



RESPONSE FROM GRI

**IAASB CONSULTATION PAPER ON
EXTENDED EXTERNAL REPORTING (EER) ASSURANCE
(FEBRUARY 2019)**

21 JUNE 2019

GRI
Barbara Strozziiaan 336
1083 HN Amsterdam
The Netherlands
Telephone: +31(0) 20 531 00 00
www.globalreporting.org

About GRI

1. GRI helps businesses, governments, and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, governance and social well-being. Our core product is the GRI Sustainability Reporting Standards (GRI Standards), which are developed through a transparent, multi-stakeholder process and are issued by the Global Sustainability Standards Board (GSSB), an independent standard-setting body created by GRI.
2. For more information and to download the GRI Standards for free please visit: www.globalreporting.org.
3. The GRI Standards provide a comprehensive framework for organizations to report their economic, environmental and social impacts. The reported information is expected to be of a reliable nature and the preparer is required to gather, record, compile, analyze, and report information and processes used in the preparation of the sustainability report in a way that they can be subject to examination, and that establishes the quality and materiality of the information.
4. The use of external assurance for sustainability reports is advised by GRI to enhance the credibility of sustainability reports. [Disclosure 102-56 External assurance](#) in [GRI 102: General Disclosures 2016](#) requires all organizations reporting using the GRI Standards to describe their policy and current practice with regard to seeking external assurance for their report, and to provide further information if the report has been externally assured.

Initial comments and observations

5. We thank the IAASB for taking on this project with the support of the WBCSD to provide guidance to assist assurance practitioners undertaking assurance engagements on EER. Such guidance will prove very useful in a challenging and rapidly evolving area.

General comments

6. Practitioners performing assurance over EER reports can include accountants and non-accountants, and it is important that the guidance and examples do not place too much emphasis on financial reporting and associated audits, as not all practitioners will be familiar with the related terminology and concepts, e.g., the use of 'clearly trivial' in paragraph 216.
7. The guidance put forward so far in the Consultation Paper published in February 2019 represents only Phase I of the project and extends to 70 pages. We are therefore concerned about the expected length of the final guidance and how accessible it will be to potential users (i.e., practitioners).
8. Restructuring the guidance, to separate examples and potentially more detailed case-studies into another document, would assist with the accessibility of the guidance. This would make it easier to navigate a lengthy guidance document, but also allow case-studies to be used to provide more comprehensive examples of the application of the guidance in practice.
9. A key area for consideration by practitioners in planning and executing an assurance engagement is to understand whether information to be reported is gathered from other entities in a supply chain, or from other business partners. Organizations are increasingly being asked to report sustainability

related information from their supply chain, e.g., waste generated by suppliers, or policies and procedures in respect of human rights across the value chain. This introduces further complexity such as understanding sources of this information and potential involvement of other assurance providers. Guidance that provides practical support in this area would be welcomed.

Question I

Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1? If not, where and how should it be improved?

Response

a. *Paragraphs 9-15 (scope of draft guidance)*

10. Whilst appreciating the need to divide the project into two phases, there is clearly overlap and therefore some additional comments may be generated in respect of areas included in phase 1 when the output from phase 2 is published. It is possible therefore that comments below may change or additional comments arise once phase 2 guidance is developed.

b. *Paragraph 25 (preconditions and the system of internal control)*

11. Paragraph 42 requires the practitioner to consider who the intended users are in the context of determining whether the assurance engagement has a rational purpose. To assist users of the guidance in a practical sense, it is recommended that a checklist be presented at the outset of Chapter 3 to assist practitioners in identifying the fundamental elements of the reporting and the associated assurance engagement, which would then enable them to assess whether the preconditions for an assurance engagement are met. Practical guidance to support how a practitioner would obtain this information would be very useful. Information that is included in Chapter 8 may be useful if it is brought forward into Chapter 3 to assist practitioners in identifying the purpose of the reporting, the intended users and their information needs, for example.

