that they should be moved up between chapters 9 and 10. As a matter of fact, chapter 10, dealing with preparing the assurance report, is the result of the previous chapters.

Chapter 12: Addressing Future-Oriented EER Information

Question 1: Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

The content of the chapter seems very diluted, too general and difficult to apply in practice. We consider that the following points should be further emphasized, i.e.

- explain in the introduction of chapter 12 (subsection – *Matters addressed by the guidance in this chapter*) that the forward-looking data are important to measure the speed of the transition to a sustainable economy (carbon intensity reduction trajectory compatible with IPCC 2°C scenarios or water and biodiversity targets) and that this is the main difference with the backward-looking information;
- concerning the specific considerations in relation to evidence about future-oriented information, paragraph 434 should include
 - for future qualitative assertions: whether there is an action plan with a person responsible for it (owner) and budgeted resources (capex and opex);
 - for future quantitative assertions (e.g. quantified targets such as -30% on emissions): whether the scope, baseline, milestones, assumptions and calculation methods are detailed in the EER report, whether the calculations are properly compiled, and what is the governance in place to monitor the achievement of the targets;
- concerning the level of assurance on future-oriented information, we consider that the possible level of assurance depends upon the nature of the information and the extent of procedures performed. We consider that:
 - retrospective information in a context of future oriented information, e.g. evolution of the trajectory in the achievement of the objectives compared to the expected milestone level can be subject to “reasonable assurance”. However, a limited assurance might also be appropriate in case of lighter work effort, lower coverage rate;
 - future-oriented/forward looking information, i.e. objectives, future engagements, could be subject to:
 - “limited assurance” or
 - an opinion as to whether future-oriented information is properly compiled”, in reference to ISAE 3400 – *The examination of prospective financial information*.

Future-oriented information relates to objectives/commitments but also events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which the information is based, such evidence is itself generally future oriented and, therefore, speculative in nature, as distinct from the evidence ordinarily available in the audit of historical information. The practitioner is, therefore, not in a position to express an opinion as to whether the results shown in the EER report will be achieved.

We consider that the guidance should particularly specify that the assurance issued in the context of a proper compilation is not limited to the examination of the “proper calculation” of the information, but also include the review of the following matters: the scope, period/deadline, the calculation, the governance in place.

Finally, we have a comment concerning the appendix. The table 1 of appendix 2 sets out the types of EER reports, example frameworks used and whether covered by this guidance. ISAE 3400 – *The examination of prospective financial information* is not mentioned. The table should therefore be amended.

Question 2: *Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

We have no specific point to report.

Questions for general comments

In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:

(a) Stakeholder Perspectives—Respondents representing stakeholders such as preparers (including smaller entities) of EER reports, users of EER reports, and public sector entities are asked to comment on the questions above from their perspective.

No applicable

(b) Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in using the draft guidance in a developing nation environment.

Not applicable

(c) Translation—Recognizing that many respondents may intend to translate the final guidance for adoption in their own environments, the IAASB welcomes comments on potential translation issues.

We do not have any point to report.