

13 July 2020

Willie Botha – Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017

Dear Mr. Botha

Deloitte Touche Tohmatsu Limited (DTTL) is pleased to provide comments on the *Proposed Non-Authoritative Guidance: Extended External Reporting (EER) Assurance* and the two Supplements (“EER consultation paper” or “draft guidance”) issued by the International Auditing and Assurance Standards Board (IAASB) in March 2020.

Overall comments

DTTL supports and appreciates the work of the IAASB regarding EER and the issuance of the draft guidance. This is consistent with our response to the discussion paper on this topic issued by the IAASB in 2016 and the consultation paper that was published following phase 1 of the EER project in 2019. The demand for assurance in areas outside of the financial statements continues to grow and EER is an area of increasing focus by investors and other stakeholders. We recognize that there is a broader audience for corporate reporting information. Regulators increasingly require transparency on issues such as climate change, human rights, and other EER matters, and assurance over non-financial information has specifically been included in the European Commission’s consultation on the Non-financial Reporting Directive.

Moreover, much of the value of a business today is non-financial, represented by technology, intellectual capital, and human capital. Investors and others need insight into these factors in order to understand how value is created and sustained.

We recognize the need for guidance to enable more consistent and appropriate application of the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* to assurance engagements over EER subject matter information (“EER reports” or “EER disclosures”). The draft guidance could be best positioned as a ‘living document’ allowing content to be added as EER reporting evolves, for example, resulting from developments in EER reporting standards and director duties.

We welcome the adjustments made to the draft guidance in response to comments made on the EER phase 1 consultation paper. We have several overarching observations and recommendations to enhance the clarity and completeness of the draft guidance further, as follows.

Adjustments made in response to phase 1 consultation

We welcome the revised structure and order of the guidance, which follows the flow of stages and other aspects of the performance of an engagement. Ordering the chapters in this way presents a more logical order for the practitioner to follow. While consideration might be given to moving Chapters 11 and 12 so that ‘Preparing the assurance report’ would be the last chapter, DTTL acknowledges the IAASB’s conviction

that these chapters are located at the end of the draft guidance as they cover specific considerations from acceptance through to reporting (par. 18). Moving content from ISAE 3000 (Revised) into Supplement A enhances accessibility of the draft guidance. However, consideration might be given to include key paragraphs from ISAE 3000 (Revised) in the draft guidance, for example, by using pop-up boxes, and further supporting content from ISAE 3000 (Revised) in the Supplement, accessible via hyperlinks. The provision of more examples (in a dedicated Supplement B) without focusing on one specific EER reporting framework enhances the applicability of the EER Consultation Paper.

The draft guidance helps to provide additional clarity regarding each of the challenges identified. Chapters 5 and 8 better display “how much evidence is enough” within a limited assurance engagement. However, we have further suggestions with regards to chapter 5 (Considering the system of internal controls) in the appendix to this letter. Chapter 8 (Obtaining evidence) summarizes the practical challenges with regards to EER assurance engagements. These challenges, however, cannot be overcome through guidance on ISAE 3000 (Revised) alone, but through clarifying that directors have a duty to ensure there is an appropriate basis and justification for individual disclosures. This means these disclosures have to be supported by adequate evidence to justify making them.

Audience

The volume, language, and style make the EER consultation paper a very challenging read, particularly as the guidance and supplements need to be read alongside ISAE 3000 (Revised). The volume of information required to be read creates a barrier to entry. As drafted, it might narrow the audience to the departments of professional practice within audit firms that provide guidance to adjust firms’ EER assurance methodologies and resolve internal consultations. To increase relevance for all practitioners performing EER assurance engagements, the draft guidance could give additional focus to (1) practical challenges (beyond technical issues) and (2) the more challenging areas of EER assurance (especially what has to be done within a limited assurance engagement) than on the more basic issues.

Other stakeholders, for example, preparers or investors, may sometimes find the topic “assurance” confusing and ask for further guidance. Such stakeholders might find the guidance document “A buyer’s guide to assurance on non-financial information,” issued by the World Business Council for Sustainable Development (WBCSD) and the Institute of Chartered Accountants in England and Wales (ICAEW) helpful.¹

Structure and navigation

We understand the EER consultation paper is not intended to be read from end to end, but rather it allows a deep dive into a specific matter of interest. The structure and ease with which the draft guidance can be navigated is therefore crucial in ensuring the document is accessible for its intended audience. We are supportive of making the document more accessible by including hyperlinks and pop-up boxes as discussed in paragraph 24 of Explanatory Memorandum in the draft guidance.

