

IAASB
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Date	Re	Our ref	Attachment
21 June 2019	CP EER	PH	

Direct dial nr
020-3010262

Dear Mr. Schilder,

Introduction and General Comments

The NBA appreciates the opportunity to share our views and provide input on the *Consultation Paper regarding Extended External Reporting (CP EER)*.

We are supportive of the project to issue non-authoritative guidance enabling convergence in practice for ISAE 3000 application by practitioners. It is positive that the IAASB pays attention to the current developments in other assurance services. The guidance is useful and contains quite a number of challenges that are encountered in practice. It is also a useful tool for those that have not gained experience in this field. The IAASB is the proper authority to deal with these challenges enabling further global convergence in this emerging field of activity.

Royal Netherlands
Institute of Chartered
Accountants



Request for comments

Q1) Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1?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?

- Most of the related challenges are included in the guidance, We expect these EER assurance services to be more and more provided and that EER reporting will evolve rapidly.. It is therefore essential that the guidance is as fit-for-purpose as possible in terms of technology (IT-based internal controls, IT-based reporting: electronic base with hyperlinks, IT-based assurance practices) and integration and connectivity of information (integrated reporting, implying further integration of financial (external) reporting and extended external reporting). IAASB may consider more emphasis on these issues in the guidance
- EER reporting is for a large part voluntary and is frequently prepared beyond existing reporting frameworks. Features vary in terms of context, storytelling and company – specific indicators. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. Management is responsible to determining that the applicable reporting criteria are acceptable in the circumstances.’ Determining the scope of an EER assurance engagement for an entire report in this context is a practical challenge that might need more emphasis in the guidance.

- The guidance on the issue of materiality is very helpful, as it is a complicated matter. We recommend separating more clearly reporting materiality for preparers and the materiality concept relevant for the practitioners of an assurance engagement.
- Assessing materiality could be described more explicitly. Especially relating to the completeness of reporting materiality aspects as well as the performance challenges. What work needs to be performed to take qualitative aspects into account? How to quantify materiality per individual indicator and how to aggregate? How the materiality aspect is to be included in a sampling approach?
- In EER engagements reliance on the work of others is common practice. Limited or no guidance is included on how to use the work of financial auditors, internal auditors and subject matter experts. Is Following ISAE 3000 sufficiently adequate or is additional guidance envisaged on how to rely on the work of others?
- In our practice in the Netherlands assurance engagements show often a combination of reasonable and limited assurance in one single engagement. This is insufficiently covered in the guidance. The IAASB may consider more guidance in this respect.
- There is a need for clarification on the guidance for future oriented information, the impact on the work and the report of the assurance provider in terms of limitations and disclaimer.
- More guidance is requested how to deal with financial information; especially regarding how to deal with financial indicators, which are quite common aspects in GRI-reports and in Integrated Reporting.
- Integrated or sustainability reports may contain the outcomes from an impact measurement performed by the client or an external expert. Given the characteristics in terms of assumptions, inherent uncertainties and the public availability of impact measurement models, an assurance provider will have to design an assurance approach that fits those characteristics. We recommend the IAASB to provide further guidance on these aspects.

Q2) 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?

- At some points the guidance contains repetition of ISAE 3000 (for example paragraph 47 can also be derived from this standard). Sometimes the challenge is mentioned, but it is not clear how it needs to be addressed (e.g. paragraph 48; the impact might not be identifiable vs well-defined and distinct from other aspects). We recommend to delete Chapter 2 which contains quite a number of references that make it difficult to access and which is in fact a summary of ISAE 3000.
- The term 'Materiality Process' in Chapter 8 is confusing and is mainly directed towards the preparer of EER as it deals with 'significant reporting aspects'. We would like to recommend to include the aspect of 'reporting scope' from the perspective of the preparer. Further, we recommend to separate guidance for preparers from guidance for assurance providers.
- The diagrams and figures are useful. The guidance relies on quite a few examples from practice, although some do not provide sufficiently practical solutions. In this context we would like to highlight two examples; on page 46 (reference to SASB), and page 48 (what to do when impact is not identifiable). Also the risk exists that the examples become obsolete quite soon and as a result the guidance may become outdated by the time it becomes final and available. We suggest to provide the examples in a separate appendix, which facilitates easy periodic updates as practice evolves.

Q3) Do you support the proposed structure of the draft guidance? If not, how could it be better structured?

- The structure of the guidance follows the key challenges in the EER research report. More workable would be to follow the structure of ISAE 3000 for consistency purposes.
- The guidance is also applicable/useful for preparers of EER and guidance for preparers is explicitly included. We welcome this, but this seems to be a new feature for IAASB guidance. To avoid misunderstanding there is a need for more explanation of the target audience of the guidance. We also recommend better separation of guidance for preparers and guidance for assurance providers.

We also recommend to separate useful introductory theoretical (educational) aspects from the true guidance.

- We recommend to separate the guidance for assurance engagements with limited assurance from those with reasonable assurance, perhaps in two separate columns.

Q4) 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?

- The guidance is quite lengthy, especially with the outcome of phase 2 adding up. As a result the guidance may be less accessible in practice and the impression may arise that the guidance is prescriptive rather than a tool for further assistance.
- The guidance elaborates quite extensively on the preconditions for accepting an engagement to assist assurance practitioners. We encourage the IAASB to clarify this aspect of the guidance as the impression may arise that assessing the preconditions is quite burdensome and seems to be not proportionate, for example on the suitability of criteria. Paragraph 46 refers to preconditions in ISAE 3000; but the reference is not really clear.

Q5) Do you agree with the way that the draft guidance covers matters that are not addressed in ISAE 3000 (Revised)?

- New terminology is being introduced, which is – at first sight – rather complex. We agree with the introduction of new terminology as we acknowledge that the new terminology does serve the guidance purposes.
- We recommend having clear definitions and concrete examples from practice for new terms, for example in paragraph 80 on categories, topics, elements, qualities and suitability of criteria. There is a need for better clarification of the aspects ‘qualities’ and ‘assertions’ in EER and how these terms are interrelated.
- We value your attempt to make the terminology also applicable for financial audits for comparison purposes.. For a better understanding and for encouraging convergence of assurance practices, we also recommend to include concrete examples from the financial audit.
- We welcome the introduction of the distinction between intended user and stakeholder when the guidance would also highlight that a similar distinction is relevant for financial reporting and financial audit.

Q6) Do you agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document?

The additional papers are helpful, especially for those that are not experienced yet in this field of activity. The papers are also helpful for communication with clients and for preparers. It would be useful to clarify better the target audiences and the purpose of the guidance and papers and to split up the guidance for the distinguished target audiences.

Q7) 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.

N/A

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.

N/A

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.

Issues may arise with the Dutch translation of new terminology, especially when the terms have practically the same meaning which is for example the case for 'robust and mature'.

Closing Remarks

For further information, please contact Paul Hurks (p.hurks@nba.nl).

Yours sincerely,

NBA, the Netherlands Institute of Chartered Accountants,



Anton Dieleman
Chair of the Dutch Assurance and Ethics Standards Board