Agenda Item 5-B For Reference

SPECIAL CONSIDERATIONS IN PERFORMING ASSURANCE ENGAGEMENTS ON EXTENDED EXTERNAL REPORTING

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Chapter 1: Introduction

Scope ~~and Authority of this Document~~

7. [6] [7] Chapters 2 to 13 of t~~T~~his document provide~~s~~ practical guidance (hereafter 'the guidance') ~~intended~~ intended to ~~be applied by~~assist practitioners in performing assurance engagements in accordance with ISAE 3000 (Revised) (hereafter 'the Standard') on extended external reporting (hereafter 'EER') by entities of all sizes about a broad range ~~.~~of reporting topics. EER is discussed below under *Nature of EER and Meaning of 'EER Information' and 'EER Report'*.

5. [4] [5] The scope of the guidance in this document is limited to specific areas where the IAASB identified[1] that a practitioner may find guidance useful to address challenges they commonly encounter in applying the Standard in ~~–~~assurance engagements on EER (hereafter 'EER assurance engagements'). Those challenges ~~arise in the context of certain circumstances commonly encountered in relation to EER assurance engagements,~~are discussed below~~.~~ under *Circumstances Commonly Encountered in Relation to EER Assurance Engagements.*

Purpose and Intended Audience of ~~this Document~~the Guidance

5A. The ~~IAASB's~~ aim of the IAASB ~~of the IAASB~~ in issuing ~~this document~~the guidance is to ~~enable more~~promote consistent ~~and appropriate~~high quality application of the Standard in EER assurance engagements, and thereby to strengthen the influence of such engagements on the quality of EER report~~sing, and to promote greater~~enhance trust in the resulting assurance reports, and engender greater confidence in the credibility of EER reports so that they can be trusted and relied upon by their intended users (S.12.m).

6. [5] [6] The intended audience of the guidance is practitioners carrying out EER assurance engagements. Although the guidance may also assist other parties to ~~such~~ an EER assurance engagement in understanding aspects of the performance of EER assurance engagements, such as preparers and users of EER or regulators, it has not been developed with the needs of such parties in mind.

~~The~~ Nature of EER and ~~the~~ Meaning of 'EER Information' and 'EER Report'

1. [1] EER encapsulates many different types of reporting that provide information about the financial and non-financial consequences of an entity's activities. Such information (referred to in this document as 'EER information') may be about the consequences of the entities activities for the entity's own resources and relationships, or ~~about the entity's impacts on~~for the wider well-being of the economy, environment or society, or both, or the service performance of a public sector or not-for profit entity.

1A. EER information therefore goes beyond the financial information typically included in ~~financial statements which~~statements of financial position or financial performance and related disclosures. Such financial information is about an entity's economic resources or obligations, or changes therein, as a consequence of the entity's transactions and other events and conditions ('financial information' ~~as may be presented in statements of financial position or financial performance and related disclosures.~~).

2. [2] EER information may be presented as a section(s) of mainstream periodic reports issued by a company or organization, e.g. an annual report or integrated report, or a regulatory filing, such

[1] Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements

as the ~~US SEC~~U.S. Securities and Exchange Commission Form 10-K or the UK strategic report. EER information may also be presented as a separate report(s) or statement(s) issued by an entity, such as a sustainability report, a corporate social responsibility statement, a public sector performance report or value for money report, or a greenhouse gas statement. In this document, reference to an 'EER report' means EER information presented as one or more such section(s), report(s) or statement(s). In some cases, an EER report may comprise EER information ~~made~~ that is accessible ~~by~~by~~to~~ users on demand, through various communication channels, ~~which~~ or that may be ~~made accessible~~made available ~~by~~to ~~them~~by the preparer in real time~~.~~.

Circumstances Commonly Encountered in Relation to EER Assurance Engagements

3. [3] EER reports are often voluntarily prepared and issued by entities, but increasingly may be required by law or regulation (such as the EU requirement~~2~~[2] for a large company to include a non-financial statement in its annual report). They may be prepared using criteria in EER frameworks, standards or guidance established by law or regulation, by international or national standard setters, or by other bodies (referred to as 'framework criteria'), criteria developed by the entity (referred to as 'entity developed criteria'), or a combination of both.

43. [13] An EER report may address diverse underlying subject matter(s), or aspects thereof, ~~of the type(s) discussed in paragraph 1,~~ which may be complex and may have diverse characteristics that range from objective to subjective, historical to future-oriented, or a combination~~. There~~, and may ~~also~~include both non-financial (including non-monetary) information and financial information. Due to the wide range of available EER frameworks, there may be diversity in the criteria used to prepare the EER report~~ given the wide range of available EER frameworks, and because~~. Also, preparers often use entity developed criteria in addition to, or instead of, framework criteria. As a result, there may be greater opportunity for management bias in the selection or development of criteria.

43A. ~~The nature of primary representations of different a~~The outcomes of measuring or evaluating aspects of the EER underlying subject matter by applying the criteria are presented in the ~~subject matter information~~EER report, and the nature of those outcomes may ~~also~~ be diverse. Some ~~of these representations~~ may be ~~measured and~~ presented principally in quantified terms and others may be ~~evaluated and~~ presented principally in qualitative (narrative or descriptive) terms. In either case, the~~se~~ ~~primary re~~principal presentation~~s~~ may be accompanied by related disclosures. As a result, EER reports may be diverse in structure and format.

43B. EER ~~subject matter~~ information may also be presented in the EER report in diverse forms, including text, charts, graphs, diagrams, images or embedded videos.

~~[4] Compared with financial statements, EER reports may be more diverse in structure and format and in the characteristics of the underlying subject matter(s), and the EER subject matter information may be presented more often in qualitative terms than in quantified terms. EER subject matter information may include both non-financial (including non-monetary) information and financial information, and both may include information presented in qualitative or quantified terms.~~

4A. The entity's process to prepare the EER report and other components of the entity's system of internal control relevant to the preparation of the EER report may often not be ~~less than~~ fully developed, particularly when an entity first starts to prepare EER.

[2] See: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en

Authority of the Guidance

7A Although the guidance may be helpful in performing other types of assurance engagements than EER assurance engagements, it has not been developed with such engagements in mind. The Standard deals with assurance engagements, as described in the *International Framework for Assurance Engagements*, other than audits or reviews of historical financial ~~statements~~information. Examples of assurance engagements on different types of underlying subject matters, and whether the guidance does or does not deal with them, are included in Table 1 in Appendix 2.

9. [8] [9] The Standard can be used in both direct and attestation engagements[3], however, like the Standard, the guidance is written in the context of attestation engagements. Like the Standard, ~~it~~the guidance may be applied to direct engagements, adapted and supplemented as necessary in the engagement circumstances.

8. [7] [8] This document contains non-authoritative guidance. Accordingly, the guidance does not introduce any further requirements beyond those in the Standard. Similarly, the guidance does not override or change any of the requirements or application material in the Standard.

Using the Guidance ~~in this Document~~

9A. The guidance in this document is structured in chapters that ~~can be related~~relate to specific stages and other aspects of an EER assurance engagement performed in accordance with the Standard. Diagram 1 below ~~can be used to~~is useful in navigating navigate this document in the context of performing an EER assurance engagement. Ordering of the chapters in this document follows the flow of stages and other aspects of the performance of an engagement, as represented in the diagram. Chapters 12 and 13 address specific considerations from acceptance to reporting in the context of Qualitative and Future-Oriented information, respectively, and are therefore placed after more general guidance in earlier chapters.

9B. Each chapter is structured to answer the 'What', 'Why' and 'How' of the guidance in this document. Each chapter is introduced by a description of the matters addressed by the guidance in that chapter (the 'What') under the sub-heading *Matters Addressed by the Guidance in this Chapter*. That description is followed by an explanation of the circumstances in which the guidance in that chapter may be of assistance to practitioners (the 'Why'), under the sub-heading *Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners*. The explanation highlights relevant challenges in performing an EER assurance engagement from those identified above ~~under the sub-heading *Circumstances Commonly Encountered in Relation to EER Assurance Engagements*~~in G.3-4A.

9C. The remainder of each chapter (the 'How') generally provides a thought process for addressing the challenges highlighted in the 'Why'. The thought process identifies considerations that may assist the practitioner. The considerations are cross referenced, where relevant, to requirements and application material in the Standard, to specific guidance and examples in the same or other chapters, to examples in Supplement B: [*Title of Supplement B*], and to contextual information in Supplement A: [*Title of Supplement A*].

~~9D.~~ Each Appendix and Supplement describes the matters that it addresses and how they may assist a practitioner using the guidance in this document. However, this document can be used by a practitioner without reference to the Appendices and Supplements.

[3] Refer to ISAE 3000 (Revised) paragraph 12(a)(ii) for definitions of attestation and direct engagements.

9D~~E~~. Diagram 1 below provides an overview of all the aspects of the performance of an EER assurance engagement under the Standard (see green bands, rows and column headings). The diagram associates each of the requirements of the Standard (see green bands) and each chapter of this document (see brown boxes), with those aspects of the performance of an EER assurance engagement to which they relate. The diagram also indicates (see green arrows) the requirements of the Standard addressed by each chapter, and chapters that include guidance related to guidance in an earlier chapter. Those aspects of the performance of an EER assurance engagement and those requirements of the Standard that are not addressed in this document are shown in grey text.

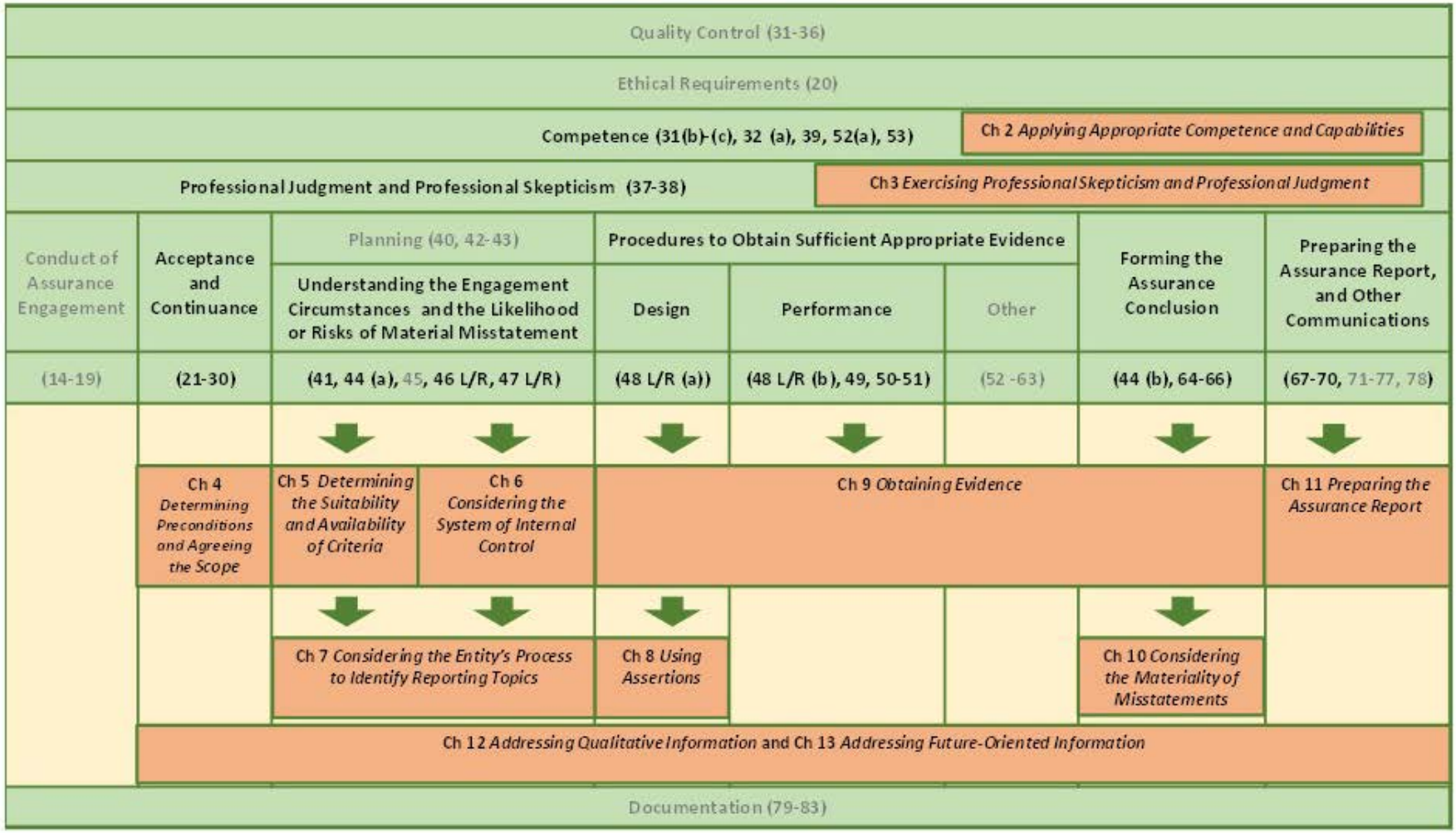


Diagram 1 – Relationships between Stages of Engagement, Requirements of the Standard, and this Guidance.

Prepared by: Pauline Irwin (October 2019)

Terminology, Icons and Cross-references

10. The guidance uses the terminology used in the Standard when the concepts being discussed are addressed in the Standard. When necessary, other terms are identified and explained in the guidance and summarized in a list of terms set out in Appendix 1.

11. Throughout the guidance and examples, including the examples in Supplement B, icons are used to identify where the exercise of professional skepticism or professional judgment are illustrated.

11A. The legend below explains the icons and format of cross-references used in this document.:

Legend

Icons - Illustrate Exercise of:

PJ *Professional Judgment*

PS *Professional Skepticism*

Format of Cross-references (A.A.a.aa))

Cross-reference to:	A	A	a	aa	Examples
Guidance	"G"	Para no. or "Ch" + Chapter no.	Sub-para no. (lower case alpha)	Sub-sub-para no. (lower case Roman numeral)	G.78 refers to paragraph 78 of the Guidance G.Ch4 refers to Chapter 4 of the Guidance
Standard (requirement)	"S"	Para no.			S.24.b.ii refers to paragraph 24(b)(ii) of the Standard
Standard (application material)	"S"	"A" + Para no.			S.A42.a refers to paragraph A42(a) of the application material of the Standard
Supplement – A, B	"SuA", "SuB"	Para no.			SuA.63 refers to paragraph 63 of Supplement A

Chapter 2: [4] Applying Appropriate SkillsCompetence and Capabilities

Matters Addressed by the Guidance in this Chapter

88A This Chapter provides guidance on the assignment of the engagement team with the competence, skills and capabilities that may be needed to perform an EER assurance engagement, and to meet the requirements of S.31-322. It also provides guidance on the required competence and responsibilities of the engagement partner and their responsibility for in managing and coordinating the the combined competence of the engagement team, and any practitioner's external experts, and its appropriate deployment, throughout the engagement, through direction, supervision and review of their work.

88. [53] The focus of the guidance is on the practitioner's ability competence to meet perform the engagement in accordance the requirements of the assurance sStandard(/s), and to issue an appropriate assurance report that is appropriate in the circumstances and that will enhance the degree of confidence of the intended users in the subject matter information. The competence needed to perform an assurance engagement includes both competence in assurance skills and techniques (hereafter 'assurance competencecompetence') and sufficient competence in the underlying subject matter of the engagement and in its measurement or evaluation (hereafter 'subject matter competence').

Circumstances in which the Guidance in this Chapter May be of Assistance to PractitionersIntroduction

87. [512] To accept or continue an assurance engagement the engagement partner is required to be satisfied that the engagement team collectively have the appropriate competence and capabilities to:

a) Perform the engagement in accordance with the relevant standards and applicable legal and regulatory requirements; and

b) Enable an assurance report to be issued that is appropriate in the circumstances to be issued.[4]

89. [534] As discussed in Chapter G.Ch1, EER reporting may be diverse, both in format and in the matters being reported on. The reporting can also be qualitative, comprising narrative description or qualitative information alongside financial and non-financial numbers. The frameworks and criteria used to measure or evaluate the underlying subject matter(/s) may be in the early stages of development, and the governance, processes and internal control systems related to the preparation of EER may often may be less developed than in a financial reporting context, particularly when an entity first starts to prepare its EER reporting. All these factors matters may increase the need for a high level of assurance competence as well as extensive subject matter expertisecompetence, for example, scientific or engineering skills, to be able to perform the engagement, depending on the particular engagement circumstances.

90. [545] In a financial statement audit engagement, the audit partner and engagement team have core competence in both auditing skills and techniques (assurance competence) and in financial accounting (subject matter competence). However, inIn an EER engagement, while the assurance practitioner may have some subject matter expertisecompetence, the subject matter competence that may be needed on a complex engagement may go beyond that ordinarily possessed by most assurance practitioners.

4

91. [55] ~~To be able to perform the assurance work over specialized subject matters or subject matter aspects~~When the subject matter competence needed on a complex engagement goes beyond that ordinarily possessed by most assurance practitioners, the practitioner may need to use the work of a practitioner's expert. Such an expert has specialized skills and knowledge that enable an informed and knowledgeable view on the subject matter, but they may not have the assurance competence that is needed to perform an assurance engagement in accordance with the Standard or to be able to make the judgments in relation to contentious or difficult assurance matters. While a practitioner's expert is not required to have assurance competence, they may need sufficient understanding of the Standard to enable them to relate the work assigned to them to the objectives of the engagement.

A~~A~~ssignment of the Team with Appropriate Assurance Competence and Subject Matter Competence

~~91. [56] To be able to perform the assurance work over specialized subject matters or subject matter areas, the practitioner may need to use the work of a practitioner's expert. Such an expert has specialized skills and knowledge that enable an informed and knowledgeable view on the subject matter, but they may not have the extensive competence in assurance skills and techniques that are needed to perform an assurance engagement in accordance with the Standard or to be able to make the judgments in relation to contentious or difficult assurance matters. While a practitioner's expert is not required to have assurance competence, they may need sufficient understanding of the Standard to enable them to relate the work assigned to them to the objectives of the engagement.~~

92. [56~~7~~] Assurance skills and techniques are required to be applied as part of an iterative, systematic engagement process, and include those planning, evidence gathering, evidence evaluation, communication and reporting skills and techniques demonstrated by an assurance practitioner. These skills ~~that~~ are distinct from expertise in the underlying subject matter of any particular assurance engagement or its measurement or evaluation; they include 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 ~~in an iterative systematic engagement process~~. Accordingly, they involve far more than the application of subject matter expertise.

93. [57~~8~~] On broader or more complex EER engagements the practitioner may judge it necessary for the work to be performed by a multi-disciplinary team that includes both appropriate assurance competence and one or more practitioner's experts. The assurance practitioners, other than the engagement partner, who perform the engagement, may have a combination of different levels of assurance competence and different levels of subject matter competence. However, all assurance practitioners are likely to need some level of competence in both to be able to understand and apply the perspectives of a wider range of users and to be able to exercise the professional skepticism and professional judgment needed during planning and performing an assurance engagement.

94. [58]~~9]~~ Both assurance practitioners and ~~subject matter~~ experts in the underlying subject matter and its measurement or evaluation (referred to in the Standard and hereafter as 'subject matter

experts') may, additionally, have specialized competence in a particular area, for example, an assurance practitioner may be a specialist in assuring IT systems and controls, in assuring sustainability information, or in assurance sampling techniques and methodologies; a subject matter expert, such as a biochemist, may be a specialist in environmental waste measurement and management, or a lawyer may be a specialist in environmental or human rights legislation (i.e. a specialized branch of law).

95. [~~60~~59] The extent to which the work of experts ~~and/~~or specialists is used, and how it is used, are a matter of judgment for the practitioner, taking account of factors such as:

(a) The nature and complexity of the underlying subject matter and its measurement or evaluation;

(b) The extent to which the underlying subject matter lends itself to precise measurement or whether there is a high degree of measurement uncertainty that may need significant knowledge and judgment in relation to the underlying subject matter;

(c) The engagement partner's and engagement team's competence and previous experience in relation to the underlying subject matter; and

(d) The level of assurance to be ~~provided~~obtained.