Accessibility could be increased through more references between paragraphs within the guidance itself, to ISAE 3000 (Revised), and from the guidance to the relevant additional guidance in the supplements—this would be very helpful for the user if they cannot follow what the guidance is saying. There is good content in the examples included in Supplement B; however, it would benefit from more signposting.

Reasonable vs. limited assurance

To achieve the goal of the draft guidance to enable more consistent and appropriate application of ISAE 3000 (Revised), it would be beneficial for practitioners (and also other audiences, such as preparers and users) to elaborate on how procedures might differ in assurance engagements with reasonable and limited assurance. Consideration should be given to developing one comprehensive example of subject

¹ <https://www.wbcds.org/Programs/Redefining-Value/External-Disclosure/Assurance-Internal-Controls/Resources/A-buyer-s-guide-to-assurance-on-non-financial-information>

matter where a limited assurance engagement is performed and contrasting it with the same example subject matter where a reasonable assurance engagement is performed. This example could demonstrate concepts such as, (1) the coverage of sites for limited and reasonable assurance engagements and (2) the nature, timing, and extent of procedures in a limited assurance engagement compared to a reasonable assurance engagement.

Supplement B: Illustrative examples

Overall, our view is that the examples are helpful to the practitioner and are drafted in an accessible way. However, two overarching points to flag are:

- The majority of the examples are 'Corporate Social Responsibility (CSR)' and 'non-financial data' examples. Consideration should be given to developing examples for more challenging subject matters, for example, business model, strategy, and the entire EER report.
- Consideration should be given to have one comprehensive example of subject matter where a limited assurance engagement is performed is contrasted with the same example subject matter where a reasonable assurance engagement is performed.

As noted above, DTTL recommends making Supplement B a 'living document' where additional examples can be added as EER reporting evolves.

The wider landscape and a 'system solution'

We believe independent external assurance can contribute significantly to credible EER reporting. However, many practical challenges in relation to EER assurance do not arise from ISAE 3000 (Revised) and cannot therefore be addressed through application guidance alone. These include matters such as the number and quality of EER frameworks, data quality that results from robust internal reporting processes and controls, and the involvement by management and those charged with governance.

This is recognized in Supplement A, Section I: *Four key factor model for credibility and trust in relation to EER reporting*, where it states that credibility and trust in EER reporting are established via a sound EER framework, alongside strong governance, consistent wider information, and external professional services.

We encourage the IAASB to engage with the other parts of this four factor model system to ensure the elements support each other effectively. Examples include encouraging EER standards and frameworks to contain criteria suitable for assurance engagements, and engaging in broader policy discussions to ensure governance codes adequately encompass oversight and controls of wider environmental, social and governance (ESG) information. For example, governance codes could expand on director duties with regards to integration of sustainability issues into governance processes, strategy, risk-, compliance-, reporting- and internal control systems, and internal and external reporting.

We support the IAASB focusing on providing guidance to enable more consistent and appropriate application of ISAE 3000 (Revised) with assurance practitioners as the main audience of the draft guidance. One of the main concerns in practice, for practitioners, but also preparers and investors, is what level of assurance work is necessary in practice, especially for limited assurance engagements. While clarifications would be helpful, we recognize the concept of limited assurance allows the practitioner to accept engagements that provide a range of potential levels of assurance to users of the assurance report. The IAASB could give consideration, after issuing this guidance, to developing a subject-matter-specific standard on EER assurance, building upon ISAE 3000 (Revised).

Beyond the work of the IAASB, we also support the need for a comprehensive, systemic solution for standard setting, starting with the creation of a minimum, global, comparable base of ESG data that all companies must report in mainstream filings. This should be based on a standard-setting process that ensures information is fit for purpose (relevant, faithfully representational, consistent, comparable, and

global). Because non-financial information is critical for investors in their decision-making, this information should be of equal standing to financial information, and as such included in mainstream corporate reports and be of equal quality to financial information. We believe that such a development is needed to support investment decisions that can underpin the flow of capital to sustainable business models. It would also support the development of robust assurance practices over ESG and EER more generally.

DTTL's detailed comments on the specific requests for comments are attached to this letter.

