



W I C I

Global Network
The World Intellectual Capital/Assets Initiative
www.wici-global.com

21 June 2019

RE: *WICI Global Network Response to the IAASB Consultation Paper on the Extended External Reporting (EER) Assurance*

Dear IAASB Team,

The “World Intellectual Capital/Assets Initiative” (WICI) Network (www.wici-global.com) is a global, non-profit organization founded in 2007 by relevant private and public sector organizations in Europe, the U.S. and Japan. It aims at establishing a comprehensive business reporting framework that enables corporate management to express company’s own way of using **intellectual/intangible assets** and other non-financial elements for the purpose of creating value, by also pointing out how the past, present and future performances connect to non-financial elements.

In particular, since a few years WICI has been committed to the building and refinement of an overall business reporting framework combining financial and non-financial information, as well as to the elaboration of industry-specific Key Performance Indicators (KPIs) for explaining company value creation that are publicly available (www.wici-global.com/kpis).

In this sense, in September 2016 WICI has published an “**Intangibles Reporting Framework**” to provide relevant definitions, principles, and contents to companies and other organizations to report on their intangible resources outside the financial statements in a value creation perspective (http://www.wici-global.com/wp-content/uploads/2016/09/WICI-Intangibles-Reporting-Framework_ver-1.0.pdf). Our Framework is purposefully aligned with the International <IR> Framework.

WICI intends to play a role internationally in fostering a new business reporting culture which is more oriented to a better measurement and transparency of firm events and resources (especially the intangible ones), and an improved communication between the firm and its stakeholders (investors in particular).

WICI would like to take this opportunity to respectfully submit its comments and suggestions to the IAASB. In this perspective, please find attached a memorandum outlining our responses to some of the questions (from 2 to 5) posed by the IAASB Consultation Paper on the Extended External Reporting (EER) Assurance, which I submit on behalf of the World Intellectual Capital/Assets Initiative (WICI) Global Network.

Overall, while we do agree that some form of guidance on assurance of ‘Extended External Reporting’ is nowadays more and more required and requested, we believe that including in one category “many different forms of reporting” (p. 16), such as integrated and sustainability reporting or reports that comprise ESG, intangibles and non-financial information – basically all those reporting formats other than the financial statement - may contribute to increase the confusion that already exists. Indeed, the adoption of an integrated, a sustainability report, or a non-financial statement¹ by an entity is explained by different logics and is performed in dissimilar manners. Therefore, the use of a single standard of assurance, without any differentiation, might not capture their peculiarities.

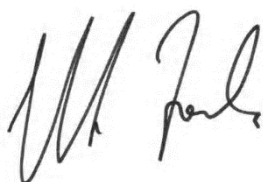
In addition, the continuous reference to financial reporting concepts, rationales and classifications as de facto benchmark does not help to clarify this confusion.

Moreover, we think that in the consultation paper a section should be devoted to sustainability reports (especially if prepared using GRI standards) and another one to those reports that are prepared in accordance to a framework (where no standards exist), such as integrated reports.

At any rate, we encourage the IAASB to proceed on the project that is crucial for the development of non-financial and integrated reporting, including the disclosure on intangible resources.

We hope that you find our response useful in your decisional path about the evolution of the concerned document.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Stefano Zambon', written in a cursive style.

Prof. Stefano Zambon
Chair, WICI Global Network

¹ According to the European Non-Financial Directive no. 94/2014.

**Response by the
World Intellectual Capital/Assets Initiative (WICI) Global Network
to some of the questions (from 2 to 5) posed by the
IAASB Consultation Paper on “EER”**

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?

In more general terms, is the IAASB document a consultation paper or a guidance? We think this is an important point to be clarified.

The draft guidance is not always easy to understand. It is quite long, and sometimes cumbersome. Some areas need an improvement.

Paragraphs 16-17 at p. 8 (examples, diagrams and terminology)

- Diagram at page 22 is too complex.
- We would suggest avoiding continuous reference to financial reporting concepts, logics and classifications. As examples, the use of the terms (para. 11, p. 17):
 - ‘subject matter elements’ or ‘elements’ as analogous to ‘assets’, ‘liabilities’, ‘income’ or ‘expenses’, and
 - ‘qualities’ as analogous to ‘value’,may be misleading. Indeed, they appear to be quite broad and potentially fuzzy concepts. Therefore, we suggest to you to identify other and more specific concepts that may be more appropriate for, and consistent with, non-financial (i.e., external extended) types of reporting.

Paragraph 34 at p. 10 (term ‘materiality process’)

- We agree with the use of the term ‘materiality process’, even though ‘materiality *determination* process’ might be more appropriate and specific.
- However, we believe that the concept of ‘materiality’ used in ISAE 3000 (Revised) and that of the consultation paper should be clarified in order to avoid an easy confusion to occur (point 34, page 10).

Paragraphs 37-40 at p. 11 (assertions)

- Paragraphs 37-40 do not provide a clear guidance to the respondents about what is asked for.

Question 3) Do you support the proposed structure of the draft guidance? If not, how could it be better structured?

- As aforementioned, the draft guidance is too long and in its current version it looks much more like a discussion paper (see above), thus requiring later a more concise exposure draft.
- The draft guidance appears quite fragmented and difficult to follow. We would suggest to structure it around two main sections: one devoted to *Procedures of the Assurance* (which

could contain Chapters 2, 3, 4, 5, 6, 7, 12 and 13) and another one dedicated to the *Contents of the Assurance* (which could contain Chapters 8, 9, 10, 11).

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 at p. 8 (relationship with ISAE 3000 (Revised))

- We do not agree that the draft guidance does not contradict with the ISAE 3000 (Revised). This standard is considered by many professionals as ‘too generic’ and, accordingly, able to ‘accommodate’ any standard or framework. While we do understand that the guidance should be somehow in line with the above standard, we also think that an effort towards taking into account specificities of the different forms of reporting should be made.

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 at p. 8 (matters not addressed in ISAE 3000 (Revised) and including details on the preparer’s role and ‘materiality processes’)

- It is stated that “The draft guidance does however cover matters not addressed in ISAE 3000 (Revised), for example how to consider an entity’s ‘materiality process’ and whether or how to use assertions” (para. 20, p. 8). We do agree with this decision, but we also believe that, being the purpose of the IAASB guidance to assist the practitioner in applying the standard, the subject matters not previously addressed by the standard should be properly indicated and better highlighted.