96. [60~~1~~] In a more complex engagement, the practitioner may find it helpful to draw up a skills matrix setting out the assurance and subject matter competencies needed to perform the engagement and those of key engagement team members and other individuals whose work is to be used in performing the engagement. A matrix ~~could~~ may also help identify where subject matter competence in a specialized area may be needed by the practitioner and whether that competence is available to the practitioner from within their own firm or network (practitioner's internal expert) or may need to be obtained from outside the firm or network (practitioner's external expert).

97. [~~62~~61] The more complex the engagement, the more necessary it may be to consider how the work of the assurance practitioners and the work of the practitioner's expert(~~/~~s) is to be integrated into a cohesive whole. The appropriate application of competence in the performance of the engagement depends on the individual assurance practitioners and practitioner's experts who are to perform the engagement having the appropriate competence to perform the roles assigned to them. It also depends on those individuals effectively integrating the application of their collective competence in working together as a multi-disciplinary team to perform the engagement~~Competence is not only about whether appropriate individual engagement team member competence is brought to bear on the engagement, but also how the various competencies (whether assurance competence or subject matter expertise) work together as an interdependent team to apply their combined knowledge, expertise and judgment (collective competence) to planning the assurance procedures and obtaining evidence, communicating findings on a timely basis, and evaluating the results. It is likely that individuals working together as a team, building a relationship, with a common focus on the purpose of the engagement and the needs of the intended users will be more effective than individual, isolated efforts on separate areas of the engagement that need different types of expertise~~.

98. [62~~3~~] The following example~~s~~ illustrates some of the considerations relating to the collective competence of the engagement team that may apply in ~~a complex engagement and~~ a ~~less~~ fairly uncomplex engagement.~~,~~ ~~respectivel~~SuB.[x]~~y.~~ illustrates some of the considerations that may apply in a more complex engagement.

EXAMPLE

A professional services firm voluntarily reports, and requests assurance on~~over~~:

- ~~–~~ its GHG emissions from purchased electricity for a single office;
- ~~–~~ metered water usage for its office; and
- ~~–~~ the number of employees by gender and by grade.

In this example, an assurance engagement partner and ~~team of~~one or more practitioners with competence and experience in sustainability assurance engagements are likely to be able to perform the engagement to meet the requirements of the Standard without the need to engage further subject matter expertise.

PJ

Competence and responsibilities of the engagement partner

99. [64~~5~~] The Standard requires that, in addition to ~~assessing~~ being satisfied that those persons who are to perform the engagement have the appropriate competence and capabilities, ~~the collective competence of the team,~~ the engagement partner is to have competence in assurance skills and techniques developed through extensive training and practical application as well as sufficient subject matter competence to accept responsibility for the assurance conclusion.

100. [65~~6~~] An assurance practitioner may use the work of a practitioner's expert if, having followed relevant requirements of the Standard, they conclude that the work of that expert is adequate for the practitioner's purposes. However, the engagement partner has sole responsibility for the engagement. That responsibility is not reduced by the work of the practitioner's expert. The engagement partner needs to have sufficient understanding of ~~, and competence in,~~ the underlying subject matter and sufficient subject matter competence, in addition to having a high level of assurance competence, to be able to:

(a) When needed, ask appropriate questions of the expert and assess whether the answers make sense in the context of the engagement and as viewed from a user perspective;

(b) Evaluate~~assess~~ the expert's work and, to the extent needed, integrate it with the work of the engagement team as a whole; and

(c) Take~~take~~ responsibility for the conclusions reached.

101. [66~~7~~] The engagement partner is also responsible for the overall quality of the engagement, including for:

(a) A~~a~~ppropriate direction~~,~~ and supervision, and the reviews being performed in accordance with firm policies and procedures, in particular the work of ~~of the work of~~ less experienced team members being reviewed by more experienced team members;

(b) M~~m~~aintenance of engagement documentation that provides evidence of the achievement of the practitioner's objectives and that the engagement was performed in accordance with relevant ISAEs and legal and regulatory requirements ~~(see chapter 10 for guidance on documentation)~~; and

(c) A~~for a~~ppropriate consultation by the engagement team on difficult and contentious matters.

Direction, supervision and review

102. [678] In ~~becoming satisfied about the collective competence and capabilities of those persons who are to perform the engagement and in~~ making decisions about the direction, supervision and review of the~~ir~~ work performed throughout the engagement, t~~The engagement partner considers may need to consider~~ the composition of the engagement team throughout the engagement and~~of that group of persons, and may need to~~ ~~takes account of their assurance~~ competence and ~~subject matter competence .~~ ~~when making decisions about the direction, supervision and review of their work. T~~he lower the level of assurance competence of a team member is, the higher ~~will~~ may be the need for direction, supervision and review of their work. Similarly, the lower the extent of their subject matter competence when they are performing assurance procedures, the lower may be their skills in exercising professional skepticism and professional judgment in relation to the evidence gathered, including the evidence obtained from using the work of an expert.

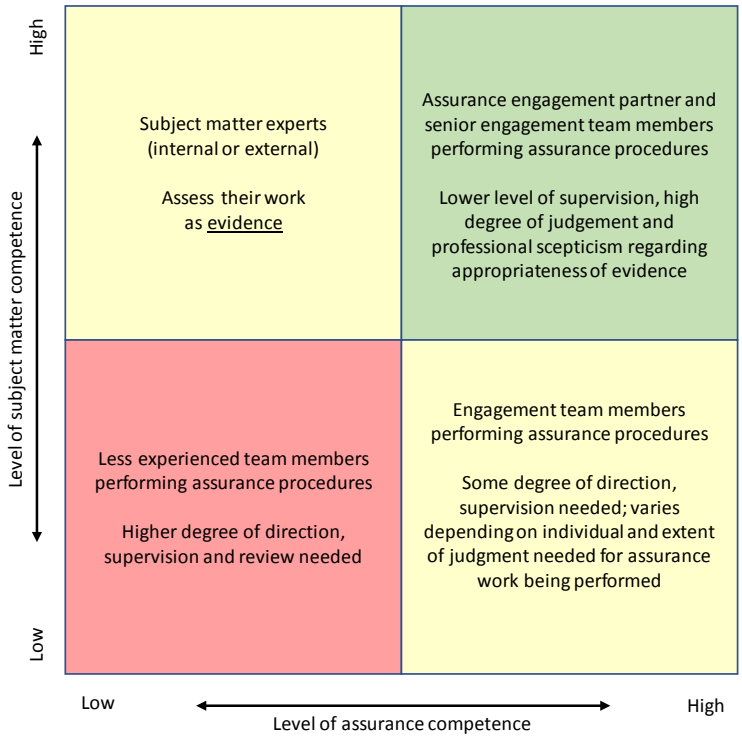
104. [70] The diagram below illustrates the levels of assurance competence and subject matter competence that may be available in the engagement team, and the direction, supervision and review that may be appropriate.

103. [689] The extent and nature of direction, supervision and review needed are a matter of judgment, taking account of factors such as:

(a) The assurance and subject matter competence of the individual team member;

(b) The significance of the work performed by the individual in the context of the engagement as a whole;

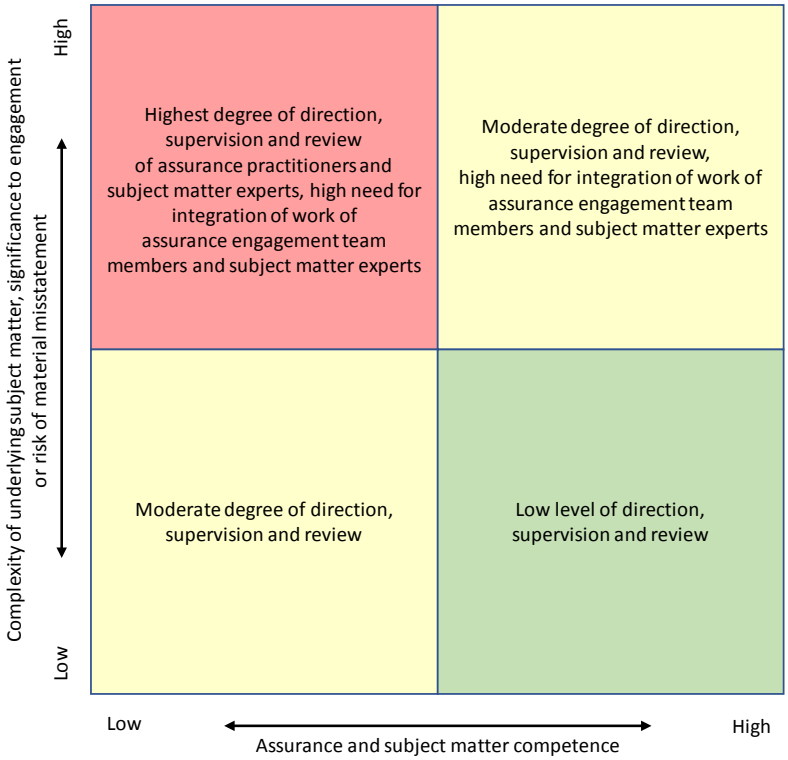
(c) The risks of material misstatement in the matter to which the work of the assurance practitioner or practitioner's expert relates;



(d) Whether the practitioner's expert is internal or external to the practitioner's firm; and

(e) Whether or not the firm has a well-developed methodology for practitioners to follow when performing a particular type of EER engagement.

104A. For example, where there is greater complexity in the underlying subject matter or its measurement or evaluation, or the work of the individual is more significant to the engagement as a whole, greater direction, supervision, review and integration of that work is likely to be needed than if the subject matter is less complex or the work of the individual relates to a less significant part of the engagement. This is illustrated in the diagram below.



Other Quality Control Considerations

105. [70~~1~~] The premise on which the Standard is based includes that the ~~engagement's~~ assurance practitioners are members of a firm that is subject to quality control requirements at least as demanding as ISQC 1. Those requirements include that the firm establishes and maintains a system of quality control that includes documented policies and procedures addressing the matters set out in ~~paragraph~~ S.A61 ~~of the Standard~~ and that are communicated to the firm's personnel. In ~~T~~the absence of being subject to such quality control requirements, ~~means that~~ the assurance provider is not able to able to ~~provide~~perform an EER assurance engagement in conformity with the~~is~~ Standard.

106. [71~~2~~] Assurance practitioners are often professional accountants, but the Standard acknowledges that a competent practitioner other than a professional accountant may choose to represent compliance with the Standard. Representing compliance includes representing that they comply with the requirements of the Standard that address their own competence and the competence of others who are to perform the engagement, and that they are able to evidence that they are a member of a firm that is subject to quality control requirements at least as demanding as ISQC 1.

107. [72~~3~~] When~~re~~ the entity has a subsidiary, division, branch or operational site at a remote location or in a different jurisdiction, the practitioner may use the work of another practitioner to perform assurance procedures at that ~~component~~entity. However, the engagement partner remains responsible for the overall assurance conclusion and for the quality control of the engagement. ~~The Standard contains a number of requirements with respect to using the work of another practitioner in a multi-team or multi-location engagement.~~

108. [73~~4~~] The Standard requires the practitioner to evaluate whether the work of another practitioner whose work is being used (S.53), for example in a multi-team or multi-location engagement, is adequate for the practitioner's purposes. The guidance in S.A120-134, though written in the context of using the work of a practitioner's expert, identifies a number of factors that may need to be taken into account, and may therefore also provide helpful guidance in this context. ~~If~~ Whether the other practitioner complies with ISQC 1, or is a member of the same network of firms~~,~~ and, if so, whether that network is subject to common systems and processes to comply with ISQC 1, then this may be a factor to take into account in considering the appropriate ~~a lower~~ degree of direction, ~~oversight~~ supervision and review that may be necessary. ~~may be necessary than when the component's subject matter information is subject to assurance by a practitioner outside of the practitioner's own network, or by a practitioner who is not a member of a firm that applies ISQC 1.~~

Chapter 3: ~~[5]:~~ Exercising Professional Skepticism and Professional Judgment

Matters Addressed by the Guidance in this Chapter~~Introduction~~

109A. This Chapter discusses ~~what~~ professional skepticism and professional judgment ~~are~~in the context of an EER engagement. It covers~~,~~ the attributes and behaviors that may be needed for the exercise of professional skepticism, and what might be an impediment to its exercise. It also gives guidance on how competence in the exercise of professional judgment may be acquired, and refers to further examples of the exercise of both professional skepticism and professional judgment.

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

109. [75] The Standard (S.37) ~~–~~requires the engagement to be planned and performed with professional skepticism, recognizing that circumstances may exist that cause the subject matter information to be materially misstated. It also requires (S.38-39) the exercise of professional judgment in planning and performing the assurance engagement, and the application of assurance skills and techniques (which include the exercise of professional skepticism and professional judgment) as part of an iterative, systematic engagement process.

111. [77] In an EER engagement, the need for sound professional judgment and the exercise of professional skepticis~~cs~~m may be particularly important~~heightened~~. EER engagements can be complex, with underlying subject matters ~~that may~~whose measurement or evaluation may be subject to ~~greater~~ considerable subjectivity, management bias, estimation and evaluation uncertainties ~~than when applying financial reporting frameworks~~ (see G.Ch~~Chapte~~1~~r 1~~).

112. [78] These ~~and other~~ factors~~,~~ may make it challenging to:

(a) Understand the needs of intended users;

(b) Understand the interrelationships of different aspects of the subject matter information;

(c) Determine whether assumptions and methods used by the preparer are appropriate;

(d) Recognize unusual circumstances or omissions of information when they occur

(e) Evaluate the sufficiency and appropriateness of evidence obtained; and

(f) Determine the appropriate course of action in light of the facts and circumstances of the particular engagement.

113. [79] ~~Other~~ T~~factors~~ he need for the practitioner to exercise professional skepticism and professional judgment may be increased by these and other factors, such as:

(a) T~~t~~he preparer's lack of familiarity with the reporting frameworks;

(b) F~~the lack of maturity of f~~rameworks, governance and controls that may still be developing; and

(c) T~~t~~he possibility that the underlying subject matter may not be central to the entity's strategy or management priorities.

~~may also increase the need for the practitioner to exercise professional skepticism and professional judgment~~

~~**The importance of professional skepticism and professional judgment in an EER engagement**~~

Acquiring and Aapplying Competence in Exercising Pprofessional Sskepticism and Pprofessional Jjudgment

110. [76] Sufficient knowledge of the circumstances of the engagement, as well as assurance competence and, in some circumstances, –understanding of relevant standards, laws and regulations, are important to being able to exercise professional skepticism and professional judgment in making the informed decisions that are required throughout an EER engagement. ~~Paragraphs~~ S.A76- ~~to~~ A85 ~~of the Standard~~ set out why maintaining an attitude of professional skepticism and applying professional judgment are necessary, and in which circumstances they may be particularly important.

THE MEANING OF 'ENGAGEMENT CIRCUMSTANCES'
Engagement circumstances include the terms of the engagement, including whether it is a reasonable assurance engagement or a limited assurance engagement, the characteristics of the subject matter, the criteria to be used, the information needs of the intended users, relevant characteristics of the ~~responsible party~~preparer and its environment, and other matters, for example significant ~~events,~~ transactions, events or conditions ~~and practices~~, that may have a significant effect on the engagement (S.12.d.)~~.~~

Professional skepticism

WHAT IS PROFESSIONAL SKEPTICISM?
An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement, and a critical assessment of evidence (S.12.u.)

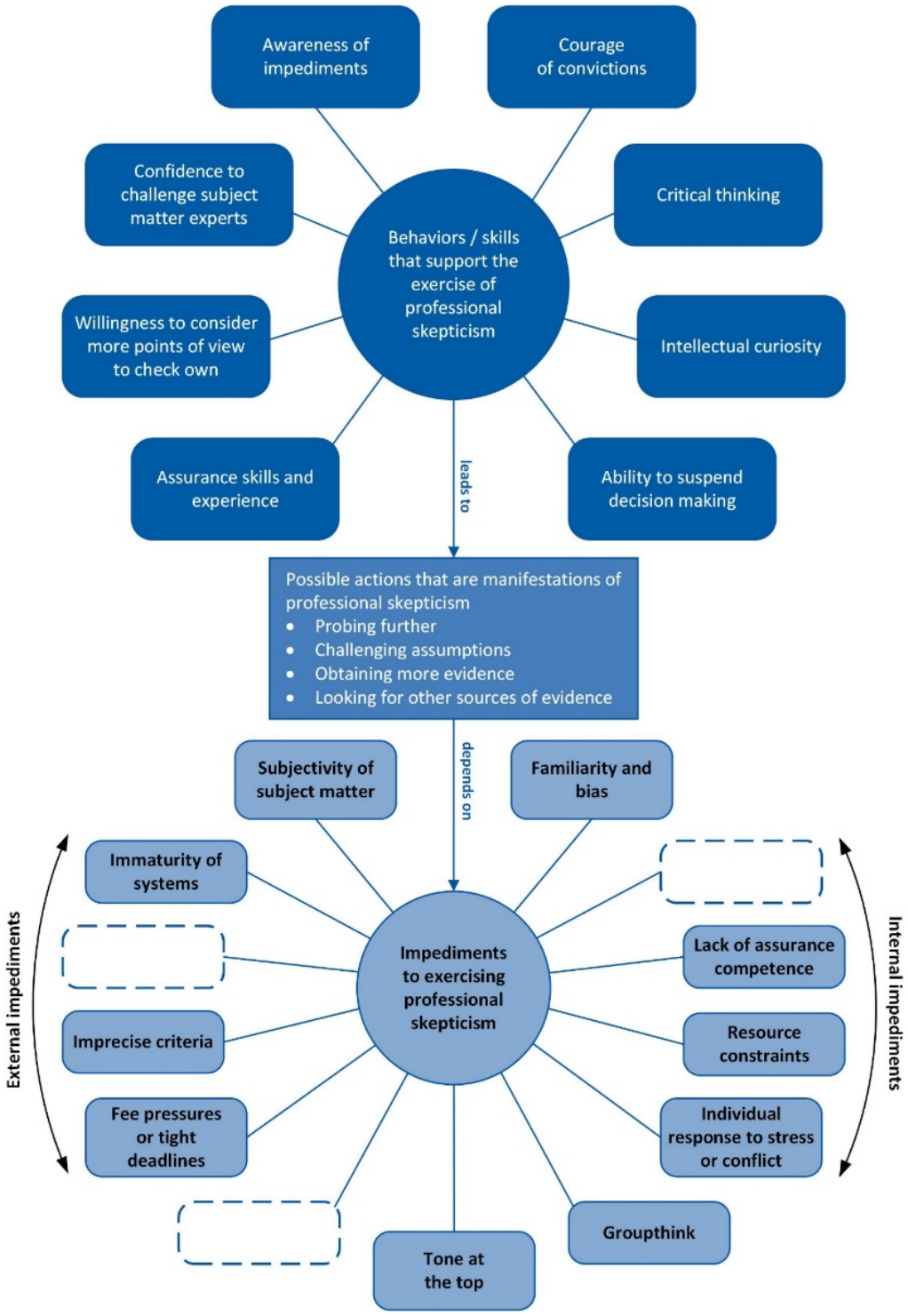
114. [80] Professional skepticis~~si~~m is founded on an attitude of mind that, is neither unduly cynical nor accepting of representations or answers to inquiries at face value, even if they sound plausible. In an assurance engagement, it is manifested in the actions the practitioner takes in understanding and evaluating matters based on the evidence. These actions are primarily about asking the right questions and making a judgment, based on the evidence obtained, as to when it may be necessary to probe further and when it is appropriate to move on.

115. [81] The importance of professional skepticism to the interests of intended users is underscored by the increasing complexity of business and of EER reporting, rapid changes needed by businesses to adapt to changing circumstances, increased regulation, increased demand for transparency of information, the call for greater responsibility by business for its actions, and the use of increased judgment, estimation and assumptions by preparers of the EER information.

116. [82] The exercise of professional skepticism may be impeded by a number of factors, both external factors, not within the direct control of the practitioner, and internal factors. Heightened

awareness of the presence and intensity of these factors can help practitioners to avoid or mitigate their impact by taking appropriate action.

117. [83] The diagram below indicates both the attributes and behaviors that may be needed in the exercise of professional skepticism, and possible impediments to its exercise; it is not intended to illustrate all possible factors, but is indicative of the type of factor that may influence the practitioner's exercise of professional skepticism. The dotted boxes are intended to indicate that further impediments may be identified by the practitioner.