Conclusion

DTTL is supportive of the work on EER that the IAASB has undertaken and believes that IAASB responded adequately to our comments on the phase 1 consultation paper. The recommendations articulated in this letter are provided to assist the IAASB as it finalizes its development of non-authoritative guidance relating to EER.

DTTL appreciates the opportunity to provide our perspective on the EER consultation paper and would be pleased to discuss this letter with you or your staff at your convenience. If you have any questions, please contact me via email (dsullivan@deloitte.com) or on +1 714 436 7788.

Very truly yours



Dave Sullivan

Deloitte Global Audit & Assurance Quality Leader

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Appendix– specific request for comments

DTTL’s responses to the detailed questions included in the IAASB’s Explanatory Memorandum accompanying the EER consultation paper are set forth in this appendix.

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?

Par. 32 suggests that the practitioner may find it helpful to draw up a skills matrix in more complex engagements to help with identifying the assurance and subject matter competencies. We believe it might be helpful to provide an example in Supplement B of what a skills matrix might look like and how it is utilized to determine the competencies necessary to perform an EER assurance engagement.

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?

Par. 55 includes a diagram that indicates both the attributes and behaviors that may be needed in the exercise of professional skepticism. The ability to suspend decision-making is shown as a behavior/skill that supports the exercise of professional skepticism. We believe that additional clarity is needed to explain what is meant by this behavior/skill as it is not clear.

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?

Throughout the document, references are made to discussions between the practitioner and the preparer. The draft guidance could be strengthened to support the practitioner by giving clarity as to whom within the preparer’s organization this conversation ought to be with. In particular, the section “Agreeing the Scope of the Engagement” covered in paragraphs 84-101 can be enhanced to highlight that holding discussions with the audit committee or those charged with governance may provide a more holistic view of all the assurance the company is receiving and may allow for more meaningful discussions around the importance of EER information to the intended users.

Pars. 84 - 101 cover factors the practitioner could consider when agreeing the scope of the engagement, both for the subject matter information to assurance and the level of assurance to be obtained. It would be helpful if a “mixed” scope of limited assurance, reasonable assurance, and assurance readiness within one period was addressed.

Pars. 72 (d, g, & h), 89 state practical challenges regarding ‘rolling assurance engagements.’ The scope of the assurance engagement should comprise the aspects that are most relevant for users. The draft guidance implies that the practitioner has opportunities to engage on and influence the scope of the engagement, but in reality, this can be limited, especially if the practitioner is responding to a preparer’s request for proposals stating the exact scope required. Moreover, there may be instances where it is not obvious that the scope might be “too narrow.” DTTL would welcome clarification about how the practitioner should proceed.

Par. 92 describes a situation where the practitioner is aware of deficiencies in the reporting process for information that is not in scope of the engagement. DTTL would welcome clarification about how the practitioner should proceed if this becomes apparent (i) pre-acceptance and (ii) post acceptance. In particular, as these deficiencies may not be apparent to the practitioner during acceptance, especially in the first year of work.

Pars. 94-99 highlight a number of challenges associated with the concept of a “rolling program” of assurance. DTTL suggests adding additional considerations as to why or when a rolling program would be appropriate beyond preparer concerns regarding cost. Par. 94 describes the situation where a preparer may have a rolling assurance program but gives the rationale for this as 'cost.' In our view, the rationale should be materiality and user requirements. For example, a company may have a number of non-financial KPIs which are key (e.g., linked to strategy, risk, remuneration) but will have others that they will want to be confident in, but they are not so key (material). These latter ones could be assured on a rolling basis e.g., every other year. DTTL strongly suggests this paragraph be updated to reflect this i.e., to include and give prominence to factors beyond cost as important in determining the suitability and scope for a rolling assurance program.

Par. 95 states the differences between a rolling program of assurance on parts of an EER report and selective testing when the whole EER report is within the perimeter of the subject matter information. DTTL suggests clarifying selective testing can also be undertaken within a rolling program of assurance.

Par 107a refers to a 'no separate engagement performed' option whereby the practitioner undertakes 'more extensive pre-acceptance procedures.' This could be interpreted by a preparer as being an option available to encourage the practitioner to do more work than they might want to prior to an engagement. On a practical level, it is hard to imagine a practitioner undertaking significant pre-acceptance work without a signed term of engagement and, presumably, a basis for charging for this work. Additionally, a preparer is unlikely to disclose information without appropriate safeguards, confidentiality etc. in place. We believe it needs to be clear that some form of engagement terms should be in place prior to conducting 'more extensive pre-acceptance procedures' with clarity within these that completion of such additional work does not necessarily lead to acceptance by the practitioner.