c. *Paragraph 29 (suitability of criteria)*

12. Criteria are judged to be suitable from the perspective of the intended users of the subject matter information and decisions they will make based upon that information. It is therefore critical that the intended users are clearly identified by the preparer and practitioner and their associated information needs are understood. This could be re-emphasized at the start of Chapter 7.
13. As reporting of qualitative and narrative information presents more challenges for both preparers and assurance practitioners, paragraph 82 could be improved by the inclusion of an example of narrative information. A suggested example:

<i>Underlying subject matter</i>	<i>Elements/Qualities</i>	<i>Criteria</i>	<i>Resulting subject matter information</i>
Environmental, social and governance matters about Entity X. >> Governance matters >> Risk management processes	Effectiveness of risk management processes.	The reporting organization shall report the following information: a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics. (GRI 102-30)	Description of the risk management processes and how the highest governing body is involved (frequency, review processes, accountability).

d. Paragraph 33 ('materiality processes')

14. Chapter 8 provides useful practical guidance to assist practitioners in understanding the materiality process applied by the preparer. This is important when providing assurance over non-financial information as the materiality assessments performed by preparers is critical in identifying topics and related elements to be reported.

e. Paragraph 35 (materiality of misstatements)

15. Providing examples of what could be considered 'clearly trivial' (paragraph 216) would be helpful – in respect of both quantitative and qualitative information, particularly for users of this guidance who are less familiar with traditional financial audit.

f. Paragraph 40 (assertions)

16. As assertions are not included in ISAE 3000, again they may be a new concept for some practitioners, particularly those less familiar with financial audits, and therefore more practical examples of the assertions would be helpful, e.g., the application of cut-off.

g. Paragraph 41 (narrative and future-oriented information)

17. In respect of future-oriented information, more practical guidance and examples are welcomed, and we recommend they be incorporated into phase 2.

Question 2

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

- Paragraphs 16-17 (examples, diagrams and terminology)
- Paragraph 34 (term 'materiality process')
- Paragraphs 37 and 40 (assertions)

Response

18. The examples ought to include more challenging cases particularly the use of narrative information, and not be over-reliant on the assumption that all assurance practitioners are very familiar with

financial reporting and auditing concepts. By providing examples from financial reporting, alongside non-financial reporting, it assumes that practitioners will be able to understand the non-financial examples purely on the basis of being familiar with financial auditing.

Question 3

Do you support the proposed structure of the draft guidance? If not, how could it be better structured? (Paragraph 18 (structure))

Response

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

Question 4

Do you agree that the draft guidance does not contradict or conflict with the requirements or application material of ISAE 3000 (Revised), and that the draft guidance does not introduce any new requirements?

- *Paragraphs 19-21 (relationship with ISAE 3000 (Revised))*
- *Paragraphs 24 and 26 (linking preconditions and the system of internal control)*
- *Paragraph 36 (assertions)*

Response

20. The incorporation of assertions into this guidance introduces new concepts, as does 'materiality process' and it needs to be very clear that these are not included in ISAE 3000 and are not therefore required by practitioners. However, on balance, we do find these helpful to provide more practical guidance.

Question 5

Do you agree with the way that the draft guidance covers matters that are not addressed in ISAE 3000 (Revised)?

- *Paragraphs 19-21 (matters not addressed in ISAE 3000 (Revised) and including details on the preparer's role and 'materiality processes')*
- *Paragraphs 24 and 26 (linking preconditions and the system of internal control)*
- *Paragraph 36 (assertions)*

Response

21. Refer to responses in question 1 that cover these specific areas.

Question 6

Do you agree that the additional papers contain further helpful information and that they should be published alongside the nonauthoritative guidance document? Paragraphs 42-45 (additional papers)

Response

22. The additional papers do provide further helpful information, particularly for new practitioners and those less familiar with financial auditing and agree that they should be made available.