118. [85] External impediments to the exercise of professional skepticism may arise, for example, as a result of imprecise criteria, subjectivity or complexity of the underlying subject matter, or because EER reporting and the associated governance, processes and controls are at an early stage. It can be difficult to know what the subject matter information should be or what may be of consequence to a user's decision-making when criteria and underlying subject matter(s) allow for a wide range of different interpretations and subjective judgments. ~~As discussed in Chapter 4, A~~assurance competence, strong business acumen and sufficient knowledge of the subject matter and its measurement or evaluation underpin the ability to exercise professional skepticism.

119. [86] External pressures such as fee or time pressures may also impede the exercise of professional skepticism, as may an organizational culture or tone at the top that does not tolerate challenge. In such circumstances, practitioners may be reluctant to question when things do not seem right. However, it is important to bear in mind that the objective of an assurance engagement is to enhance the degree of confidence of the intended users in the subject matter information; it is therefore the users' needs that are kept in mind throughout the engagement. Clear and early communication with the preparer about expectations regarding, for example, the timing of deliverables and the availability of evidence and access to personnel may help to mitigate these impediments.

~~120~~120. [87] Internal impediments may arise as a result of factors at firm level, engagement level or personal level. For example, a firm may not encourage differing views, place importance on training and ongoing professional education or develop assurance methodologies for the performance of its engagements. At engagement level, there may be resource constraints that prevent the appropriate competence from being included on the engagement team or that put team members under undue time pressures. Personal traits such as individuals' response to time pressure, stress or conflict, cultural background, intellectual curiosity, confidence to question or personal bias can act as impediments to the proper exercise of professional judgment.

Professional judgment

WHAT IS 'PROFESSIONAL JUDGMENT'?
• The application of relevant training, knowledge and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement. • The distinguishing feature of the professional judgment expected of a practitioner is that it is exercised by a practitioner whose training, knowledge and experience have assisted in developing the necessary competencies to achieve reasonable judgments. • The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the practitioner. • Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or sufficient appropriate evidence.

121. [88] ~~The ability to exercise professional judgment is closely linked with competence in a particular subject matter. It~~ Competence in the exercise of ~~P~~professional judgment is developed through extensive training and experience ~~in that~~ and is facilitated by subject matter competence. Practical experience and 'on the job' coaching ~~are~~ 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.

122. [89] ~~While s~~Subject matter experts ~~also~~ exercise judgment in relation to their area of subject matter expertise, but the Standard specifically contemplates professional judgment as part of the assurance ~~skills and techniques~~competence of a practitioner, acquired through extensive training, knowledge and practical experience. ~~Professional~~ In an EER assurance engagement, the exercise of ~~Assurance~~ professional judgment is necessary regarding decisions about, amongst other matters: materiality and engagement risk; the nature, timing and extent of procedures that will enable sufficient appropriate evidence to be obtained to comply with the requirements of the relevant ISAEs; evaluating the evidence obtained and drawing appropriate conclusions based on that evidence; and the actions to take in exercising professional skepticism.

123. [90] Throughout the rest of ~~this guidance~~~~document~~the guidance, the exercise of professional ~~judgment~~ skepticism and professional ~~skepticism~~ judgment are illustrated by way of examples related to specific decision points in the lifecycle of an EER engagement and are set out in, or referred to from, the relevant chapters where those decision points are discussed. Within those chapters, the examples are identified by use of the symbols indicated in the legend in G.Ch1. ~~PJ or PS [as indicated in Chapter 1].~~ These include~~: [link to areas to which the examples relate, for example:~~ examples in relation to determining the preconditions and agreeing the scope of an engagement (G.Ch4), the competence ~~scoping,~~ and capabilities that may be needed to perform the engagement (G.Ch3)~~competence~~, determining the suitability of the criteria (G.Ch5), evidence-gathering and evaluation (G.Ch9), and reporting (G.Ch11).~~]~~

124. [91] Further discussion on professional judgment and professional skepticism can be found in the SuA [x].

~~[Supplement].Documenting professional judgment~~

~~125. [92] S. Paragraph 79. (c) of the Standard also requires the practitioner to prepare documentation sufficient to enable an experienced practitioner, having no previous connection to the engagement, to understand the significant professional judgments made in reaching conclusions on significant matters arising during the engagement. Documentation in an assurance engagement includes a record of the practitioner's reasoning on the all significant matters arising during the engagement. It includes the related conclusions reached by the practitioner and the that require the exercise of professional judgments made in reaching them., and related conclusions. When difficult questions of principle or professional judgment exist, documentation that includes the relevant facts that were known by the practitioner at the time the conclusion was reached may assist in demonstrating the practitioner's knowledge.~~

Chapter 4 ~~[3]~~: ~~Agreeing the Scope and~~Determining Preconditions and Agreeing the Scope~~Determining Preconditions~~

Matters Addressed by the Guidance in this Chapter

12A. This Chapter provides guidance on applying the acceptance and continuance requirements of S.21-30 in the context of a ~~potential~~proposed EER assurance engagement. It focuses on determining whether the preconditions are present and agreeing the scope of the engagement, understanding the work effort that may be appropriate in applying the acceptance and continuance requirements, and remaining alert to, and managing, potential threats to the practitioner's independence that may arise in performing the ~~potential~~proposed engagement.

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

12B. The underlying subject matter may be complex and diverse, and the characteristics of the underlying subject matter and subject matter information may be more qualitative than quantitative and more future-oriented than historical. The entity's process to prepare the EER report or other components of the entity's system of internal control relevant to preparation of the EER report may not be fully developed or may have areas for improvement. In addition, the criteria used to measure or evaluated the underlying subject matter may include a significant element of entity-developed criteria. These and other factors, including that the engagement may be voluntary, and that cost considerations may be a key engagement consideration for the preparer, may result in the proposed ~~scope of the~~ subject matter information for the engagement being only part(s) ~~being focused on some but not all elements~~ of the entity's EER report~~ing~~ (hereafter referred to as the 'boundary of the subject matter information').

12C. When all or some of these factors are present, especially in an initial engagement, a more extensive work effort may be necessary than in a well-established are of reporting and assurance in order to meet the acceptance and continuance requirements. In some circumstances, the practitioner may encounter potential impediments to acceptance. A separate non-assurance engagement to evaluate the maturity of the entity's reporting and advise the preparer on its readiness for an EER assurance engagement may be a valuable precursor to the entity's seeking assurance. While such an engagement can serve a valuable purpose in enhancing the entity's reporting process sufficiently that an EER assurance engagement can be performed, it can also give rise to potential threats to the practitioner's independence in later performing the proposed assurance engagement.

Determining Whether the Preconditions ~~for Assurance~~ are Present in an EER Assurance Engagement

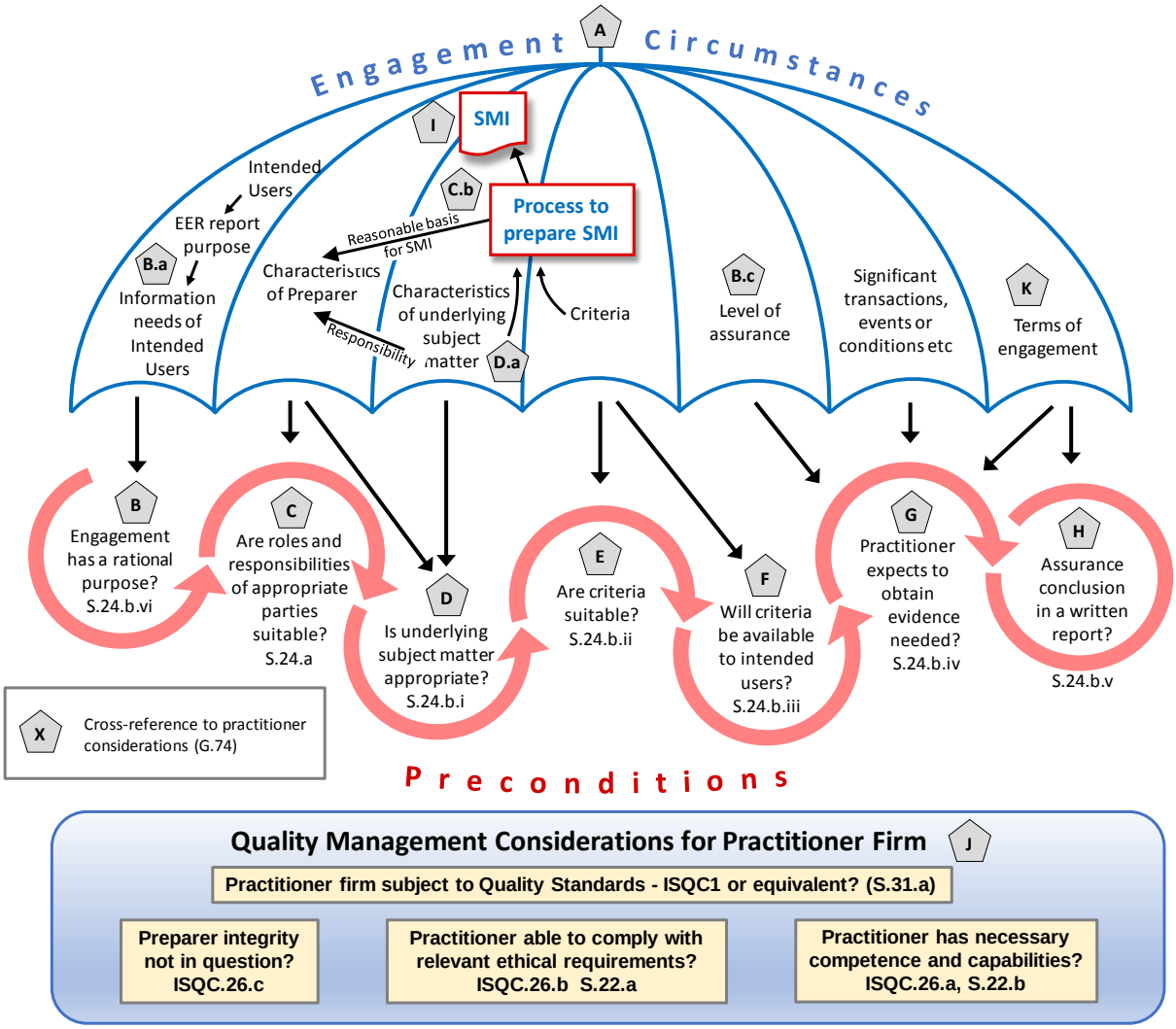
68. [43] [37~~8~~] The practitioner is only ~~only~~ permitted to accept or continue an assurance engagement when, amongst other matters, the basis ~~on~~ upon which the engagement is to be performed has been agreed. In part, this is ~~established~~ accomplished through ~~identifying~~ establishing that the preconditions for an engagement are present, based on a preliminary knowledge of the engagement circumstances and discussion with the preparer.

69. [44] [38] For a recurring engagement, the same preconditions are required as for an initial engagement, however the continuance process may be more straightforward as the practitioner will already have good knowledge of the entity and the engagement ~~circumstances with which to determine if the preconditions are present~~. The practitioner's considerations may focus on whether the engagement circumstances have changed since the previous period in assessing whether circumstances require the terms of the engagement to be revised (S.28).

~~70. [45] [39] The same preconditions need to be present for all assurance engagements, whether limited or reasonable assurance is being obtained. For example, in order for the criteria to be suitable in a limited assurance engagement, the practitioner must be able to determine that they would be suitable in a reasonable assurance engagement.71. [46] [40] The preconditions are set out in paragraph 24 of the Standard, which are summarized in the seven grey shaded boxes:~~

72. [41] The preconditions ~~are set out in paragraph 24 of the Standard, and all the preconditions~~in the Standard, which are discussed below, are required to be met. ~~For example, although it can be challenging to determine whether the criteria are complete, the practitioner is required to do so. Although the presence of completeness in the criteria may be less readily determinable than the presence of other characteristics of suitable criteria, t~~The practitioner will need a sufficient preliminary knowledge of the engagement circumstances to be able to make a reasoned determination about whether the ~~criteria exhibit the characteristic of completeness~~preconditions are present.

72A. The diagram below sets out the practitioner's consideration of the preconditions within the context of the engagement circumstances. Cross references in grey pentagons in the diagram below are to the practitioner considerations in G.74.



74. [47] [42] The following considerations for the practitioner include questions (based on the preconditions for an assurance engagement) that are designed to illustrate how the practitioner may make some of the judgments involved in the acceptance or continuance decision. Each consideration is cross-referenced to relevant material in the Standard or in the guidance, which may be in this chapter (G.76-128) or in other chapters.

CONSIDERATIONS FOR THE PRACTITIONER	
	A. Does the practitioner have sufficient preliminary knowledge of the engagement circumstances to be able to determine whether the preconditions are present (G.72, G.78A)? B. Does the engagement have a rational purpose (S.24.b.vi, S.A56, G.76)? C. Are the roles and responsibilities of the appropriate parties suitable, and has the preparer appropriately fulfilled its responsibility to have a reasonable basis for the subject matter information (S.24.a, S.A37-A39, G.76) (a) If the roles of the appropriate party(ies) are not all performed by the same entity, what are the characteristics of the relationships between the parties? (b) Does the preparer's process to prepare the subject matter information provide a reasonable basis for that information, and is the process appropriately supported by other relevant aspects of the entity's system of internal control (G.Ch6)? (c) Has the preparer acknowledged its responsibility for the underlying subject matter? (d) Have the practitioner and preparer reached a common understanding of their roles and responsibilities(S.22.c.ii)?

CONSIDERATIONS FOR THE PRACTITIONER

D. Is the underlying subject matter appropriate (S.24.b.i, S.A40-A44, G.75A-75C)
   (a) Given the characteristics of the underlying subject matter, is it identifiable, and is it capable of consistent measurement or evaluation, at an appropriate level of aggregation or disaggregation?
   (b) Can the resulting subject matter information be subjected to procedures to obtain sufficient appropriate evidence?

E. Are the applicable criteria suitable for the engagement circumstances (S.24.b.ii, S.A45-A50, G.Ch5, G.70-82B)?
   (a) Are the framework criteria selected suitable on their own (i.e., do they exhibit the five characteristics of suitable criteria) or is there a need for entity developed criteria?
   (b) Does the preparer have an appropriate process in place for selecting or developing and reviewing the criteria (G.Ch7)?

F. Will the framework or entity developed criteria be made available to the intended users (S.24.b.iii and S.A51-A52)?

CONSIDERATIONS FOR THE PRACTITIONER

G. Does the practitioner expect to be able to obtain the evidence needed to support the limited or reasonable assurance conclusion, as applicable (S.24.b.iv, S.A53-A55, ISQC1.26.c)?
   (a) If ~~Would~~ the preparer's process to prepare the subject matter information does not provide a reasonable basis for that information (G.74.C.c), what are the implications for the practitioner in obtaining evidence (G.126-128, G.Ch9)?
   ~~whether the proposed level of assurance is limited or reasonable assurance~~What are the implications for obtaining evidence of the nature of any significant transactions, events or conditions (S.12.d, G.Ch9))?
   ~~Has the preparer accepted responsibility for the underlying subject matter?~~
   (b) Has the preparer imposed a limitation on the practitioner's work in the terms of the engagement (S.26, S.–A155.c, G.74.K) and will the practitioner have adequate access to the preparer's records and people (S.A54-55)?
   (c) Is the integrity of the preparer in question (ISQC1.26.c)?

CONSIDERATIONS FOR THE PRACTITIONER

H. Is the assurance conclusion to be contained in a written report (S.24.b.v)?

~~A.~~ Has the proposed boundary of the subject matter information been determined appropriately, and if the subject matter information is only parts of the EER report, has it been selected in an unbiased manner (G.44-63)?

I.

J. Are expectations for engagement quality management appropriate?

(a) Is the practitioner a member of a firm that is subject to ISQC 1 or other professional requirements, or requirements in law or regulation that are at least as demanding as ISQC 1 (S.31.a, S.A60–A66)?

(b) The members of the engagement team are subject to the IESBA Code or other professional requirements, or requirements in law or regulation, that are at least as demanding (S.22.a, S.A30–A34, ISQC1.26.b)?

(c) Do those who are to perform the engagement collectively have the appropriate competence and capabilities to do so (S.22.b, S.32, ISQC1.26.a, G.Ch2)?

K. ~~Will~~Has the practitioner reached a common understanding of the engagement terms with the preparer and will they be set out in writing in an engagement contract (S.27, S.A57-A58)?

Considering whether t~~T~~he engagement has a rational purpose

76. [49] [45] The purpose of an assurance engagement is established in the definition of an assurance engagement in ~~paragraph 12(a)~~S.12.a~~ of the Standard~~. The meaning of the term 'rational' is not explicitly addressed in the Standard. However, an assurance engagement may be considered to have a rational purpose if the practitioner's conclusion is designed "to enhance the degree of confidence of the intended users … about the subject matter information". ~~It~~ The practitioner may ~~be~~ expect~~ed~~ that ~~it~~ the proposed engagement is designed to do ~~this~~ enhance user confidence in a way that is logical, coherent and appropriate in the engagement circumstances. In this context, the application material in ~~A56 of the Standard~~S.A56 sets out certain considerations that may be relevant in determining whether the purpose of a proposed assurance engagement is rational.

CONSIDERATIONS FOR THE

In determining whether a proposed EER assurance engagement has a rational purpose, it may be appropriate for the practitioner to consider matters such as:

- Whether the preparer has identified the purpose of the engagement and the intended users and their information needs and whether the applicable criteria were designed for a general or special purpose. If not the practitioner may request the preparer to do so and consider the implications for acceptance if they do not.
- Who the practitioner expects to use the assurance report and the EER report and whether either is expected to be used or distributed more broadly than to the proposed addressees of the assurance report.

- ~~Who the intended users are, including taking into account whether the applicable criteria were designed for a general or special purpose, and whether the EER report or the assurance report will be used or distributed more broadly than to the identified intended users.~~Whether the identified purpose, intended users and their information needs, the proposed scope of the engagement (boundary of the subject matter information and level of assurance), the underlying subject matter and the criteria are consistent with each other and with the practitioner's knowledge of the engagement circumstances.
- ~~Assuming the subject matter information is expected to address the significant information needs of the intended users, W~~whether any aspects of the subject matter information are expected to be excluded from the assurance engagement and the reason for their exclusion, assuming the subject matter information is expected to address the significant information needs of the intended users.
- Who selected the criteria, including whether and the extent to which the intended users or other parties were involved in selecting or ~~designing~~ developing the criteria and the degree of judgment and scope for bias where parties other than the intended users were involved in doing so.
- Whether the proposed level of assurance ~~that the practitioner plans to obtain~~for the engagement (and therefore what would constitute sufficient appropriate evidence) is expected to reduce engagement risk to a level which is at least meaningful in the circumstances of the engagement, having regard to the extent of the consequence to the intended users of an inappropriate conclusion by the practitioner.
- Where the proposed level of assurance for the engagement is ~~a~~ limited assurance ~~engagement~~, whether ~~the level of assurance the practitioner plans to obtain is sufficient to be meaningful to the intended users – in some circumstances,~~ the intended users' need for assurance may even be so great that a reasonable assurance engagement is needed to obtain a meaningful level of assurance.
- Whether the scope of the practitioner's work is expected to be limited significantly (S.26, S.A54-55), such that the practitioner's conclusion may not sufficiently enhance the degree of confidence of the intended users in the EER report.
- ~~I~~~~Whether,~~ f the roles of the appropriate parties (S.13) ~~when the engaging party, responsible party and the measurer or evaluator~~ are not all the same ~~party~~entity, whether the characteristics of the relationships between these parties could undermine the purpose of the engagement.
- Whether the responsible party, if they are not the measurer or evaluator, consents to the proposed use of the subject matter information and will be able to review it before it is made available to intended users or to distribute comments with it.
- Whether the practitioner believes that the preparer intends to associate the practitioner's name with the underlying subject matter or the EER report in an inappropriate manner, including whether the nature of the engagement and underlying subject matter is relevant to the practitioner's field and knowledge, and why the practitioner is being asked to perform the engagement. ~~.~~

Considering whether the underlying subject matter is appropriate

75A. The application material in S.A40-A45 sets out guidance on what it means for the underlying subject matter to be appropriate. Considerations include whether the underlying subject matter is identifiable, and capable of consistent measurement or evaluation against the applicable criteria.