The headline for pars. 112-116 is 'Independence considerations': DTTL suggests revising the headline to “Independence and ethical considerations”.

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?

Pars 78-81 state considerations whether the EER reporting criteria are suitable. Suitability of criteria is covered in Chapter 4 and it should be sufficient here to cross-reference to Chapter 4.

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?

Pars. 127, 166-169 cover situations where preparers use high-level principles and/or entity-developed criteria for preparing an EER report. Green bond issuers usually provide self-developed green bond frameworks and obtain a “second party opinion” that this framework is in accordance with the underlying principles, e.g., by the International Capital Market Association (ICMA). These frameworks often lack suitable criteria, though the green bond issuer will refer to the second party opinion. It would be helpful if the guidance would provide clarity on this issue.

Pars. 151 & 160 mention trade-offs between completeness and understandability of an EER report. The interconnections between some of the characteristics are referred to within the guidance. In order to give practitioners a better understanding of these interrelationships, we recommend providing a more detailed and consolidated view on this, possibly in the form of a diagram.

Par. 163-165 cover an important point about an established criteria not being suitable. There can be a degree of complexity in assessing whether a criterion is suitable. Therefore, we recommend additional examples are given to support practitioners in understanding the indications that may exist to demonstrate that an established criterion is not suitable. Furthermore, while a general definition of 'established criteria' is provided on page 8 and in paragraph 125, we recommend providing specific examples of what the IAASB consider to be 'established criteria.'

Par. 182 concerns the public availability of entity-developed criteria. Some preparers may develop their own criteria, which they feel have elements of intellectual property in, and as such may not want to readily share this in the public domain. While paragraph 184 refers to criteria that are not available, it does not refer to this specific situation. Additional discussion of this situation may be helpful for practitioners and could include a consideration of how stakeholders may view the non-availability of the criteria (for example, to the negative impact on understandability and comparability).

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?

Par. 141 states considerations on how the practitioner can develop an understanding of how subject matter information that could assist intended users' decision-making. The use of examples is helpful and clarifies possible misinterpretations of the characteristics. However, the example in this paragraph could be clearer on how or why the characteristic has been met.

Par. 149: While examples are provided for the other four characteristics of suitable criteria, 'completeness' is the only characteristic that does not have an accompanying example in the main guidance document. An example for completeness would give further clarity to practitioners.

Par. 174 covers considerations of changes to criteria over time. Though the section is generally comprehensive, it would benefit from the provision of an example of how and when criteria may change, and then also how practitioners should act in the case of any changes to the criteria.

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?

Par. 186(b) makes reference to "controls relevant to the engagement." As it can be challenging to define what is a 'relevant' control in an audit situation, more guidance would be helpful on how to assess the relevance of a control, especially where many controls may be considered relevant. This is somewhat covered by the examples in pars. 207 and 208, however, if more precise, granular controls from par. 207 have been identified what is the expectation to also cover higher level controls from par. 208? A comment that controls from the par. 207 list of control activities tend to be more precise and robust than higher level governance and oversight controls from par. 208 could be helpful to guide practitioners to select the most appropriate range of controls from those that may be considered relevant.

For relevant controls identified, more guidance on testing the completeness and accuracy of the information used in those controls would be helpful, e.g. on whether this can be done substantively or whether a controls testing approach is expected.

Par. 187 cross-references the Standard for the practitioner's response if it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is/are not present. As drafted, there appears to be no obvious relationship between the substance of the paragraph and internal control considerations, which are the matters to be addressed in Chapter 5.

Par. 206 suggests considerations by the preparer when using information from external sources. Though it is not within the IAASB's remit to require such a statement, we believe in such cases, the preparer should include a clear reference to any publicly available reference data if and where used.

Pars. 207 & 208 refer to process level controls and higher level governance controls respectively. We suggest clarifying whether there a difference in expected testing on these. If they are relevant controls, the expectation should, in our view, be the same.

Par. 212 covers considerations of internal controls in a reasonable assurance engagement. DTTL believes that within a reasonable assurance engagement, if the practitioner intends to place reliance on internal controls, the practitioner would have to test the operating effectiveness of controls as well.