75. [48] [44] Identifiable underlying subject matter means that the different aspects of the underlying subject matter are well-defined and distinct from other things (see example below). All assurance engagements have an underlying subject matter, which is related to the purpose and intended users of the EER report, and to which the criteria are applied to result in the subject matter information. As discussed in G.47-48, there needs to be a coherent relationship between the underlying subject matter, the criteria and the subject matter information when determining the scope of the assurance engagement.

EXAMPLE

The greenhouse gas emissions of an entity might be identifiable underlying subject matter because there are widely accepted definitions of greenhouse gas emissions (such that they are distinct from other things, for example other emissions to air). Additionally, methods exist to measure or estimate those greenhouse gas emissions that are attributable to the entity's activities.

However, the impact of the entity's activities on global temperature change more broadly might not be identifiable underlying subject matter. This is because it is difficult to attribute global temperature changes to greenhouse gas emissions of specific entities and to separate the impact of greenhouse gas emissions from other factors causing such temperature changes (for example deforestation).

75B. Different underlying subject matters have different characteristics, as described in S.A42. Such characteristics affect the precision with which the underlying subject matter can be measured or evaluated against the criteria, and the persuasiveness of available evidence.

75D. The level of aggregation or disaggregation of the underlying subject matter may affect the practitioner's consideration of matters such as the entity's process to identify material aspects of the underlying subject matter to be included in the EER report (G.Ch7), the suitability of criteria (G.Ch5), and what might affect the decisions of the identified intended users (materiality considerations, which are discussed further in G.Ch10). For further discussion on the appropriateness of the underlying subject matter and how aspects of the underlying subject matter may be addressed at different levels of aggregation or disaggregation, refer to SuA [x].

75C. The criteria may be applied to the underlying subject matter as a whole to result in the subject matter information, but, as described in S.A44, in some cases, the EER assurance engagement may relate to only one part of a broader underlying subject matter i.e. the criteria may be applied to particular aspects of the underlying subject matter to give rise to the subject matter information.

Considering whether the criteria are suitable

70. [45] [39] The suitability of criteria is not contingent on the level of assurance. If criteria are not suitable for a reasonable assurance engagement, they would also not be suitable for a limited

assurance engagement, if other engagement circumstances were the same. Similarly, if criteria are suitable for a limited assurance engagement, they would also be suitable for a reasonable assurance engagement if other engagement circumstances were the same~~In order for the criteria to be suitable in a limited assurance engagement, the practitioner must also be able to determine that they would be suitable in a reasonable assurance engagement~~.

82A. Considering whether the criteria are suitable involves considering whether they exhibit the five characteristics set out in S.A45. S.A46-A50 set out further considerations for the practitioner, including that the way in which criteria are developed may affect the work that the practitioner carries out to assess their suitability.

51. [21] As set out in S.A48, criteria can be selected or developed in a variety of ways. ~~Suitable measurement or evaluation criteria often are not available in established~~ EER framework criteria may not include all the characteristics of suitable ~~reporting frameworks~~criteria. Such frameworks often are less prescriptive about the scope of the underlying subject matter to be addressed in an EER report, or how to measure or evaluate and disclose the underlying subject matter, as compared to financial reporting frameworks. In such circumstances, the

preparer will need to develop the criteria further to exhibit the characteristics of suitable criteria.

82B. One area where the development of such criteria may be needed is when the framework does not include criteria to identify the reporting topics for inclusion in an entity's EER report. In such circumstances, the entity will ~~have to go through~~apply a process ~~of~~to select~~ing~~ criteria from other frameworks, or to develop its own. In these circumstances, it may be helpful for the practitioner to consider the preparer's process for identifying reporting topics to include in its EER report in order to obtain a sufficient preliminary knowledge of the engagement circumstances. A more detailed consideration of the preparer's process may be undertaken when the practitioner obtains an understanding of the engagement circumstances as required by S.45-47L/R, and as discussed further in G.Ch7 *Considering the Entity's Process to Identify Reporting Topics.*

Considering the entity's process to prepare the subject matter information

126. [58] To accept an assurance engagement, the practitioner is required to determine that the preparer has a reasonable basis for the subject matter information in the EER report as part of the precondition that the roles and responsibilities of the preparer are suitable. The practitioner is also required to determine that they expect to be able to obtain sufficient appropriate evidence. Practitioners may encounter entities at varying stages of development of their system of internal control, and whether these preconditions are present may depend on the extent to which the entity's system of internal control is, in the practitioner's professional judgment, able to support those preconditions, taking into account the nature, extent and complexity of the underlying subject matter and criteria.

128. [60] Considering the entity's system of internal control may assist the practitioner in determining whether the preconditions for an assurance engagement are present. Understanding the work effort in doing so is addressed below under Work Effort in Determining Whether the Preconditions are Present. Guidance on the more detailed understanding of the entity's processes and systems of internal control obtained at the planning stage of the engagement is included in G.Ch6 *Considering the System of Internal Control.*

Agreeing the Scope of the Engagement

43C. Agreeing the scope of the engagement means agreeing the boundary of the subject matter information for the EER assurance engagement and the level of assurance to be obtained in performing the engagement.

Considering the proposed boundary of the subject matter information

44. [14] The Standard can be applied to engagements of diverse scopes, provided that the preconditions in S.24, and the other acceptance requirements are met. The preparer may propose a boundary of the subject matter information which may be ~~The scope of an assurance engagement can be~~ an entire EER report or only part(s) of an EER report in different circumstances.

44A. In the initial stages of an entity's EER reporting, ~~. The Standard can be applied to a variety of engagements, provided that the preconditions in paragraph 24 of the Standard are met. entities~~as it is still developing, a practitioner may not be able to determine that the preparer has a reasonable basis for all of the information included in the EER report, so the boundary of the subject matter information may be only ~~only~~ those parts of the EER report for which the preparer does have a reasonable basis. In other circumstances, the p~~-~~repa~~xxxxxxxxxxxxx~~rer may propose a recurring EER assurance engagement in which the boundary of the subject matter information is subject to variation from period to period (G.57-58). For example, the preparer may propose a boundary that increases from period to period or one that varies in a 'rolling program' of assurance (G.59-63). ~~, and a coherent relationship xxxx~~ One consequence of a changing boundary may be a loss of comparability from period to period, which is discussed further in G.Ch5.168.

Considering a proposed boundary of the subject matter information that includes only part(s) of an EER report

44B. If considering a particularly narrow scope for the EER assurance engagement, for example covering only a few specific measures or indicators in isolation, rather than the entire EER report, careful consideration may be needed to determine whether the preconditions are present.

47. [17] When the subject matter information is less than all of the information included in the EER report, the engagement criteria and underlying subject matter will not be the same as the criteria and underlying subject matter that gave rise to all the information in the EER report. They will be narrower in scope as they relate to a narrower boundary, but there still needs to be a coherent relationship between the subject matter information, criteria, and underlying subject matter, such that applying the criteria to the underlying subject matter gives rise to the narrower scope of subject matter information.

~~44A. If considering a particularly narrow scope for the assurance engagement, for example covering only a few specific measures or indicators in isolation, rather than the entire EER report, careful consideration may be needed to determine whether the preconditions are present.~~

48. [18] Selecting only those parts of the information included in the EER report that are easier to assure or that present the entity in a favorable light ~~(sometimes referred to as 'cherry-picking')~~ would not be appropriate unless the selected subject matter information, criteria and underlying subject matter have an appropriately coherent relationship and the preconditions for acceptance of the proposed assurance engagement are present, including that the engagement has a rational purpose. Whether ~~T~~the engagement ~~may be more likely to have~~has a rational purpose may be influenced particularly by the extent to which criteria are neutral in the circumstances and the degree ~~if the parts of the EER report within the scope of the assurance engagement~~boundary of the subject matter information for the engagement includes ~~are those that are most~~information in the EER report that is relatively more important in assisting decision-making by the intended users, given their information needs in the context of the purpose of the EER report. This is a matter of judgment in the circumstances of the engagement and is an area where it may be

important for the practitioner to exercise professional skepticism. An example of underlying subject matter, criteria and subject matter information that have not been applied in a cohesive manner is set out in SuB.[x] An example of a narrow scope engagement which may have a rational purpose is set out below.

EXAMPLE

A water utility company reports annually on a number of KPIs, including customer satisfaction, value for money, time lost through interruptions of water supply, leakages, the quality of its drinking water, and the quality of bathing waters where the company discharges wastewater to the sea. ~~The company is required to report to its regulator, and to obtain reasonable assurance that the quality of drinking water supplied, and of wastewater discharged meets the criteria established in the regulatory framework.~~

In the past year the company has had numerous complaints about the quality of its drinking water, and the treatment of its wastewater and the number of samples taken is currently subject to investigation by the regulator.

While the company reports, in its EER report, on a number of different underlying subject matters, it has proposed that the scope of the assurance engagement be limited to the drinking water and wastewater KPIs only. The reason given is that, in the shorter term, the entity wants to focus on improving its processes, systems and controls for those aspects of the EER report that are subject to regulatory scrutiny, that require assurance, and that are likely to be of greater interest to the intended users. In such a case the narrower scope of the engagement may have a rational purpose.

~~*The meaning of 'scope' of assurance*~~

~~45. [15] The scope of an assurance engagement covers two dimensions:~~

~~a) The breadth of the subject matter information for the engagement (the information in the EER report that is to be assured) and of the underlying subject matter and applicable criteria from which it has been prepared. The information in the EER report that is to be assured may be all, or less than all, of the information included in the EER report; and~~

~~b) The depth of the assurance to be obtained by the practitioner, which is linked to the level of assurance (limited or reasonable) for the engagement and influences the quantity and quality of evidence that is needed to support the practitioner's conclusion.~~

~~46. [16] The breadth and depth of scope are proposed by the preparer, considered by the practitioner in determining whether the preconditions are present, and agreed between the preparer and the practitioner on acceptance of the engagement.~~

~~*The breadth of scope*~~

~~47. [17] Where the subject matter information to be assured is less than all of the information included in the EER report, the engagement criteria and underlying subject matter will not be the same as the criteria and underlying subject matter that gave rise to all the information in the EER report. They will be narrower in scope. However, there still needs to be a coherent relationship between the engagement subject matter information, criteria, and underlying subject matter, such that applying the engagement criteria to the engagement underlying subject~~

~~matter gives rise to the narrower scope of subject matter information to be assured. In this case, the preconditions are considered in the context of the subject matter information, criteria and underlying subject matter for the proposed narrower scope of the assurance engagement.~~

~~*Underlying subject matter is identifiable*~~

~~75. [48] [44] Identifiable underlying subject matter means that the subject matter elements are well-defined and distinct from other things.~~

~~EXAMPLE~~	~~The greenhouse gas emissions of an entity might be identifiable underlying subject matter because there are widely accepted definitions of greenhouse gas emissions (such that they are distinct from other things, for example other emissions to air). Additionally, methods exist to measure or estimate those greenhouse gas emissions that are attributable to the entity's activities.~~ ~~However, the impact of the entity's activities on global temperature change more broadly might not be identifiable underlying subject matter. This is because it is difficult to attribute global temperature changes to greenhouse gas emissions of specific entities and to separate the impact of greenhouse gas emissions from other factors causing such temperature changes (for example deforestation).~~

Considering a proposed boundary of the subject matter information that increases progressively from period to period~~over time~~

~~*Increasing breadth of scope over time*~~

57. [27] Entities producing EER reports typically implement gradual changes to their governance and controls to support their EER reporting as it becomes more established and formal. Where an entity's governance and controls over EER are in the process of developing, the preparer may not have a reasonable basis for reporting on all aspects of the underlying subject matters or for all the information included in the EER report.

57A. Nevertheless, the preparer may wish to obtain assurance on those areas for which the preconditions could be met and to disclose in the EER report that they are working on developing the governance, processes and systems to extend the scope of assurance in other areas in due course. Consideration of the reasons for the preparer wishing to include only certain part(s) of the information included in the EER report within the scope of assurance is needed to determine whether the reasons for the narrower scope to be assured are ~~in~~appropriate ~~or~~ and the proposed engagement has~~lacks~~ a rational purpose.

57B. A further consideration for the practitioner is whether they are aware that there are deficiencies in the entity's reporting process (G.Ch6) for information in the EER report that is not within the boundary of the subject matter information for the engagement. If so, the practitioner may need to consider the implications for acceptance of the proposed engagement in the context of their responsibility to address the excluded information as other information in the proposed engagement (~~see G.X.x~~for further guidance relating to 'other information' see G.Ch12).~~)~~

58. [28] Where the entity's governance and controls over EER are in the process of developing, it may be expected that more part(s) of the information included in the EER report would fall within an evolving scope of the subject matter information for successive EER assurance engagements as the entity's EER governance, reporting processes and systems evolve. Although there may be a rational purpose to the entity continuing to obtain assurance on only some parts of its EER reporting, if the entity is falling behind market expectations for what is reported and assured, andWhere the entity has given as its reasons for a narrow scope engagement that it is in the process of developing its governance and controls over EER, but it does not make any attempt to include further information in the EER report within the scope of the assurance engagement in later periods, that may (unless user information needs have changed) call into question the entity's reasons for reporting the subject matter information and whether the assurance engagement has a rational purpose.

Where the breadth of scope isConsidering a proposed boundary of the subject matter information that varies cyclically from period to period in (a 'rolling program') from period to periodof assurance

59. [29] The entity may wish to establish a program of to systematically vary the boundary of the subject matter informationing the breadth of scope year on year, which may involve including all or most aspects of the subject matter information in the scope over a repeating cycle ('rolling program'), for example, due to cost considerations.

60. [30] A cyclical variation in the boundary of the subject matter information of a recurring assurance engagement, on a rolling basis, over selected parts of the EER report that vary from period to period is different from the performance of assurance procedures on a selective, rotational basis on subject matter information that is subject to assurance each period. Performing procedures in this way is an aspect of sampling. For example, in the context of a financial statement audit, while stock from all of the entity's locations is included in the financial statements, the auditor may choose to attend stock counts only at certain, but not all, of the locations, Similarly, in the context of an EER assurance engagement, for example, to obtain assurance on GHG emissions, the practitioner may choose to visit some of the entity's sites each year, focusing on larger sites or those that are assessed to be higher risk. The practitioner may select some of the same sites and some different ones each year, introducing some unpredictability into the procedures.

60A. A cyclical variation in the boundary of the subject matter information of a proposed recurring assurance engagement from period to period A rolling basis of assuranceThe formerraises questions relatedds to determining the scope of the assurance engagement and assessing the preconditions for assurance, and is discussed further below. The latter isPerforming assurance procedures on a rotational basis is about the design of selective procedures to obtain ning evidence about the subject matter information after the acceptance decision has been made..

61. [31] Whenre the preparer wishes to obtain assurance, with the scope determined on a rolling basisproposes such an EER assurance engagement, the practitioner may needs to understand the reasons for the preparer proposing a rolling program of assurance, and consider whether those reasons are appropriate when considered within the context of the preconditions for acceptance, taking into account the assurance needs of the intended users in mind. Such a proposal may have implications for whether the proposed engagement has a rational purpose, whether the criteria are relevant (they may lack comparability for example) or complete for each period addressed, it could be difficult for intended users to understand that assurance is limited

to different reporting matters from year and may be misleading. Determining whether the preconditions are present for the proposed engagement could require significant judgment and it may be important for the practitioner to exercise professional skepticism.

62.

~~EXAMPLE~~

~~An entity may be developing its EER reporting. In year one it elects to obtain assurance on its Scope 1 and 2 GHG emissions and its water usage for all sites within its organizational boundary. The following year, as its reporting develops in other areas, the entity may want to obtain assurance on its community investment programs, but not on its GHG emissions, as no material misstatements were identified in the previous year's reporting of its GHG emissions and the entity is confident that its processes and systems relevant to its GHG emissions reporting are sufficiently sound. When the entity's EER reporting is voluntary, such an approach may be commonplace.~~

~~There still needs to be a rational purpose to the engagement, and the practitioner's considerations would need to include whether such a program would meet the needs of the intended users. If the users are external to the entity and want confidence in the subject matter information, such as GHG emissions, in one year, because they are using that information in their decision-making, then it may raise a question why they do not need confidence in that information in a subsequent year.~~

~~The intended user may be one part of the organization, for example, those charged with governance or management, who wish to obtain assurance that the processes and internal control systems put in place by another part of the same organization provide a sufficient basis for reporting the subject matter information publicly in a subsequent year. In such a case, there may be a rational purpose to obtaining assurance in one year, but not in a subsequent year.~~

[32] When~~re~~ such a program is considered to result in successive assurance engagements that each has a rational purpose, the criteria for presentation and disclosure may be particularly important to allow the intended users to understand the approach the preparer has taken and the boundaries of the information in the EER report that has been assured.

63. [33] When~~re~~ an evolving or rolling program of assurance engagements is ~~adopted~~ proposed by a preparer and accepted by a practitioner, users may expect it to be followed consistently as designed. However, the nature, extent and timing of the consideration the practitioner gives to the 'other information' may change from period to period. The ~~as, effectively, the~~ information included in the EER report related to those aspects not within the ~~scope of assurance~~boundary of the subject matter information in a particular period become 'other information'. The practitioner also needs to be alert to changed engagement circumstances that may mean continuance of the proposed recurring engagement~~a rolling scope a of assurance would~~ is no longer be appropriate for subsequent periods. For an example of when a rolling program may be appropriate, refer to SuB.[x]. An example of when a rolling program may not be appropriate is set out below.

EXAMPLE

A multinational beverage company has high water usage. Its production process produces wastewater that is potentially harmful to sensitive ecosystems, but is closely monitored to make sure that the levels do not exceed those considered to be safe by the environment agencies in each location.

~~The depth of~~

In this example, including water usage and wastewater for assurance on a rolling basis may not have a rational purpose as such an assurance engagement may not meet the intended users' needs. Users are likely to be interested in what the company is doing on an ongoing basis to reduce its water consumption, particularly in water scarce areas, and their decisions may well be influenced by even small levels of harmful effluent that exceed those considered to be safe. Breaching those levels may result in significant penalties or fines to the company. It is ~~l~~unlikely that a rolling basis of assurance, where some sites were excluded from assurance in a particular year(s), would not reflect a rational purpose in this situation.

PS

PJ

~~scope~~ Considering the proposed level of assurance to be obtained

64. [34] The ~~second dimension of scope is the depth of the~~proposed level of assurance to be obtained ~~. This is influenced by the agreed level of assurance~~ (limited or reasonable) may influence the practitioner's consideration of the acceptable, or an acceptably low, level of engagement risk and the ~~, and is related to the~~ nature, timing and extent of procedures the practitioner performs as part of their evidence-gathering procedures.

65. [35] What is an acceptable, or an acceptably low, level of engagement risk may vary according to the circumstances of the engagement including the information needs of the intended users as a group, the criteria, and the underlying subject matter. Determining the nature, timing and extent of procedures to be performed in the context of the level of assurance to be obtained may require considerable skill in the exercise of professional judgment and professional skepticism, and is discussed further in Chapter 12~~1~~ ~~*Assuring Narrative*~~*Addressing Qualitative Information* and Chapter 12 ~~*Assuring*~~ *Addressing Future-Oriented Information*. However, the decision as to what is likely to be meaningful in terms of the appropriate level of assurance is considered when determining~~considering~~ whether the preconditions are present.

Work Eeffort in Ddetermining ~~the presence of preconditions~~Whether the Preconditions are Present

77. [46] The practitioner ~~establishes~~ determines whether the preconditions for an assurance engagement are present based on a preliminary knowledge of the engagement circumstances and discussion with the appropriate party(ies).

77A. Engagement circumstances include, amongst other matters, the characteristics of the underlying subject matter, the criteria to be used, the needs of the intended users, relevant characteristics of the responsible party and its environment, and other matters such as transactions, conditions and practices, that may have a significant effect on the EER assurance engagement. Accordingly, the extent of preliminary knowledge needed to arrive at a reasoned determination about the preconditions may depend on these ~~numerous~~ and other factors, such as the experience of the practitioner~~.~~. ~~-~~A practitioner with previous experience of the underlying subject matter and of the framework and criteria being applied may be expected to make judgments more readily than a practitioner without such experience.