Further guidance might be developed on the following aspects of the EER data consolidation process:

- Guidance on the design factors to look at when assessing if a control is appropriately designed
- Guidance on what to do where control deficiencies are noted
- Guidance on what to do in less complex entities where internal control is less structured and with little segregation of duties
- More extensive guidance than in pars. 211-212 on the extent of work on internal control in a limited assurance engagement and in a reasonable assurance engagement (this could be accompanied through a comprehensive example in Appendix B)
- In most cases EER reporting operationally links to already existing and available management data (e.g., environmental data like waste or emissions, in accordance to local regulatory environmental requirements, social data with regard to diversity, etc.). Mostly EER reporting therefore links into a heterogenous process landscape and acts in some form of an aggregated consolidation reporting.

We have made further suggestions regarding directors' duties to maintain adequate evidence, building upon robust reporting systems and internal controls, in comments on chapter 8: Obtaining evidence.

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?

Par. 186 on relevant controls might reference to where the examples are in par. 207.

Cross-references between paragraphs within the chapter would be useful.

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?

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.

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?

The guidance states the practitioner is not required to use assertions in ISAE 3000 engagements (par. 261). We understand that because ISAE 3000 can be applied to many different reports, assertions can take different forms and therefore don't lend themselves to standardization. However, we believe this section is of limited help for practitioners in practice, i.e., because it seems to not be well linked to EER assurance issues and because some might not be familiar with assertions and ISAE 3410 and ISA 315.

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?

Overall, Chapter 8 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 – through clarification of director duties to have an appropriate basis and justification for individual disclosures, which implies these disclosures have to be supported by adequate evidence to justify having made them. The prerequisite of adequate evidence for disclosures made implies that preparers need to have robust internal reporting systems and processes in place to identify relevant events and conditions, record the salient information about these events and conditions as evidence about them, and evaluate and summarize this information for the purposes of reporting. Such systems and processes need to be supported by appropriate internal controls over the reporting process to provide appropriate assurance that the disclosures made in the documents are sufficiently valid and reliable.

Pars. 273-276 discuss the challenges that practitioners may face when obtaining evidence. However, they do not include reference to the challenges presented by general data protection regulation (or similar local data privacy regulations) that may mean that selected evidence is not be readily available to the practitioner or the preparer may not wish to share it. It would be helpful if the guidance could include this challenge in this section.

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?

Par. 280 covers obtaining evidence in reasonable respectively limited assurance engagements. References to the relevant paragraphs in the Standard, i.e., paragraph 12, A3, could be included.

Par. 284 includes a table with considerations for the practitioner regarding obtaining evidence. The table is valuable but contains a great deal of information that could be hard for practitioners to use given its length

and format. DTTL suggests breaking it down by sub-theme or goal. For example, in the first section (A) we recommend having a separate section for evidence related to risk assessment procedures related to the underlying subject matter and subject matter information and address some of these considerations there. Also, providing linkage to the evidence obtained as part of engagement acceptance procedures performed by the practitioner would be helpful.

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?

Par. 306 states that materiality thresholds are established "using a percentage." It would be helpful to explain what this means or cross-reference to the relevant section of ISAE 3000.

Par. 307 implies that if a misstatement is not clearly trivial then the practitioner is "required to accumulate it." DTTL's understanding is that the practitioner has to add it to the other misstatements. We assume it would need to be considered on its own first, before being accumulated, as set out in par. 304. Diagram 10 also implies misstatements are accumulated before being considered at an individual level first. This diagram should be amended to include the stage where the misstatement is considered at an individual level.

Par. 320 states that large accumulated misstatements could be an indication of a control deficiency. This is relevant for reasonable assurance engagements and more guidance would be helpful for practitioners in understanding what factors/indicators they might consider in this scenario.

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?

Par. 331 states 'the assurance report is the only means by which the practitioner communicates the outcome of the assurance engagement to intended users.' While this is true, there are a number of instances where the preparer highlights within the EER report certain areas that have been assured. e.g., by placing an '*' next to selected data points with a footnote saying, '*KPIs assured by Audit Firm XY, please see page x / website link for their full assurance opinion.' In a circumstance such as this the assurance report may be the only communication between the practitioner and the preparer. Also in the '*' example this does not actually say anything about what the scope was, what the conclusion was, if there were qualifications etc. Therefore, there is a risk that the report users see this and place greater reliance on the subject matter overall. It would be helpful to provide guidance about how the practitioner and preparer should manage this situation to ensure clarity of understanding of the assurance.