77B. The greater the complexity of the underlying subject matter or the more ~~subject~~ susceptible it is to management bias, the greater may be the need for the practitioner to understand the systems, processes and controls in place that provide a reasonable basis for the subject matter information before being able to determine whether the preconditions are present. ~~By contrast, on an uncomplex engagement, discussion with the preparer may be appropriate.~~

78. [47] In a complex engagement, or one in which the preparer has further developed the framework criteria or has developed its own criteria, ~~-~~the practitioner may wish to consider bringing forward some of the procedures that ordinarily would be performed as part of planning. ~~,~~ F~~f~~or example, the practitioner may perform~~ing~~ a walk through to understand the processes for recording the information, or may choose to carry out an 'assurance readiness assessment' (~~see paragraph xx~~G.79B.b).

78A. ~~).~~ On small, less complex engagements, a discussion with the preparer to obtain sufficient preliminary knowledge may be appropriate. ~~In either case~~Whether the engagement is complex or uncomplex, the practitioner's preliminary knowledge ~~of the engagement circumstances~~ needed to arrive at a reasoned ~~determination~~ decision about the preconditions and ~~, in doing so,~~ to exercise the professional skepticism and professional judgment required by the Standard, may include a sufficient understanding of, as applicable:

- ~~-~~T~~t~~he entity's business~~, its~~ and its operating environment,
- W~~w~~ho the intended users of the EER report are and what would affect their decision-making.
- ~~, as well as sufficient knowledge of~~ T~~t~~he underlying subject matter and, where relevant, its relationship to~~connectedness with~~ other underlying subject matters the entity reports on,
- ~~-~~W~~w~~hether the entity is requesting assurance on a narrow part of the information presented within the EER report, and the reasons for that request,
- T~~t~~he criteria used and how they were selected or developed, and
- W~~w~~here the EER subject matter information is to be presented, for example, included in a financial filing or in a standalone report.

~~*73. [42] The preliminary knowledge that the practitioner has when assessing the preconditions may be obtained through previous experience of the engagement, knowledge of the entity's business and industry, general business acumen, discussion with the preparer, or possibly bringing forward some of the work that ordinarily is performed during the initial stages of planning the engagement, or through a combination of these. It is a matter of professional judgment as to how extensive the practitioner's preliminary knowledge needs to be in order to make a reasoned judgement about each of the characteristics of suitable crit It will depend on factors such as how complex the engagement is, whether the criteria are established by the reporting framework used or whether they have been further developed by the preparer (see chapter 8), and on the experience of the practitioA practitioner with previous experience of the subject matter and of the framework and criteria being applied may be expected to make judgments more readily than a practitioner without such experience.*~~

~~*Assurance Readiness Engagements and "Maturity Assessments"*~~*Initial engagements*

78B~~9A~~. When the proposed engagement is an initial engagement, it is likely that the work effort to determine whether the preconditions are present may be greater than in the case of a continuing engagement, especially when the entity's process to prepare the EER report is in the early stages and still evolving, or when the proposed engagement is complex.

78~~9~~C~~B~~. There are ~~several~~various possible approaches the practitioner may ~~choose to~~ take, depending on the ~~in such~~ circumstances, which may or may not involve performing a separate non-assurance engagement:

(a) No separate engagement performed - ~~P~~performing more extensive pre-acceptance procedures, for example, it may be possible to bring forward some of the procedures that are ordinarily performed as part of planning or to consider knowledge obtained from other engagements the practitioner performs for the entity (G.78); or

(b) Carrying out a separate pre-acceptance engagement ~~an assurance readiness engagement~~ – to determine whether the preconditions are present, and to identify actions for management to consider to address impediments to acceptance, if the preconditions are not present (G.29-80) – such an engagement may be referred to as an 'assurance readiness engagement'. The focus is on performing pre-acceptance procedures, on agreed terms, for a proposed EER assurance engagement, without any pre-commitment to accept the engagement; or

(c) Carrying out a separate advisory engagement – ~~maturity assessment of the entity's process to prepare the EER report~~ to assess and advise ~~the entity~~management or those charged with governance on the current state of readiness of the entity's EER reporting process, and related controls in other components of the entity's system of internal control. An objective of the engagement may also be to provide advice on actions that the entity may need to take, to develop the process and related controls to the point where the process provides management or those charged with governance with assurance that the quality of the EER report is appropriate in the circumstances~~wards~~. S~~s~~uch an engagement ~~would not be an assurance engagement~~may be referred to as a 'maturity assessment'. The focus is on the state of development and quality of the entity's reporting process. (G.81).

79. [50] [48] There may be little difference in the nature of the practitioner's work in (a) and (b). The main distinction is the existence of a separate agreement to perform the work in (b). In either (a) or (b), the practitioner may also provide comments on the entity's state of readiness for the proposed EER assurance engagement. The nature of the practitioner's work in (c) is also likely to be similar to (a) or (b), insofar as (a) or (b) address the entity's reporting process, but the work effort may be less extensive in doing so.

79A. However, (a) and (b) would be performed primarily for the practitioner to determine whether to accept the proposed engagement, with any comments provided as a by-product. Aspects of the preconditions and other acceptance requirements other than the entity's EER reporting process that would not be addressed in (c) might additionally be addressed in (a) and (b). On the other hand, (c) would be performed primarily for the practitioner to provide professional advice to management or those charged with governance.~~In some circumstances, for example in larger or more complex engagements, the practitioner may choose to determine whether the preconditions are present as part of an 'assurance readiness' process before committing to an assurance engagement. This may be a separate (non-assurance) engagement that would not be performed under the Standard. If it is found by the practitioner that the preconditions for assurance are present, the entity can then choose to proceed with requesting an assurance engagement.~~ The ~~nature of procedures the practitioner performs may be similar to those performed under an assurance engagement, but may be less extensive, and result in recommendations to management, rather than an assurance report.~~

80. [51] [49] Approaches (a) and (b) ~~As well as~~may assist~~ing~~ the practitioner in managing a preparer's expectations about the potential to perform a proposed EER assurance engagement in the circumstances that would prevail. ~~, t~~These~~is~~ approaches may also ~~be beneficial to~~provide the entity's management or those charged with governance with ~~. T because the practitioner may communicate~~practitioner's communications about their findings, conclusions and ~~recommendations about~~ useful input about the entity's readiness for an assurance engagement. Such input ~~ement to those charged with governance or management, as appropriate. Such communications~~ may encourage and assist management or those charged with governance~~ or management, as appropriate~~, to take steps to ~~improve~~ enhance their readiness when impediments are identified, including any identified in the entity's EER reporting process~~ to prepare EER reports~~.

81. [52] [50] ~~There are many other types of assurance readiness engagements and~~Alternatively, the ~~practitioner may undertake an engagement to perform a '"maturity assessments'" (non-assurance or advisory engagement) that a practitioner may undertake that would not be performed as an assurance engagement under the Standard. For example, a practitioner may undertake a 'maturity assessment' to evaluate the maturity of the entity's system of internal control related to the process to prepare the EER report, or other matters. This~~Approach (c) may include considering the design and implementation~~ or effectiveness~~ of the entity's EER reporting process and related controls in other components of the entity's system of internal control, either as a whole~~,~~ or aspects of it. For example, ~~such as~~ the practitioner might advise on the entity's process to select or develop criteria, or the ~~relevance~~ suitability of performance measures the entity has selected, or is developing, ~~and~~ or on whether the entity's external data sources are appropriate and the data obtained from them is suitably controlled~~considering whether they are sufficiently well-established to provide intended users with the appropriate information they need to assist their decision-making~~.

Independence considerations

82. [53] [51] ~~Although~~ Depending on how the ~~se assurance readinesse engagements and maturity assessments~~approaches discussed in G.78C~~9~~-81 ~~can provide insights that may assist the entity in further developing its EER processes~~are implemented, ~~there may be a~~ self-review threats to the practitioner's independence in relation to the proposed EER assurance engagement may arise if it were later accepted. ~~if, for example, the practitioner is advising on the further development of the entity's EER processes and then plans to undertake a subsequent EER assurance engagement, or where the practitioner is providing an audit or other assurance engagement.~~

82C. For example, a self-review threat to the practitioner's independence ~~would~~ may be created~~arise~~ in approach (c) if the practitioner were to ~~assist the entity in~~design ~~designing its~~advise on the suitability of performance measures that the entity is proposing to use, which the practitioner would need to determine the suitability of, if the proposed EER assurance engagement was accepted. A self-review threat (and other threats to independence) may, for example, be created if the practitioner assumes a management responsibility when performing a non-assurance service. The nature and extent of any threat would depend on the circumstances and may need to be carefully considered, including whether in providing the non-assurance service the practitioner would assume a management responsibility, if the practitioner anticipates accepting the proposed assurance engagement.

82D. Similar considerations may be relevant with respect to aspects of the work in approaches (a) or (b), including when the practitioner provides input to management or those charged with governance about aspects of the underlying subject matter, subject matter information or criteria for the proposed EER assurance engagement or on the entity's EER reporting process or related controls.

82E. The International Code of Ethics for Professional Accountants (including International Independence Standards) (the 'IESBA Code') sets out specific requirements and application material relevant to applying the conceptual framework in circumstances where a practitioner provides certain non-assurance services to assurance clients that create threats to compliance with the fundamental principles or threats to independence.

~~the entity's EER reporting systems or in settingset the criteria, and then needed to obtain assurance about the suitability of those criteria; or about the effectiveness of design of the reporting systems, as part of a separate assurance engagement. This is because, in such a situation, the practitioner would be taking on the role of management of the entity. If the practitioner were to subsequently accept an assurance engagement, they would be in the position of obtaining assurance in relation to their own work, performed in the role of management. That would create a self-review threat to the practitioner's independence.~~

82F~~D~~.However, providing advice and recommendations to assist the management of an assurance client in discharging its responsibilities need~~making recommendations or observations about issues matters that management may need to consider, or possible actions they may need to consider, further select from or develop further may~~ not involve assuming a management responsibility and need not give rise to a self-review threat if management of the entity have sufficient capability to make, and do make, the decisions themselves. ~~.~~Similarly, if ~~the entity has developed its criteria but has not documented them,~~ the practitioner ~~assisting~~ assists the preparer in documenting ~~the~~ criteria that the entity has developed but not documented, based on discussions with the preparer, this may not give rise to a self-review threat ~~as the practitioner is~~

~~not designing the criteria~~in the particular circumstances. ~~The key is that management must have sufficient capability to make, and do make, the decisions themselves.~~

Response where the Preconditions are not Present

143. [75] Where the practitioner establishes that the preconditions for an assurance engagement are not present, they may discuss this with the potential engaging party (management or those charged with governance). If changes cannot be made to meet the preconditions, the practitioner is not permitted to accept the engagement as an assurance engagement unless required to do so by law or regulation (S.25)[5].

~~144. [76] If it is not possible to accept the assurance engagement, the practitioner may engage with the entity to undertake an assurance readiness assessment (see paragraphsG. 79-80 above). This may give the practitioner the opportunity to report their findings and conclusions recommendations on the system of internal control in a management letter to assist those charged with governance and senior management. The preparer may be encouraged to take steps to improve the controls and level of oversight such that an assurance engagement is possible in future.~~

145. [77] In circumstances where the preparer has not met its responsibilities and the practitioner cannot decline ~~the engagement due to its~~ acceptance of the engagement ~~being required by~~due to law or regulation, the practitioner may need to consider whether it is necessary to express a qualified conclusion or disclaim a conclusion. An engagement conducted under such circumstances does not comply with the Standard. Accordingly, the practitioner ~~shall~~ is not permitted to include any reference within the assurance report to the engagement having been conducted in accordance with the Standard or any other ISAE(s) (S.25)[6].

EXAMPLE	~~An entity may be required by law to procure an assurance engagement in relation to service performance information of a public sector entity. A practitioner may therefore not be able to decline the engagement.~~A public sector audit organization may be required by law or regulation to accept an assurance engagement on the service performance information of a public sector body. This may be the case even if the audit organization determines that the preconditions are not present.~~A practitioner may be required by law to undertake an assurance engagement in relation to service performance information of a public sector entity, and may therefore not be able to decline the engagement.~~

~~[5] ISAE 3000 (Revised) paragraph 25~~

~~[6] ISAE 3000 (Revised) paragraph 25~~

~~Agreeing the Scope of an EER Assurance Engagement~~

~~83. [54] There is a wide variety in the scope of assurance engagements carried out in accordance with the Standard, in practice. The scope of an engagement can be an entire report or only part(s) of an EER report.~~

~~84. [55] The Standard can be applied to a variety of engagements provided that the preconditions in paragraph 24 of the Standard are met. If considering a particularly narrow scope for the assurance engagement, for example only covering specific measures or indicators in isolation, careful consideration may be needed to determine whether the preconditions are present, including that the engagement has a rational purpose (see paragraph 49).~~

~~85. [56] In circumstances where the proposed scope of the engagement is not an entire EER report, a practitioner may need to consider whether the reasons for excluding parts of the subject matter information from the assurance engagement are appropriate in determining whether the engagement has a rational purpose[7]. For example, the engagement may be more likely to have a rational purpose if the parts of the EER report within the scope of the assurance engagement are those which are most important in assisting decision-making by the intended users. Selecting only parts of the EER report that are easy to subject to an assurance engagement or that present the entity in a positive way may mean the assurance engagement does not have a rational purpose.~~

~~[7] ISAE 3000 (Revised) paragraph A56~~

Chapter 5 ~~[7]~~: Determining the Suitability and Availability of Criteria

Matters Addressed by the Guidance in this Chapter

51A. This Chapter provides guidance to the practitioner that is relevant during the planning stage of an EER assurance engagement, ~~i~~on determining whether the criteria are suitable for the engagement circumstances, including that they exhibit the characteristics identified in the Standard (S.41 and S.24.b.ii). This guidance is particularly relevant when available framework criteria are not established criteria or prescribed by law or regulation, because it cannot be presumed that such criteria are suitable (S.A49), or when the framework includes high-level principles, but those principles are not be expressed at a sufficient level of detail to comprise suitable criteria in themselves.

51B. In that case, the practitioner may need to consider criteria that the entity has developed or selected from one or more such available framework(s). When the entity develops its own criteria or selects from criteria in such frameworks, the practitioner's determination about their suitability may be more extensive and may need to consider any subjectivity or opportunity for management bias involved in the judgments made by management.

~~xxx~~51C~~B~~. ~~During the planning stage of the engagement, the practitioner'ititoner's~~In making this determination, ~~of the whether the criteria are suitable~~the practitioner builds on their consideration~~s when~~ of suitability during acceptance or continuance of the engagement, in determining whether the preconditions were present,~~,~~ ~~and which was made were~~ based on a preliminary knowledge of the engagement circumstances~~, as discussed in~~ (see G.Ch4).

51D. This chapter~~It~~ also provides guidance to the practitioner in considering ~~on~~ whether the criteria will be made available ~~in a suitable manner~~ to the intended users of the EER report in a suitable manner, when the criteria include entity-developed criteria or criteria selected from multiple available frameworks.

51E. The guidance in this chapter addresses the application of S.41 during planning, but may also assist the practitioner when considering the suitability and availability of criteria in determining whether the preconditions are present (G.Ch4).Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners. ~~**determination made when determining weret, and which was .**~~

51F. [82] The definition of criteria in the Standard (S.12.c) refers to them as 'benchmarks'. As such, ~~The c~~EER criteria may specify how to identify, measure or evaluate, or make disclosures about, relevant (aspects of) underlying subject matter (hereafter referred to as 'reporting topics'), or may address~~and~~ how to present the subject matter information in the EER report~~measure or evaluate, elements~~, in the context of achieving the purpose of that report. ~~The standard refers to the criteria as 'benchmarks'. In effect, they identify how to measure or qualitatively evaluate qualities of elements such that the resulting information assists decision-making by the intended users.~~ They include, for example, the definitions of performance indicators, measurement or evaluation bases and other reporting policies, ~~and more widely~~which together establish the whole basis of preparation of the EER report.

152. [84] Established criteria include those issued by authorized or recognized bodies of experts that follow a transparent due process if they are relevant to the intended users' information needs (S.A49). Criteria i~~I~~n financial reporting~~, criteria~~ frameworks are typically ~~well~~ established criteria, and the recognition, measurement, presentation and disclosure bases that they incorporate are ~~are supported by~~the basis for the accounting policies ~~specific to~~applied by the entity. Compared

with financial reporting frameworks, EER frameworks are often less prescriptive about the criteria to be used to ~~content of an EER report~~identify the reporting topics or to measure or evaluate~~methods to represent its underlying subject matter elements~~ the underlying subject matter~~ compared to financial reporting frameworks, and are therefore less precise about the determination of these items~~.

152A. Criteria used for a particular assurance engagement, referred to as the 'applicable criteria' (see S.12.c) may be taken from an EER framework, or developed by the entity itself, or a combination of both. Established criteria (S.A49) are presumed to be suitable, in the absence of indications to the contrary. When the entity is using established criteria, the practitioner may consider whether there are any indications that the criteria are not suitable.

51. [21] As ~~–~~discussed in G.Ch4, ~~suitable measurement or evaluation such~~ criteria ~~may not be available~~ in ~~established~~ EER ~~reporting~~ frameworks may not be established criteria or may not be suitable in themselves. ~~Such~~EER frameworks often require adherence to a set of high-level principles, but those principles may not be expressed ~~adequate~~at a sufficient level of detail~~ly~~ to enable the preparer to identify the reporting topics~~what needs to be measured or evaluated, or~~ determine how to measure or evaluate ~~it~~them, or determine how to present the resulting subject matter information, in a reliable manner in ~~order to~~accordance with~~ meet~~ those high-level principles. ~~Introduction~~

~~51B. may be used during planning or in preconditions~~

151. [83] ~~Criteria used in a particular assurance engagement (applicable criteria) can either be taken from an EER framework or be developed by the entity itself. In practice,~~ When applying an EER framework that lacks the necessary detail or is not sufficiently comprehensive to comprise suitable criteria on its own, an entity~~many entities~~ may ~~use~~ supplement the criteria in that framework by selecting criteria from one or more ~~-~~available EER frameworks, which may provide diverse options, ~~and~~or by ~~supplement these with~~ using their own entity-developed criteria ~~where an EER framework lacks the necessary detail or is not sufficiently comprehensive to comprise suitable criteria on its own~~ (see also ~~Chapter 8~~G.Ch7 *Entity's Process to Identify Reporting Topics*).

152B. [84 cont'd] When an entity selects criteria from diverse options in multiple available frameworks, the criteria selected may not be sufficiently relevant if they lack comparability. In addition, there may be subjectivity in selecting criteria in these circumstances or when the entity develops its own criteria. Criteria may also be complex, especially when the underlying subject matter is complex or subjective (see also G.Ch2 on competence).

152C. Subjectivity in selecting or developing criteria may influence the difficulty of management judgment or the~~Given the diverse nature of the underlying subject matter in EER, there may be considerable~~ opportunity for management bias in determining the ~~determining the content of an EER report~~criteria for identification of reporting topics ~~and~~ or for their ~~methods used to represent its underlying subject matter elements~~measurement or evaluation. Complexity in criteria may influence the practitioner's need for subject matter competence or to use the work of a practitioner's expert(s) (see G.Ch2).

152D. Such subjectivity or complexity may also influence the need for t~~T~~he practitioner ~~may need~~ to exercise ~~considerable~~ professional judgment and professional skepticism in determining the suitability of such criteria in an EER assurance engagement (see G.Ch3) and may result in a more extensive or difficult determination by the practitioner.

~~49. [19] As discussed further in Chapter 7, criteria determine the content of the EER report and its basis of preparation. They are the benchmarks used to measure or evaluate the underlying subject matter. Criteria would not be suitable if they were to result in subject matter information or an assurance report that was misleading to the intended users. Suitable criteria are therefore required to be:~~

~~a) Relevant;~~

~~b) Complete;~~

~~c) Reliable~~

~~d) Neutral; and~~

~~e) Understandable.~~

~~50. [20] Paragraph A45 of the Standard explains what these characteristics of suitable criteria mean.~~

~~53. [23] Where an EER framework does not specify what topics and related elements would assist the decision-making of the intended users of the report, but requires adherence to high-level principles, in selecting them, the criteria in the framework may not be considered to be suitable on their own as they may lack the characteristics required by the Standard. In such a situation, preparers apply a process to make judgments about how the high-level principles of the framework are to be met within their own organization, and develop the criteria further so that the combination of framework and entity-developed criteria result in subject matter information that assists the decision-making of the intended users. This is discussed in further detail in Chapter 8: *Considering the Entity's 'Materiality Process'*~~

~~54. [24] Just as the practitioner is required to determine whether the criteria set out in a framework meet the preconditions for assurance, so the practitioner needs to determine whether the criteria developed by the preparer are suitable. To do this, the practitioner may need to understand not only the further development of the criteria by the preparer for the information within the proposed scope of the assurance engagement, but also the process the preparer has undertaken to develop criteria for the preparation of any other part(s) of the information included in the EER report but not within the scope of the engagement (the 'wider process'). This would enable the practitioner to consider matters such as:~~

~~Whether there may be omissions of relevant parts of the underlying subject matter from the subject matter information, and whether such omissions call into question the rational purpose of the engagement; and~~

~~Whether and how the subject matter information is used in the preparer's own decision-making processes. If information relating to an entity's decisions is important to its stakeholders, then it is reasonable to expect that the entity would be using that information in its own decision-making. Similarly, if the company is using the information in its decision-making, then it may be reasonable to expect that a user may be interested in that information. If the information is not used for the preparer entity's own decision-making, that may raise a question as to why the information is being reported, and whether there may be bias in selecting as subject matter information only those parts of the EER report that are easily subject to an assurance engagement or that present the entity in a positive way.~~

~~55. [25] The practitioner's determination of whether the preconditions are present, in making the acceptance decision, is based on a preliminary knowledge of the business, rather than on the more detailed work effort required to do so in accordance with paragraph 41 of the Standard. The consideration of the 'wider process' (see paragraph xx) applied by the preparer may also be at a different level of detail than where the intended scope of the engagement is the entire EER report. In a narrower scope assurance engagement, the consideration of the wider process is to identify matters that have not been, but should have been, included within the narrower scope, rather than to focus on whether there are suitable criteria for the other information included in the EER report and so may be less detailed.~~

~~Requirements for Suitable Criteria~~Determining the Suitability of Criteria

Introduction

153. [85] ~~As detailed in Chapter 3, it is a precondition for an assurance engagement that the practitioner determines that the applicable criteria are suitable, based on a preliminary knowledge of the engagement circumstances. The practitioner is further required to determine whether the criteria are suitable in planning and performing the engagement. When the scope of the assurance engagement is not a whole EER report, the criteria to be applied in the preparation of those parts of the EER report which are within the scope of the assurance engagement are subject to the suitable criteria precondition.~~ Suitable criteria~~, or the benchmarks used to measure or evaluate the underlying subject matter,~~ are required for reasonably consistent measurement or evaluation of an underlying subject matter within the context of professional judgment[8]. Suitability is judged in the context of the engagement circumstances. Without suitable criteria, the subject matter information may be open to individual interpretation where there is undue subjectivity, increasing the risk that the subject matter information may not be useful to, or may be~~of~~ ~~misunderstanding~~misunderstood by the intended users.

154. [86] ~~Suitable criteria are required to exhibit each of five characteristics.~~ The ~~descriptions~~ explanations of ~~these~~ the five characteristics of suitable criteria (S.A.45) ~~specify~~ describe attributes of ~~the~~ subject matter information that ~~necessarily~~ results from applying ~~the suitable~~ criteria that have such characteristics[9]. [88] The five characteristics are in many cases inter-related. Although each characteristic must be exhibited, the relative importance of each and the degree to which they are exhibited by individual criteria may vary with the engagement circumstances.

~~The practitioner is required to determine whether the criteria exhibit each of th~~The ~~five characteristics, which are[10]:~~

~~a) Relevance;~~

~~b) Completeness;~~

~~c) Reliability;~~

~~d) Neutrality; and~~

~~e) Understandability.~~

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8 ISAE 3000 (Revised) paragraph A10

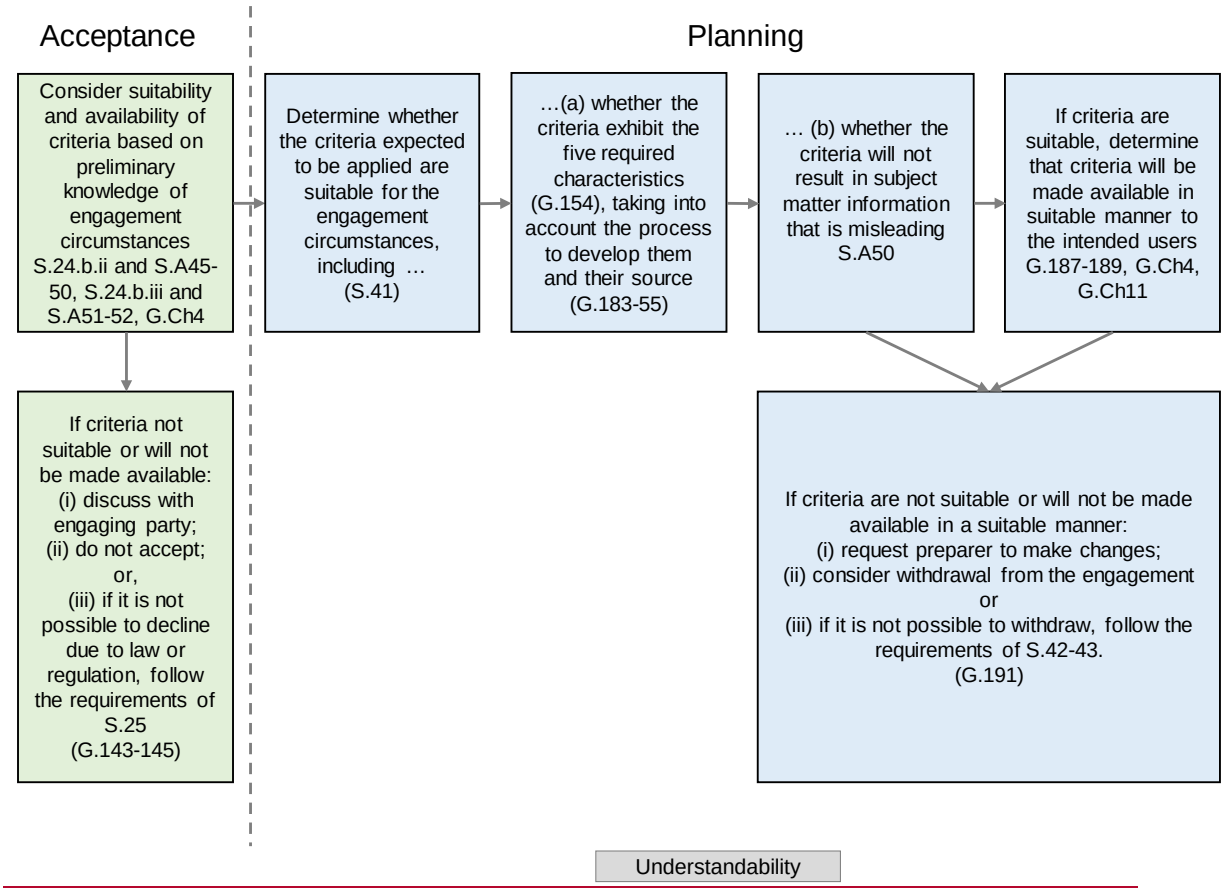
~~9 ISAE 3000 (Revised) paragraph A45~~

~~10 ISAE 3000 (Revised) paragraph 41~~

155. [87] In addition to exhibiting ~~each of~~ the~~se~~ characteristics of suitable criteria, an overarching principle ~~in the Standard~~ is that criteria developed by the entity would not be suitable if they result in subject matter information ~~or an assurance report~~ that is misleading to the intended users~~[11]~~ (S.A50). ~~It may therefore be logical to expect that suitable criteria give rise to~~The subject matter information could be misleading if the characteristics of suitable criteria are not sufficiently exhibited by certain criteria, for example reliability may be insufficiently exhibited if ~~that is not~~the measurement or evaluation criteria, taken together with related disclosure criteria, are overly subjective. ~~(see paragraph 96).~~

Considerations for the practitioner

157. [89] The following diagram shows ~~the steps~~a thought process that the practitioner may follow in determining the suitability and availability of the criteria and is cross-refenced to the guidance below:



Qualitative characteristics of EER information required by an EER framework

156. ~~[88] The five characteristics are in many cases inter-related. Each must be exhibited in all cases, but the relative importance of each and the degree to which they are exhibited such that the criteria are suitable will vary according to the engagement circumstances.~~When the applicable criteria are not established criteria or prescribed by law or regulation, or the framework includes high-level principles but those principles are not be expressed at a sufficient level of detail to comprise suitable criteria in themselves, the practitioner may find it helpful to consider the extent

~~[11] ISAE 3000 (Revised) paragraph A50~~

to which the criteria include qualitative characteristics of the required EER information and, if so, how they compare with the attributes of subject matter information that results from applying criteria that exhibit the characteristics of suitable criteria.

160. [92] ~~Where an EER framework includes such additional or more specific characteristics of criteria, it is still necessary for the applicable criteria to exhibit each of the five required characteristics of suitable criteria.~~ Many of the commonly used EER frameworks use different terms to describe qualitative characteristics of EER information that are similar to such attributes~~concepts to the five characteristics required by ISAE 3000 (Revised).the Standard~~. Additionally, some ~~'~~qualitative characteristics~~'~~ of the EER information required by a framework may be implicit in the reporting requirements rather than being explicitly identified in ~~an~~ the EER framework.

159. [91] The engagement circumstances may include use of an EER framework that implicitly or explicitly requires different or more specific characteristics of the applicable criteria than the ~~five~~ characteristics of suitable criteria required by ~~ISAE 3000 (Revised)~~the Standard. Where an EER framework includes such additional or more specific characteristics of criteria, it is still necessary for the applicable criteria to exhibit each of the five required characteristics of suitable criteria.

EXAMPLE	For example, when an EER framework requires characteristics of EER information such as comparability and conciseness (see G.168, G.170), the criteria may be seen as requiring characteristics that are more specific aspects of understandability and relevance, respectively.

158. [90] ~~The descriptions in the Standard of each of the required characteristics for criteria[12], along with s~~Some factors the practitioner may find helpful to consider in relation to each characteristic, in determining whether the criteria are suitable, are set out in G.161-181~~G.[xx]-[xx]~~ below.

Characteristics of suitable criteria

Relevance

~~The Standard paragraph A45(a)~~S.A45.a.
Relevance: Relevant criteria result in subject matter information that assists decision-making by the intended users.

161. [93] As relevance relates to the user decision-making, the practitioner may wish to reflect on the intended users and their information needs (G.Ch4.74.B.a and G.Ch7.206-212). ~~Considering relevance involves considering whether the criteria will result in subject matter information that assists intended users' decision-making in the context of the purpose of the EER report.~~

162. [94] Understanding how subject matter information could assist intended users' decision-making may be approached by:

(a) Considering whether, and if so the extent to which, the preparer has:
   (i) Considered the general types of decisions that intended users are expected to take based on the purpose of EER report~~ and whether the criteria would lead to the preparation of the information that would assist them in doing so~~; and
   (ii) Considered whether the applicable criteria ~~would enable the preparer to identify the elements and their qualities, and changes in them, such that the resulting subject matter information would assist intended users' decision-making in the context of the purpose of the EER report.~~~~include benchmarks~~ for identifying, and for measuring or evalu~~t~~ating and providing disclosures about, ~~aspects of the underlying subject matter~~reporting topics~~, and for measuring or evaluating those aspects as well as for the related disclosures and presentation of the resulting EER subject matter information, such that it~~ would result in subject matter information that assists intended users' decision-making in the context of the purpose of the EER report.

(b) If the preparer has considered the matters in (a), evaluating the conclusions of the preparer on those matters; or~~and~~

(c) If ~~not~~the preparer has not considered the matters in (a), asking the preparer to ~~consider those matters~~do so, and if necessary considering whether the practitioner has a reasonable expectation of being able to address the matters in (a) directly.

~~[12] ISAE 3000 (Revised) paragraph A45~~

EXAMPLE ~~EXAMPLE~~

~~For example, h~~Historically, ~~the criteria used by~~ an entity ~~in~~ reporting on HR matters to its shareholders may have ~~been~~ confined reporting to those matters required by law or regulation ~~to be reported on~~, ~~and~~which may have specifi~~ying~~ed the ~~way in which the matters are~~nature of the information to be reported, such as gender pay gap reporting.

~~An entity also reporting for the benefit of~~When the intended users include trade unions or ~~its~~the entity's employees, ~~it~~the entity may consider that it is appropriate to use criteria for reporting about HR matters that ~~specify that~~require reporting about matters such as gender diversity, training, and health and safety matters ~~are to be included~~ and how to measure or evaluate those matters.

The criteria for ~~HR~~ reporting on HR matters in an integrated report ~~may cover~~require reporting about matters such as ~~the requirement to include details of~~ the entity's HR strategy and how it relates to overall business strategy~~,~~ and contributes to ~~the creation of~~ value creation within the organization.

163. [95] When entities develop their own criteria ~~-~~and those e~~re e~~ntity-developed criteria are the result of a rigorous internal process, involving input directly from both the intended users and those charged with governance, they are more likely to be relevant than if the entity has developed them without such a process or such input (G.Ch7).

164. [96] Relevance of criteria (and hence whether the resulting subject matter information assists intended users' decision making) may be affected by the inherent level of measurement or evaluation uncertainty in applying ~~them~~ the criteria in the circumstances of the engagement. When subject matter information is subject to high inherent measurement or evaluation uncertainty, the related criteria may be relevant only if they require additional supporting information about the nature and extent of the uncertainty. In circumstances when the underlying subject matter is subject to high measurement uncertainty, the criteria for presentation and disclosure may become relatively more important so that ~~it~~the nature and extent of the uncertainty is clear~~,~~ in what is presented~~, what the uncertainty is~~.

EXAMPLE

Information about a retailer's reputation amongst its diverse customer base may assist investors' decision-making in managing their investments. The company may develop criteria to measure customer perceptions of their reputation, for example by using a customer survey. The resulting measure is likely to reflect some degree of inherent uncertainty, as only a sample of customers are surveyed. If information about the nature and level of measurement uncertainty is not disclosed, investors may not find the survey results sufficiently useful to assist them in their decision-making. In such circumstances, the criteria may not be relevant. If the criteria required providing investors with more contextual information about the survey process and the level of precision achieved in measuring customer perceptions of their reputation (for example the sample size as a percentage of the total customers), this may help make the criteria relevant.

Refer also to the discussion of 'accuracy' and 'precision' in G.173, and further consideration of measurement uncertainty in G.324-G326.

165. [97] ~~Suitable criteria identify qualities of elements and measurement or evaluation bases that, when properly applied to them, result in subject matter information that assists intended users'~~

~~decision-making. This is because suitable criteria must exhibit the characteristic of relevance. The practitioner considers relevance in determining whether the criteria are suitable~~. The degree of relevance of an applicable criterion is not binary. Instead, the degree to which it assists intended users' decision-making may ~~be considered to be~~be on a scale that varies depending on the circumstances of the engagement. Nevertheless, whether the criteria are relevant or not is a judgment ~~binary decision~~ that the practitioner needs to make. Its relevance may also need to be considered in the context of other criteria (e.g., see G.164).

~~1~~67. [99] The practitioner may also consider~~A further consideration is~~ the requirements of the criteria to disaggregate or aggregate information as they ~~is~~ may affect both whether the criteria are suitable, ~~the~~and the context for materiality considerations for misstatements. EER frameworks do not always specify in detail the required level of aggregation or disaggregation~~ (sometimes referred to as the unit of account)~~. They may, however, include principles for determining an appropriate level of aggregation or disaggregation in particular circumstances.

169. [101] Criteria may be more relevant and comparable across entities if they are consistent with established measurement bases and benchmarks that are generally recognized to be valid in the context of the entity's industry or sector. However, there may be good reasons not to use such criteria, for example where the entity can develop more relevant criteria (that are also reliable), where permitted by the EER framework adopted and where those criteria are made available.

227. [159] The practitioner may also consider any ~~C~~criteria that permit non-disclosure in the EER report of information about topics and related elements~~ that might assist intended users' decision-making~~, on the basis that it is confidential or would potentially damage the entity's reputation, when that information assists intended users' decision-making. Such criteria may not be sufficiently relevant or complete. ~~Such criteria may, h~~However, they might be considered sufficiently relevant and complete in certain circumstances. ~~, f~~For example an established framework criterion may permit non-disclosure in extremely rare circumstances where the adverse consequences of disclosure would reasonably be expected to outweigh the public interest benefits of such communication. ~~There may also be rare circumstances~~ A further example may be when~~where~~ law or regulation precludes public disclosure of information~~ by either the preparer or the practitioner, for example something~~such as information that might prejudice an investigation into an actual, or suspected, illegal act. Such criteria may be presumed to be suitable if there are no indications to the contrary.

227A. If non-disclosure of ~~the~~ confidential information is not permitted by the applicable criteria, such non-disclosure would ordinarily be treated as a misstatement, and the materiality of this misstatement would then be considered (see G.Ch10)~~as per the guidance in Chapter 12~~. The practitioner would then respond accordingly if the misstatement is material and may need to consider the implications for the assurance report. ~~There may also be rare circumstances where law or regulation precludes public disclosure of information by either the preparer or the practitioner, for example something that might prejudice an investigation into an actual, or suspected, illegal act.~~

Completeness

S.A45.b
Completeness: Criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions

of the intended users made on the basis of that subject matter information. Complete criteria include, where relevant, benchmarks for presentation and disclosure.

170. [102] Criteria are required to be complete so that the intended user is able to make informed decisions by having access to subject matter information that does not omit relevant factors that are material in the context of the circumstances of the entity and the purpose of the EER report.

171. [103] The application of complete criteria is expected to result in subject matter information that includes all relevant factors, including information that represents negative aspects of what is being reported on (also see 'neutrality' below).

172. [104] There may be a need for a balance to be struck between an EER report being overly comprehensive and it still being concise enough to remain understandable.

Reliability

S.The Standard paragraph A45.c(c)

Reliability: Reliable criteria allow reasonably consistent measurement or evaluation of the underlying subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by different practitioners.

173. [105] Reliable criteria are likely to result in subject matter information that is capable of reasonably consistent measurement or evaluation with the necessary degree of accuracy (such that it is free from error) and precision such that the criteria are also relevant. Accuracy is not the same as precision. Subject matter information can be sufficiently accurate if it is as precise as is reasonably possible, if it results from applying a well-defined process without undue error, and if it includes information about the inherent limitations in its precision.

EXAMPLE

A company may choose to report their market share. Management use a methodology they have developed to calculate this using their sales data and external data about their industry sector, including the financial statements of their main competitors. The calculation is unlikely to ever be completely precise as it involves estimating and making assumptions. However, if the methodology results in information that is as precise as is reasonably possible and therefore gives a fair indication of the company's market share, the practitioner may be able to conclude the criteria are reliable. It may be necessary for details of theAs the methodology would form part of the criteria, it would need tto be disclosed as part of making the criteria available to the intended users.

174. [106] Reliable criteria may need to be based on strong definitions with little or no ambiguity, if the resulting subject matter information is to be capable of reasonably consistent measurement or evaluation.

175. [107] Reliable criteria would typically be expected to result in subject matter information that is capable of being subjected to an assurance engagement because sufficient appropriate evidence can be obtained to support the assertions that the subject matter information contains. This requires the underlying data and source information to be sufficiently accurate and complete and for it to be collected and processed in a manner that is neutral and maintains its integrity. Unsubstantiated claims in the subject matter information are unlikely to meet this requirement.

Neutrality

S.~~The Standard paragraph~~ **A45** d~~(d)~~
Neutrality: Neutral criteria result in subject matter information that is free from bias as appropriate in the engagement circumstances.

176. [108] Neutral criteria would normally be designed to cover both favorable and unfavorable aspects of the underlying subject matter being reported on, in an unbiased manner. Criteria would not be neutral if they could mislead the intended user in the interpretation of the subject matter information.