Par. 346 recommends clear identification of both the information subject to assurance as well as the excluded information, when the subject matter is not the whole EER report. To be useful and cover a very common scenario, the guidance here would benefit from the addition of an example of how this scope might be described by the practitioner within the assurance report.

Pars. 350 and 351 covers the need for the practitioner to have a discussion early in the assurance engagement process (i.e., during pre-acceptance scoping) with the preparer about publication of criteria and the need for these to be made public. This should cross reference back to Chapter 3: Determining preconditions and agreeing the scope of the EER assurance engagement, e.g., following par. 81.

Par. 358 provides an example with wording regarding inherent limitations for the assurance report. It would be beneficial for practitioners to have a 'real life' example with actual context.

Par. 366 references AA1000 AS: it should be clarified whether AA1000 AS conflicts with ISAE 3000 or not. Otherwise the reference should be removed.

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?

Par. 415: Chapter 12 makes a helpful reference back to Chapter 11 but there is no reference in Chapter 11 to the same effect, i.e., to note that qualitative information could be historical or future orientated. We suggest a reference in Chapter 11 to Chapter 12.

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?

Overall, chapter 11 seems to fairly outline issues practitioners might face in practice (e.g., in pars. 379-381, 391-395), without providing much help or guidance on how to solve these. This is perhaps not achievable in the draft guidance (beyond the statement in par. 388) and should be resolved – as noted in our cover letter – by development of global high-quality, non-financial reporting standards and through clarification of director duties to have an appropriate basis and justifications for individual disclosures, which implies these disclosures have to be supported by adequate evidence to justify having made them.

Par. 385 includes an example box with factual qualitative EER information and subjective EER information. Under examples of 'subjective EER information' it would be beneficial for the practitioner to see an example of a wider qualitative element of EER information, e.g., business model. While the examples given are valid, they remain relatively simple cases of qualitative EER information, which many practitioners are likely to already have some familiarity with.

Par. 389 says 'the practitioner may discuss this with the preparer.' If the criteria render the subject matter incapable of assurance, then the practitioner has to discuss this with the preparer. Use of the term 'may' implies this discussion is optional: 'may' could therefore be replaced by 'shall.'

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?

Par. 415: Chapter 12 makes a helpful reference back to Chapter 11 but there is no reference in Chapter 11 to the same effect i.e., to note that qualitative information could be historical or future orientated. We suggest a reference in Chapter 11 to Chapter 12.

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 draft guidance adequately addresses the challenges for practitioners in EER assurance engagements, especially as par. 438 refers to respective preparer duties. Assuming these issues are adhered to by the preparer, the practitioner's focus will be on whether the assumptions are reasonable, are supported by

evidence, and whether the subject matter information has been properly prepared in accordance with the applicable criteria, as stated in par. 432.

Pars. 416-420 cover overarching challenges regarding assurance engagements on future-oriented information. Guidance would also be helpful on matters to be considered when accepting reasonable assurance engagements on future-oriented information.

Pars. 445 & 446 provide considerations for the assurance report on future-oriented information. The conclusion in the assurance report is likely to be expressed in different ways depending on whether the EER includes solely forward-looking information or such information is mixed with retrospective information. Illustrations would be welcome.

Special considerations in performing assurance engagements on extended external reporting (EER): Supplement A: Credibility and trust model and background and contextual information

Questions: Is the content of each Supplement clear and understandable for practitioners? If not, where, and how should it be improved to better serve the public interest in EER assurance engagements?

Section I (Four key factor model for credibility and trust in relation to EER reports) is illustrative in showing the possibilities and boundaries of the draft guidance. As noted in our cover letter, we suggest the IAASB reach out to other organizations that can foster necessary advancements outside the IAASB's remit.