EXAMPLE	In relation to the results from an employee survey, neutral criteria may need to require reporting both the results from questions with favorable responses as well as those with less favorable ones, rather than selectively reporting only the 'best' results. In addition, the criteria may need to specify the way in which the survey questions are framed and what questions are asked as these aspects may also have an impact on whether the survey results present the underlying subject matter in a neutral manner.

177. [109] Criteria would not be neutral if they were changed or modified arbitrarily from one reporting period to the next to remove negative aspects of performance. Doing so also may not be consistent with the principle of comparability (which is an aspect of relevance).

178. [110] A practitioner may need to be particularly careful to determine the suitability of entity-developed criteria and apply professional skepticism in evaluating the neutrality of these criteria due to the inherent risk of management bias.

Understandability

S.~~The Standard paragraph~~ **A45** e~~(e)~~
Understandability: Understandable criteria result in subject matter information that can be understood by the intended users.

179. [111] Understandable criteria typically result in subject matter information that will enable the intended users to identify readily the main points being made and to infer appropriately whether they are sufficiently significant to affect their decision-making. This is likely to be assisted by a clear layout and presentation of the subject matter information in a way that effectively summarizes and draws attention to these points.

180. [112] The criteria ideally result in the EER report being coherent, easy to follow, clear and logical.

181. [113] There may be a need for a balance between criteria that are sufficiently relevant and understandable. For example, criteria may require subject matter information to be at a sufficient level of disaggregation to assist decision-making by the intended users (relevance) while also being sufficiently concise to be understood by them.

Considering t~~T~~he Process to Develop ~~Source of~~ the Criteria and Their Source

Considering How Criteria are Developed

182. How criteria are developed may affect the work that the practitioner carries out to assess their suitability, whether they are established criteria or entity-developed criteria. In considering the nature and extent of the work that the practitioner intends to carry out to assess suitability of the criteria, it may be helpful for the practitioner to consider the process followed by the framework setter or the entity.

182A. The practitioner may find it helpful to consider the extent to which the process addresses matters such as the purpose of the EER report, the usefulness of the EER information to the intended users (including whether it requires attributes of the EER information that correspond to the attributes of subject matter information that results from applying criteria that have the characteristics of suitable criteria), whether the process is transparent, and whether it involves stakeholder engagement.

Established c~~C~~riteria

183. [115] ~~Where criteria are:~~

~~a) prescribed by law or regulation; or~~

~~b) issued by an authorized or recognized body of experts that follow a transparent due process, and are relevant to the intended users' information needs;~~

~~they are presumed to be suitable in the absence of indications to the contrary and are known as 'established criteria'[13]. However, w~~W~~W~~here indications exist that ~~the~~ established criteria may not be suitable, ~~,~~ the practitioner cannot presume that the criteria are suitable and may ~~may~~ need to perform further work to consider ~~further~~ whether the criteria are suitable, taking into account the implications of those indications..

184. [116] Criteria contained in some commonly used EER frameworks are issued by global organizations that are recognized bodies of experts following a transparent due process, and criteria specified by these EER frameworks are often relevant to the intended users' information needs.

184A. However, ~~the often limited~~in some cases, such an organization's process to develop criteria may not be fully developed or may result ~~level of maturity or high-level approach used in developing criteria~~ in ~~such~~ an EER framework,~~s,~~ which may ~~including~~be ~~criteria~~ prescribed by law or regulation, that includes high-level principles that are not expressed at a sufficient level of detail to comprise suitable criteria in themselves. Factors such as these may ~~mean that there are~~ indicat~~ions~~e that ~~such~~ the criteria in that framework, on their own, may not be suitable. As a result, ~~and~~they may also need to be further developed by the entity, even though the established criteria may have been issued following a transparent due process.~~. Different EER frameworks specify the criteria to varying degrees of detail. Where the criteria in an EER framework are less detailed, for example where it does not specify detailed measurement or evaluation criteria, the practitioner may not be able to determine that the criteria are suitable, and the preparer may consider it necessary to develop more detailed supplementary criteria in the context of that entity and its report. The practitioner may then need to determine the suitability of the detailed criteria for~~

~~[13] See ISAE 3000 (Revised) paragraph A49 for details of the definition of established criteria.~~

~~measurement or evaluation that the entity has developed for use together with the overarching criteria in the EER framework.~~

Entity-developed criteria and criteria selected from multiple frameworks

Considering the entity's process to develop or select criteria

53. [23] ~~In the situation described above~~When an entity develops its own criteria or selects criteria from multiple available frameworks, the preparer applies~~y~~ a process to make judgments about the criteria it will use. Such a process to develop or select criteria is part of the entity's information system (see G.Ch6.135).

53A. When an entity has selected criteria from one framework, or developed its own criteria, to supplement criteria from (another) framework, it may be helpful for the practitioner to consider~~how the~~how any high-level principles of the framework(s) were applied in the entity's process. The practitioner may also consider how such principles compare with the characteristics of suitable criteria.

53B. More generally, when considering entity-developed criteria, it may be helpful for the practitioner to consider whether and, if so, the extent to which ~~are to be met within their own organization, and~~the entity's process develops the criteria ~~further so~~in a manner such that the ~~combination of framework and~~ entity-developed criteria, taken together with any framework criteria the entity is using, ~~result in subject matter information that~~are suitable criteria ~~assists the decision-making of the intended users~~.

53C. Circumstances when the framework does not include criteria for identification of reporting topics, or only includes criteria that provide high-level principles for doing so but that are not sufficiently detailed to be suitable criteria in themselves, are~~This is~~ discussed in further detail in Chapter 7: *Considering the Entity's Process to Identify Reporting Topics'.* G.Ch7.195-212 address considerations for the practitioner when the entity applies a process to develop its own criteria for identification of reporting topics. That guidance may be applied, adapted as necessary, whenever an entity applies a process to develop its own criteria or to select criteria from one or more frameworks that are not established criteria. In doing so, the practitioner may also apply considerations similar to those highlighted in G.Ch5.184A to the entity's process.

Considerations when the boundary of the subject matter information is not the entire EER report

54. [24] ~~Just as the practitioner is required to determine whether the criteria set out in a framework are suitable for the engagement circumstances, so the practitioner needs to determine whether the criteria developed by the preparer are suitable. To do this~~In considering entity-developed criteria, the practitioner may need to understand not only ~~the further development of the~~ entity-developed criteria ~~by the preparer~~ for the subject matter information within the proposed scope of the assurance engagement, but also ~~the process the preparer has undertaken to develop~~ criteria for the preparation of any other part(s) of the information included in the EER report but not within the scope of the engagement. Similarly the practitioner may consider the entity's process to develop such criteria (the 'wider process').

54A. Doing so~~This~~ would enable the practitioner to consider matters such as:

(a) Whether there may be omissions of relevant parts of the ~~underlying subject matter~~EER report from the boundary of the subject matter information for the engagement, and whether such omissions call into question the rational purpose of the engagement; and

(b) Whether and how the subject matter information is used in the preparer's own decision-making processes:~~.~~

(i) If information relating to an entity's decisions is important to its stakeholders, then it may be~~is~~ reasonable to expect that the entity would be using that information in its own decision-making.

(ii) ~~Similarly, i~~If the company is using the information in its decision-making, then it may be reasonable to expect that a user may be interested in that information.

(iii) If the information is not used for the ~~preparer~~ entity's own decision-making, that may raise a question as to why the information is being reported, and whether there may be bias in selecting as subject matter information only those parts of the EER report that are easily subject to an assurance engagement or that present the entity in a positive way.

55. [25]. ~~The~~Any practitioner consideration of the 'wider process'~~ applied by the preparer~~ may ~~also~~ be at a ~~different~~lower level of detail than where the ~~intended scope of the engagement~~boundary of the subject matter information for the engagement is the entire EER report. In a narrower scope assurance engagement, ~~the~~any consideration of the wider process ~~is~~would be to identify matters that have not been, but should have been, included within the narrower scope, rather than to focus on whether there are suitable criteria for all the information included in the EER report~~, and so may be less detailed than if the scope of the engagement were the EER report as a whole~~.

Indications that the pre-conditions are not present

55A. Considering the entity's process to develop its own criteria, after acceptance or continuance, may identify matters that indicate that the preparer does not have a reasonable basis for the subject matter information. In those circumstances, the requirements in S42 may apply (see G.Ch5.191 and G.Ch6.128C).

Considering Changes to Criteria Over Time

185. [117] The suitability of criteria is not necessarily related to their maturity or the entity's experience of applying them. In the first few years of preparing EER reports, an entity may be developing and improving its reporting process~~es~~ such that entity-developed criteria (potentially designed to supplement an EER framework) may change and evolve between reporting periods. Regardless of this, the practitioner ~~uses~~ exercises professional judgment to determine whether the criteria are suitable each time an EER report is subject to an assurance engagement~~, including that they exhibit the five required characteristics~~.

185A Changes to criteria and measurement methods year-on-year may be fairly common for EER when an entity's reporting process~~es~~ is~~are~~ developing, and management are innovating to improve their reporting. Such criteria may still be understandable and reliable if there is a reasonable basis for the change and it is sufficiently disclosed and explained in the EER report. Where an entity's reporting is more established, the rationale for changes to criteria might need to be stronger, and the explanation more detailed, to meet intended users' expectations.

EXAMPLE

An entity reports on the number of people reached by its community training programs on hygiene. ~~Changes to criteria and measurement methods year-on-year may be expected for EER, particularly when an entity's reporting processes are developing, and management are innovating year-on-year to improve their reporting. Such criteria may still be understandable and reliable if there is a reasonable basis for the change and it is sufficiently disclosed and explained in the EER report. Where an entity's reporting is more mature, the rationale for changes to criteria might need to be stronger, and the explanation more detailed, to meet intended users' expectations.~~In the initial year of reporting, the entity estimated the number of people reached, based on the criteria of: (i) number of attendees enrolling on its training programs multiplied by (ii) the average sized family according to the latest census data.

As it developed its processes to record the information, it added questions to its enrolment forms to ask attendees to indicate (i) whether they or a family member living with them had previously attended the training program or a similar one, and (ii) how many people lived with them and with how many of those they had actively discussed what they had learnt on the training program. The entity also implemented a register system to record attendance and completion of the program. The additional information~~se updated criteria~~ allowed the entity to update its criteria to: (i) avoid double-counting attendees who had previously attended, (ii) count only those who attended the full program, rather than including those enrolling, but not completing, the program, and (iii) obtain a more up to date estimate of the number of people reached.

186. [118] Where a preparer is using an EER framework that contains established criteria and chooses to modify or adjust those criteria with the result that they are different ~~to~~ from ~~what is~~those commonly used in the entity's sector, this may be an indicator of potential management bias and of a risk that the resulting subject matter information could be misleading to the intended users. In such circumstances, the practitioner ~~applies~~ exercises professional skepticism in determining the suitability of the criteria, and in considering whether there is a reasonable basis for the change and whether the change is sufficiently disclosed and explained in the EER report.

186A. The more mature the entity's ~~type of~~ reporting process or ~~the~~ EER framework ~~being used~~ is, the less likely it is that changes made by an entity to measurement methods and related disclosures from commonly accepted practice adopted by other similar entities will be appropriate, unless there has been a change in the entity's circumstances, or there are unique features of the entity's business that necessitate a departure from the commonly accepted practice. It may be desirable for the preparer to obtain an ~~intended users to~~ acknowledgement from the intended users that the entity-developed criteria are suitable for their purposes.

168. [100] In many cases it may be useful to intended users if the criteria are consistent from one reporting period to the next to aid comparability. Where criteria change, disclosure of the change with an explanation of the reasons for the change may be expected for the criteria to be relevant in the year of the change. Information about the impact of the change, for example re-stating comparative information (where possible and cost-effective), may also be expected for the criteria to be relevant in the year of the change. However, in other circumstances, a temporary reduction in comparability may be appropriate to improve relevance in the longer term.

.

Considering Whether ~~Availability of~~ the Criteria will be Made Available in a Suitable Manner~~[22] Criteria need to be made available to the intended users of the EER report so that such users can understand the basis on which the report has been prepared and assurance obtained. As there are numerous ways in which high-level principles may be able to be adhered to, the intended user is unlikely to be able to assess whether their needs have been met or to be able to base decisions on the reported information without access to the criteria. The user needs to be able to understand both what has been measured or evaluated, and how it has been measured or evalu~~

187. [119] Criteria need to be made available to the intended users to enable them to understand how the underlying subject matter has been measured or evaluated. In the case of an EER framework that has only high level-principles, ~~A~~as there are numerous ways in which high-level principles may be able to be adhered to, the intended user is unlikely to be able to ~~assess~~consider whether their needs have been met or to be able to base decisions on the reported information without access to both the framework criteria and any entity-developed criteria.

187A. ~~The user needs to be able to understand both what has been measured or evaluated (the underlying subject matter), and how it has been measured or evaluated (the criteria). Paragraphs~~ S.A51-A52 ~~of the Standard~~ describe ways in which ~~this can be done~~criteria may be made available. A practitioner may ~~evaluate~~ consider whether ~~the adequacy of the transparency of~~ the criteria will be made available in a suitable manner, ~~considering~~ including, for example, whether the criteria ~~have been~~will be disclosed ~~with~~ in sufficient detail and sufficiently ~~clarity~~ clearly ~~such~~ that ~~they are~~practitioner will be able to determine that the criteria will in practice be available to the intended users.

56. [26] Entity-developed criteria need to be available to intended users in the same way that any other criteria need to be. ~~Paragraphs A51-A52 set out ways in which the criteria may be made available.~~ While there is not a general requirement to disclose the process for developing ~~the~~ such criteria, ~~there may be~~ some frameworks ~~that do~~may require such disclosure, at least for parts of the process, for example the GRI framework requires disclosure about ~~the Stakeholder Engagement Process~~the ~~materiality~~stakeholder engagement process~~ to be disclosed~~. Even ~~where~~ when ~~there is no such requirement in the~~ frameworks do not require it, practitioners may consider it appropriate to encourage preparers to disclose details of their process for their entity-developed criteria (G.Ch7). ~~('materiality process')~~

188. [120] The criteria may be made available outside of the EER report, for example if an established and~~,~~ publicly available EER framework has been used. In the case of entity-developed criteria, the entity may choose to publish the criteria and reporting policies in ~~a separate~~the EER report or separately on its website, ~~which is then~~ cross-referred ~~to~~ (as at a particular date) in the EER report. ~~This may be a preferable option where an EER report is intended to be concise.~~

189. [121] The more familiar ~~the~~ intended users are with ~~the type of report~~common measures~~ing~~, the less ~~likely it will be~~ necessary it may be to ~~disclose~~ make available detailed explanations of ~~the reporting policies and measurement or evaluation methods~~those measures, as these ~~will~~ may be available by 'general understanding' to the intended users.

EXAMPLE

~~Measuring time in hours and minutes, or energy usage in kilowatt hours, is generally understood in a consistent way internationally due to scientific convention.~~
~~Similarly, a~~A preparer may assume that the intended users will understand greenhouse gas emissions measured in accordance with the Greenhouse Gas Protocol without disclosing the measurement methods in the EER report, as the criteria set out in the Greenhouse Gas Protocol appropriately include that information, and the Greenhouse Gas Protocol is publicly available.~~providing full explanation due to its widespread acceptance and usage~~.
Where a preparer makes such an assumption it may be expected that the preparer has applied all of the criteria, relevant to its circumstances, set out in the Greenhouse Gas Protocol.

Consequences where Criteria are not Suitable or Available

191. [123] ~~The practitioner is also required to determine whether the criteria are suitable in planning and performing the engagement.~~ If it is discovered after the engagement has been accepted that some or all of the applicable criteria are unsuitable, the practitioner is required to follow the requirements of ~~ISAE 3000 (Revised) paragraphs~~ S.42~~ and 43 of the Standard~~, which applies to all of the preconditions for acceptance. If, in such circumstances, ~~where~~ the practitioner is ~~mandated to accept~~not permitted to withdraw from the engagement under law or regulation but the criteria are not suitable or available, the practitioner would ~~follow the same~~ be required~~ments in~~ by ~~paragraphs 42 and 43 of the Standard~~S.~~43~~ to express a qualified or adverse conclusion, or disclaimer of conclusion, as appropriate in the circumstances.

Chapter 6: Considering the System of Internal Control

Matters Addressed by the Guidance in this Chapter

127A. This Chapter provides guidance to the practitioner that is relevant during the planning stage of an EER assurance engagement, ion understanding and entity's system of internal control, including the processes, relevant to the preparation of the subject matter information. It also includes considerations for the practitionerThis guidance is particularly relevant when an entity's process to collect data and information, apply the criteria to the underlying subject matter and report information relevant to the preparation of the EER subject matter information (hereafter referred to as the entity's 'EER reporting process')processes and related controls mayare still be developing, and when that process obtains data or information from in relation to processes and controls over external sources of information.

128A. The Standard also requires the practitioner14::

(a) in a limited assurance engagement, to consider the entity's EER reporting process (S.47L)process, which is part of a system of internal control, used to prepare the subject matter information, , to enable identification of areas where a material misstatement is likely to arise (S.46L.a); or

(b) in a reasonable assurance engagement, to obtain an understanding of internal control over the preparation of the subject matter information, including evaluating the design of the controls relevant to the engagement and whether they have been implemented (S.47R), to enable identification and assessment of the risks of material misstatement (S.47R.a).

128B. In planning and performing the engagement, S.42-43 also requires the practitioner to respond if it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is not present.

128C. As discussed in G.Ch4, the nature of the entity's EER reporting process is likely to be an important consideration when determining if the preparer has a reasonable basis for the subject matter information in determining whether the preconditions are present. The practitioner may become aware of additional information when fulfilling S.47L/R, which indicates that the preparer may not have a reasonable basis for the subject matter information and that the related precondition may not be present.

129. [61] Having a highly sophisticated or developed system of internal control is not a precondition for an assurance engagement. The guidance in this chapter mainly relates to considering the system of internal control in relation to the preconditions, It may also assist the practitioner in meeting the requirements of paragraph 60. Separate considerations for the practitioner relating to the overall engagement strategy, including whether to test controls or to obtain evidence solely from substantive procedures, are discussed further in paragraphs 78 and 79Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

127. [59] Entities producing EER reports typically implement gradual changes to their system of internal control to support such reporting as it becomes more established and formal. At an early stage, the system of internal control generally includes processes to collect and report the underlying data and information. As EER becomes more established for the entity, changes may

[14] ISAE 3000 (Revised) paragraphs 46L, 46R, 47L and 47R

be introduced to make the reporting process subject to specific control activities and greater governance and oversight, or to bring it more formally within the entity's risk assessment process and process to monitor the system of internal control. In considering engagement acceptance and continuance, practitioners may encounter entities at varying stages of development of their system of internal control.

127. [59] Entities producing EER reports typically implement gradual changes to their system of internal control to support such reporting as it becomes more established and formal. At an early stage, the system of internal control generally includes a processes to collect, process and report the underlying data and information relevant to the preparation of the EER subject matter information (referred to hereafter as the entity's 'EER reporting process').

127A. As EER becomes more established for the entity, changes may be introduced to make the EER reporting process subject subject to specific control activities and greater governance and oversight, or to bring it more formally within the entity's risk assessment process and process to monitor the system of internal control. Often these developments in the entity's EER reporting process and in the processes and control activitiesother components of the entity's system of internal control occur alongside each other.

137. [69] EAn entityies may obtain information to be included ininput to its their EER reporting process from an external information source. The entity may or may not be able to implement and operate its own processes and controls over the recording, collating and reporting of such information. This may have implications for the relevance and reliability of such information.

132127A. Entities may also use new or evolving technologies to record, process and report their EER information. For, example, an entity may use drone technology to record information at remote or extensive sites, or may uses use automatic processing to process routine transactions. The entity may also report its EER information in different forms that may be accessible by users on demand, through various communication channels.

132127B. -All of these factors may have implications for both the acceptance of the assurance engagement, and, if the engagement is accepted, for the design and performance of the practitioner's assurance procedures.

128. [60] As discussed in G.Ch4, cConsidering the entity's system of internal control may assist the practitioner in establishing whether the preconditions for an assurance engagement are present, as discussed above. The guidance in this chapter, although it mainly relates to addresses the application of the requirements of S.47L/R and S.42-43, but may also assist the practitioner when considering aspects of the entity's system of internal control in determining the presence ofwhether the preconditions are present (G.Ch4).