Section II (EER assurance engagements – background and context): In the EER phase 1 consultation paper it was sometimes difficult for the reader to distinguish between content that is directly from ISAE 3000 (Revised) and new content. We therefore welcome the IAASB's efforts to remove ISAE 3000 (Revised) contents from the main document into Supplement A, Section II. This section provides a good overview on the fundamental assurance concepts. However, some parts of this section seem to be adjusted to EER reporting and might therefore overlap with the main document (e.g., "factors affecting the effective exercise of professional skepticism and professional judgment"), while others are rather theoretical and probably of little help for EER assurance engagements in practice (e.g., "nature of criteria"). However, consideration might be given to including key paragraphs from ISAE 3000 (revised) in the draft guidance, e.g., in boxes, and further supporting contents from the Standard in the Supplement, accessible via hyperlinks.

Special considerations in performing assurance engagements on extended external reporting (EER): Supplement B: Illustrative examples

The overarching view is that these examples are helpful to the practitioner and are drafted in an accessible way. However, three overarching points to flag are:

- The majority of the examples are 'CSR' and 'non-financial data' examples. What about the more challenging ones for assurance, such as business model, strategy, whole EER disclosure etc.? Example 8 tries to tackle assuring the wider EER report, however then zones into a specific disclosure around water use, which is still very CSR focused. Example 10 on Integrated Reporting also seeks to address this. However, one example does not feel sufficient for such a challenging area for practitioners. Given the focus throughout the guidance on using the standard for assurance of wider EER materials more examples of this nature would be beneficial.
- In a number of instances (i.e., across multiple examples) the solution seems to be to get the preparer to move the information that cannot be assured to somewhere else. This is, practically, a challenging conversation to have with the preparer. In particular if the scope is the whole EER report, where do they move it to? Are we creating a risk that the assurance is stifling management's ability to talk about areas of user interest, e.g., market context / positioning?

- To achieve the goal of the proposed draft guidance to enable more consistent and appropriate application of ISAE 3000, it would be beneficial for practitioners (and also other audiences, such as preparers and users) to have one comprehensive example of subject matter where a limited assurance engagement is performed is contrasted with the same example subject matter where a reasonable assurance engagement is performed. This example could help inform the determination of site visit coverage necessary or to which extent internal controls should be tested to obtain sufficient evidence for a limited or reasonable assurance engagement.

Questions: Is the content of each Supplement clear and understandable for practitioners? If not, where, and how should it be improved to better serve the public interest in EER assurance engagements?

Example 1: P. 5: It may not be possible to accumulate all misstatements due to the variation in subject matter, e.g., a misstatement in CO2 cannot be added to (accumulated) to a misstatement for BOD. We believe each subject matter (perhaps aggregated to categories) should have its own materiality threshold, e.g., x% which would be lower for the reasonably assured metrics.

Example 2: This example perhaps does not go far enough in supporting the practitioner in considering what their options might be. It sets out the challenge and questions the practitioner might be asking of themselves and the preparer. It does not look at how this might be addressed—in the scope of the engagement, conducting the engagement, preparation of the disclosures, and drafting of the assurance report.

Example 3: As noted in comments relating to Chapter 3: *Determining preconditions and agreeing the scope of the EER assurance engagement*, we are concerned with the focus of the rolling program being on cost savings. It should be based on materiality and needs of users. The fact pattern covers this, i.e., makes clear users are most interested in the 'set up phase.' This should come through here, not just the cost element.

Example 8: p.28 states 'delineating the other information may be able to be done by asking the preparer to move it to a separate unassured section of the report or to clearly separate or mark the information subject to assurance so that is clear what has, and what has not, been assured.' How might this work in practice? If looking to use this in an assurance engagement on a whole EER report—which might be a sustainability report but could also be an annual report or management report—how could this realistically work? Preparers are likely to want to make context statements or statements of market trends. Practically it is unclear whether this example would really assist the practitioner and preparer both clearly understanding what might be 'allowable.' As currently proposed, this may create a barrier for preparers seeking assurance over the full report i.e., if they thought they might be forced to leave out certain information or have boxes and markings all over the EER showing what is and is not assured.

Example 10: p.43 references that the assurance is not to provide an opinion as to if the strategy is the right one but rather that the report has been prepared in accordance with criteria. It would be very helpful to include considerations regarding how the suitability of criteria have been assessed in relation to the integrated report.

Example 11: p.49 is this saying the practitioner will issue an unqualified opinion and just raise the matter with management, though the evidence needed to support a reasonable assurance conclusion cannot be obtained. As this is a repeat engagement if this was the approach adopted in the prior year it does not seem appropriate to do this again in this year if no changes have been made. Clearer guidance needs to be given for practitioners and preparers on how many years this approach is acceptable for.