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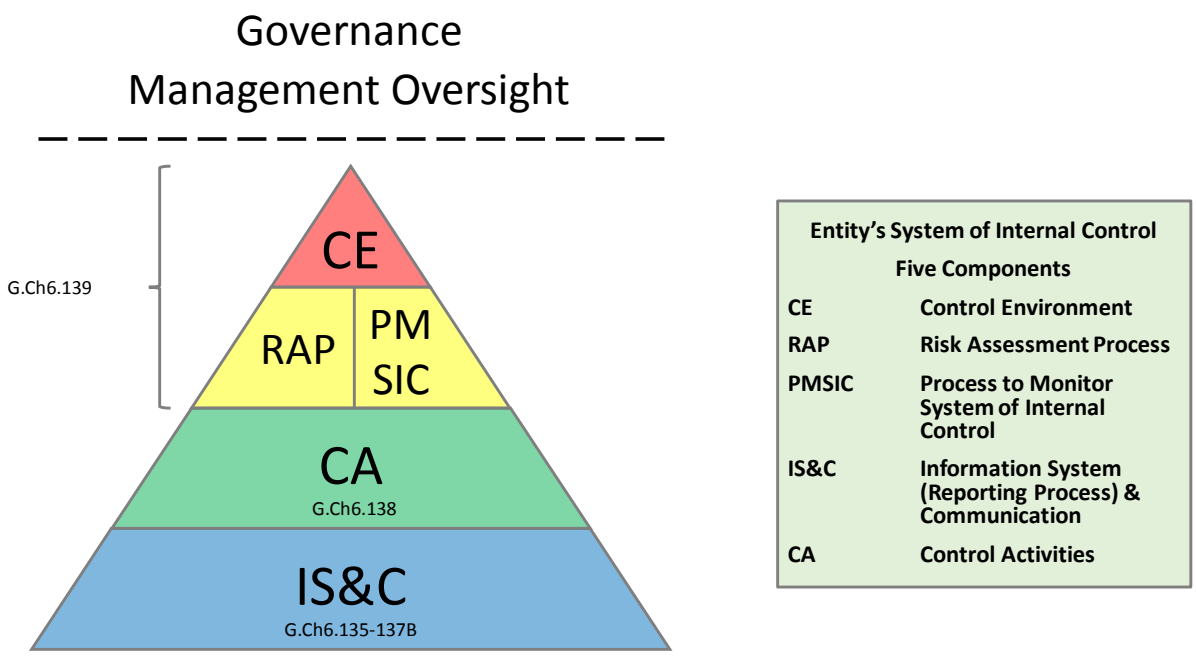
Understanding the Entity's ~~Processes and~~ System of Internal Control

130. [62] An entity's system of internal control typically has five inter-related components[15]~~16~~:



131. [63] The level of sophistication of the ~~reporting (~~information~~)~~ system and communication component and the control activities component~~s~~ of the system of internal control may vary according to the size and complexity of the entity, and the nature and complexity of the underlying subject matter and criteria. Similarly, the level of formality of the risk assessment process and the process to monitor the system of internal control may also vary for differently sized entities.

132. [64] ~~The Standard application material~~S.A39 notes that "in some cases, a formal process with extensive internal controls may be needed to provide the [preparer] with a reasonable basis that the subject matter information is free from material misstatement"~~[17]~~. Equally, in other circumstances, extensive internal controls may not be needed.

133. [65] Some examples of aspects of the components of an entity's system of internal control that a practitioner may consider ~~in establishing whether the preconditions are present~~ are given below. The three components shown in the top three boxes in the diagram ~~above~~ in G.130 (the control environment, the risk assessment process and the process to monitor the system of internal control) are considered together under the heading 'governance and oversight of the EER reporting process'.

134. [66] The examples are not meant to be an exhaustive list of aspects that may be appropriate ~~for an entity~~in the engagement circumstances. As noted above, some entities may require a formal process with extensive internal controls ~~and processes~~ ~~in order~~ for the preparer to ~~be able~~have reasonable basis to take responsibility for the subject matter information being free from material

[15] Based on ED-ISA 315 (Revised) paragraph 16(l)

~~[16] Based on ED-ISA 315 (Revised) paragraph 16(l)~~

~~[17] ISAE 3000 (Revised) paragraph A39~~

misstatement. The practitioner may need to consider the engagement circumstances, including the size and complexity of the entity, when concluding whether the level of development of the system of internal control is ~~adequate~~appropriate to the engagement circumstances.~~.~~ Further guidance is given in ~~paragraphs~~ G.72~~ to ~~-74 in the context of determining whether the preconditions are present.

~~Reporting (~~Information~~)~~ System and Communication

135. [67] The entity's EER reporting process is part of the entity's information system relevant to the preparation of the EER subject matter information. Policies, procedures and resources of the ~~reporting (~~information~~)~~ system and communication component that the practitioner may consider in the context of an EER assurance engagement are included below:

CONSIDERATIONS FOR THE PRACTITIONER

(a) Processes to select or develop criteria, including ~~a 'materiality process'~~the entity's process to identify reporting topics, ~~-~~if applicable (see G.~~Chapter 8~~Ch7), to ~~identify the elements to be included~~be addressed in the EER report;

(b) Processes to select or develop criteria for the measurement or evaluation of reporting topics~~the elementsunderlying subject matter aspects~~, including their presentation or disclosure;

(c) Processes to capture, record, process, correct, and include in the EER report, data and ~~subject matter~~ information about ~~those elementsaspects~~the reporting topics;

(d) ~~-~~Processes to select, obtain, review and monitor ~~EER report subject matter~~ data and information obtained from external source(s);

(e) ~~d~~Records and source documentation to support the preparation of the subject matter information relating to the reporting topics~~ose elements~~. These are ideally stored and accessible so that they can be used as evidence by the practitioner;

(f) ~~e~~Processes to prepare the EER report; and

(g) ~~f~~How the entity uses IT to support the above.

136. [68] The reporting process~~preparation of EER reports~~ is likely to involve the use of IT to collect or process ~~the~~ data and information. Entities may use complex IT applications, simple spreadsheets or paper-based records, or a combination of these. Identifying which tools are being used by the preparer to prepare the EER report may be an important part of the practitioner obtaining the understanding required by ~~paragraphs 47L and 47R of the Standard~~S.47L/R.

Considerations when t~~T~~he entity's EER reporting process and other related controls are developing

129. [61] Although having a highly sophisticated or developed system of internal control is not a precondition for an assurance engagement, the entity's EER reporting process~~es used to prepare the information~~ should be ~~sufficient~~adequate to provide the preparer with a reasonable basis for the subject matter information. Other c~~The c~~ontrols over the EER reporting process may be informal or ~~fairly~~relatively simple when the engagement circumstances are simple. ~~controls; t~~The greater the complexity ~~or integration~~ of the subject matter information, the more ~~important may be the processes and controls in place~~complex may the EER reporting process and other related controls need to be. There is a difference between simple controls and inadequate controls. If the ~~processes~~EER reporting process and other related controls ~~relevant to the preparation of the~~

~~subject matter information~~ do not provide the preparer with a reasonable basis for the subject matter information, there may be greater likelihood of material misstatement in the~~-~~ subject matter information, or there ~~may not be an expectation of~~ the practitioner may not be able to determine that they expect to be~~ing~~ able to obtain the~~-~~ evidence needed to form the assurance conclusion.

129A. ~~-~~As an entit~~ies~~y's experience with EER reporting develops ~~develop their reporting~~, the entity's system of internal control may become more sophisticated, and new technologies may be used to record, process and report their EER information. As discussed further in G.Ch9, although the way in which the information is recorded and reported may change, the ~~principles~~ objectives of the EER reporting process and other related controls that are necessary~~remain the same for the internal control system, including the processes used to prepare the subject matter information,~~ to provide a reasonable basis for the subject information, in the particular circumstances of an engagement, remain the same~~. Consequently, the number and nature of the control activities may change, and some may become relatively more important, but~~ and the purpose of the entity's system of internal control ~~system~~relevant to the preparation of the subject matter information remains the same.

Considerations when an EER reporting process obtains data or information from an e~~E~~xternal~~-~~ source~~s of information~~

137. [69] ~~Further~~ Particular practitioner considerations may be ~~necessary~~ appropriate when the entity's EER reporting process obtains data or information ~~comes~~ from an external ~~information~~ source. An ~~external information source is an~~ external individual or organization that provides data or information that ~~has been~~is used by the preparer in the preparation of an~~the~~ EER report is hereafter referred to as an 'external information source'. E~~An e~~xamples of data or information from an external information source might ~~be~~ include the results of an independent survey of customer satisfaction, or an external laboratory test of effluent quality ~~from~~ for a production facility.

137A. Key considerations for the practitioner may ~~be~~include the source of the external information, and the processes and ~~systems in place~~controls over the information obtained from that external source. When the external information source processes information on behalf of the entity, for example, when the entity ~~may have~~has outsourced some of its activities to a third party service organization, the entity may have contractual rights of access to that third party and to how the information is processed, or may be able to obtain a service auditor's ~~assurance~~ report on the design and operation of the controls at the service organization. The entity~~It~~ may also have in place its own ~~monitoring~~ processes and controls to monitor information provided to, and received back from, the ~~third party~~ service organization.

137B. When an~~the~~ entity uses external information from another external source, for example, industry data used for benchmarking purposes, or indices or factors used in calculating or valuing the subject matter information, the entity~~it~~ ~~it~~ may have its own processes and controls in place~~, for example,~~ to consider the reputation of that source, the reliability of information from that source, whether there are other sources of similar information, and whether the information from such ~~those~~ different available sources is aligned. Further consideration is given to external sources of information in G.Ch9 and in SupB [x].

Control Activities

138. [70] Types of controls in the control activities component that the practitioner may consider include:

CONSIDERATIONS FOR THE PRACTITIONER

~~(a)~~ ~~a)~~ Controls requiring segregation of duties between individuals involved in the EER reporting process, to the extent appropriate according to the size of the entity, for example segregation between those preparing the information and those reviewing it;

(a)

(b) ~~b)~~ Controls to prevent the preparer inappropriately modifying underlying sources of data, information or documentation that the practitioner would use as evidence;

(c) Controls to identify relevant transactions, occurrences and events, and to record them completely, accurately, in a timely manner, and to classify them appropriately (see also G.Ch8 for guidance on the use of assertions);

(d) Controls over maintenance of measuring devices – e.g. to make sure they are calibrated, and cannot be tampered with;

~~a)~~

~~b)~~ ~~c)~~ IT controls to support ~~any~~ relevant IT systems in being appropriately secure, robust, reliable and adequately maintained, for example through restricted physical and logical access; and controls over back-up of data and disaster recovery

(e)

~~(b)~~(f) ~~d)~~ Controls to address management bias that may occur in the process to develop or apply the measurement or evaluation bases and other reporting policies.

Governance and Oversight of the EER Reporting Process

139. [71] Aspects of the entity's governance and oversight of the EER reporting process ~~to prepare the EER report~~ that the practitioner may consider may include:

CONSIDERATIONS FOR THE PRACTITIONER

(a) Involvement of those charged with governance and senior management at appropriate stages throughout the EER reporting process;
(b) Approval of the EER report by those charged with governance or senior management, as appropriate;
(c) The establishment of a subgroup of those charged with governance, such as an audit committee, charged with oversight responsibilities for the preparation of the EER report (for larger entities);
(d) Those charged with governance or senior management, as appropriate, setting an appropriate 'tone at the top' to encourage high quality in the EER reporting process~~es~~ and a high standard of ethical practices;
(e) Key decisions made by those charged with governance or senior management, as appropriate, being recorded in written documentation, for example in minutes of board meetings;
(f) Assignment of authority and responsibility for the process to prepare the EER report, and enforcement of accountability for meeting such responsibility;
(g) The process undertaken to identify, assess and address risks related to the EER reporting process; and
(h) The process in place to monitor the system of internal control, including monitoring the effectiveness of control activities and the process to identify and remediate deficiencies.

Consideration of the Entity's Size, Complexity and Nature

140. [72] The level of formality required in terms of the entity's system of internal control may largely depend on the entity's size and complexity. A small and non-complex entity may not require formal documented policies or procedures ~~in order~~ for the preparer to meet ~~their~~ its ~~responsibilities~~responsibility for establishing a reasonable basis for the subject matter information. However, a larger or more complex entity such as a multi-national company may require more detailed and formalized reporting processes and control activities ~~and processes supporting its external reporting~~to meet this responsibility.

141. [73] The nature of the entity's processes, controls and records ~~within~~ in the entity's system of internal control may vary ~~according to~~with the size and complexity of the entity.

EXAMPLE

For reporting on employee diversity, it may be appropriate for a small entity with 25 employees to record and store this data on a simple spreadsheet managed by one member of staff. However, in the case of a large entity with 20,000 employees across the world, a much more sophisticated process managed by HR teams may be required, likely supported by an appropriate IT system, in order to collect, collate and store data that is accurate and complete.

~~**142. [74] Considering other factors that may affect the nature of the entity and its environment, for example its physical location, may assist the practitioner in considering whether the system of internal control is adequate for the practitioner to establish that the preconditions are present.**~~

Limited Assurance and Reasonable Assurance

141A. In a limited assurance engagement, the practitioner is required to consider the entity's EER reporting process to enable identification of areas where a material misstatement is likely to arise. The nature and extent of the practitioner's consideration may vary depending on the complexity of the EER engagement and the nature and complexity of the underlying subject matter. For an uncomplex, small engagement, inquiries may be sufficient to identify where a material misstatement is likely to arise. As the entity and underlying subject matter(s) become more complex, it is likely that more extensive procedures may be necessary to understand the process to prepare the subject matter information, for example, by performing a walkthrough to confirm the practitioner's understanding with personnel involved in the reporting process, including the entity's process to identify reporting topics (see G.Ch7).

141B. In a reasonable assurance engagement, the practitioner, in addition to making inquiries and performing walkthroughs, is required to evaluate the design of the relevant controls and whether they have been implemented, i.e the practitioner will need to identify what is relevant, and design and perform procedures to obtain evidence to evaluate whether the design is suitable and whether the controls are in place as designed.

141C. For an example of considerations relating to an entity's system of internal control, see SuB [x].

Chapter 7: Considering the Entity's Process to Identify Reporting Topics

Matters Addressed by the Guidance in this Chapter

192A. –This Chapter provides guidance to the practitioner on considering ~~the~~an entity's process to identify reporting topics for inclusion in its EER report and the outputs of that process. ~~Such a~~Such a process ~~usually~~ordinarily ~~covers~~addresses both the entity's development of ~~the~~ criteria to identify ~~the~~reporting topics to be ~~included~~addressed, and the application of those criteria to identify ~~the~~such ~~underlying subject matter(s)~~reporting topics ~~to prepare the subject matter information~~. Such criteria should exhibit the characteristics of suitable criteria, including that they should be relevant. This means that when suitable criteria for measurement or evaluation are applied to the reporting topics that result from the applying the criteria for identification, the result will be EER information that assists user decision-making.

166. [98] EER frameworks commonly refer to such a process as a 'materiality assessment' or 'materiality process'. However, ~~T~~the concepts of relevance and materiality are not the same, ~~although~~ even though both refer to user decision-making. ~~The concept of r~~Relevance is considered in evaluating the suitability of criteria, whereas materiality is considered ~~by the practitioner~~ in the context of potential and identified misstatements of the subject matter information. ~~Materiality includes considering whether such misstatements could reasonably be expected to influence intended users' decision-making. It also includes considering whether the subject matter information is free from material misstatements made by the preparer in applying relevant criteria.~~ Materiality is a threshold of significance to decision-making considered by the practitioner in relation to potential and identified misstatements, in the circumstances of the engagement. Applying the concept of materiality in that context is discussed in G.Ch10.

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

192B. As discussed in G.Ch1, an EER report may address diverse (aspects of) underlying subject matter(s). ~~There may also be diversity in the criteria used to prepare them, given the wide range of available EER frameworks, and because preparers often use their own entity developed criteria in addition to, or instead of, framework criteria.~~ Consequently, there is a need for criteria to provide clear direction as to the reporting topics that should be addressed in the EER report~~may be a large amount of information that could be included in an EER report, and that might be measured or evaluated in numerous different ways~~.

194. [126] EER frameworks do not always provide sufficiently detailed direction for a preparer ~~making~~ make reliable judgments about what reporting topics to ~~include~~ address in an EER report ~~or how to measure or evaluate the underlying subject matter~~ (see G.195 below). However, a framework may provide high-level principles for doing so. It can be challenging for both a preparer making these judgments and for a practitioner considering their appropriateness, and even more so when both the intended users and their information needs may be diverse or ~~even unknown~~difficult to communicate with. In such circumstances, ~~There will likely be a need for an entity's~~the entity will ordinarily need to establish a ~~'materiality~~ process to identify reporting ~~'to~~topics taking into account ~~to reflect the broader and more diverse~~the intended user ~~perspective often encountered~~and purpose (see G.192A).

194A. There may also be considerable opportunity for management bias in determining the ~~content~~reporting topics of an EER report ~~and~~or the criteria used to ~~prepare it~~identify them (see G.Ch5.152) when the framework does not specify what topics are to be included in the EER report or ~~how to measure or evaluate the underlying subject matter for those topics~~identify them.

194B. In such circumstances the exercise of professional judgment and professional skepticism may be particularly important in determining the suitability of criteria to identify reporting topics in an EER assurance engagement (see G.Ch3).

Considering the Entity's Process to Identify Reporting Topics

195. [127] When re criteria from an EER framework does not identspecify relevant reporting topics in sufficient detail, what topics would assist the decision-making of the intended users of the EER report, the criteria may notare unlikely to be considered to be suitable on their own. The criteria as they may lack relevance or completeness. The criteria may lack reliability when the framework includes high-level principles for such identification, but those principles do not allow reasonably consistent identification of the relevant reporting topics. In undertaking a process to identify reporting topics, the preparer is effectively extending andor developing, and then applying, the criteria for identifying reporting topics, such that theyse criteria sufficiently exhibit the characteristics of relevancesuitable criteria and the resulting subject matter information assists the decision-making of the intended users (see paragraphs G.83 and 84).

193A. In considering the suitability of the criteria (see G.Ch6), 4] As the content of EER reports is generally less comprehensively specified in EER frameworks than in financial reporting frameworks, the practitioner may need to review consider the appropriateness of the judgments made by the preparer during the process of to determinedetermining more comprehensively the appropriate basis of preparation of the content of the EER reportin developing criteria to identify reporting topics and the judgments made in applying those criteria.. EER frameworks commonly refer to these judgments as relating to a 'materiality process', but the focus of such judgments is effectively considering more comprehensive bases for preparing subject matter information (i.e. further developing the criteria (referred to as 'criteria' in the Standard) that assists decision-making by intended users. In this guidance, the process is referred to as 'the entity's process to identify reporting topics'. (such that the criteria exhibit the characteristic of relevance).

193. [125] For example, the preparer may need to make such judgments where the criteria from an EER framework do not specify in sufficient detail what topics and related elements are to be included in the EER report. A process that a preparer undertakes to do so is commonly referred to as a 'materiality process'.

EXAMPLE

The reporting requirements in an EER framework may say that the entity needs to include a description of the principal risks and uncertainties facing it.

It is left to the preparer to identify the principal risks and uncertainties for their entity and information about them that would assist intended users' decision-making. In most cases, EER frameworks cannot make this identification as it will vary from entity to entity.

In order for the criteria to be suitable, in many cases the preparer may need to take the reporting requirement from the EER framework and then undertake a 'materiality process'process to develop the relevance and completeness of the criteria further, such that applying them identifies the risks and uncertainties, information about which, and provides information about them, that would assists intended users' decision-making.

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EXAMPLE

A different EER framework may require the disclosure of specific indicators, such as the time spent by its employees on training during the period, measured in hours. Detailed instructions on how to calculate this are provided.

In this case the criteria may already be suitable, and the preparer may not need to undertake a ~~'materiality process'~~process to identify reporting topics because the EER framework-setter has already made a judgment about what the intended users want to know. This is common in reporting to meet specific regulatory requirements, but some generally applicable EER frameworks assess what indicators are likely to be relevant criteria for specific industry sectors, for example as in the Sustainability Accounting Standards Board (SASB) standards.

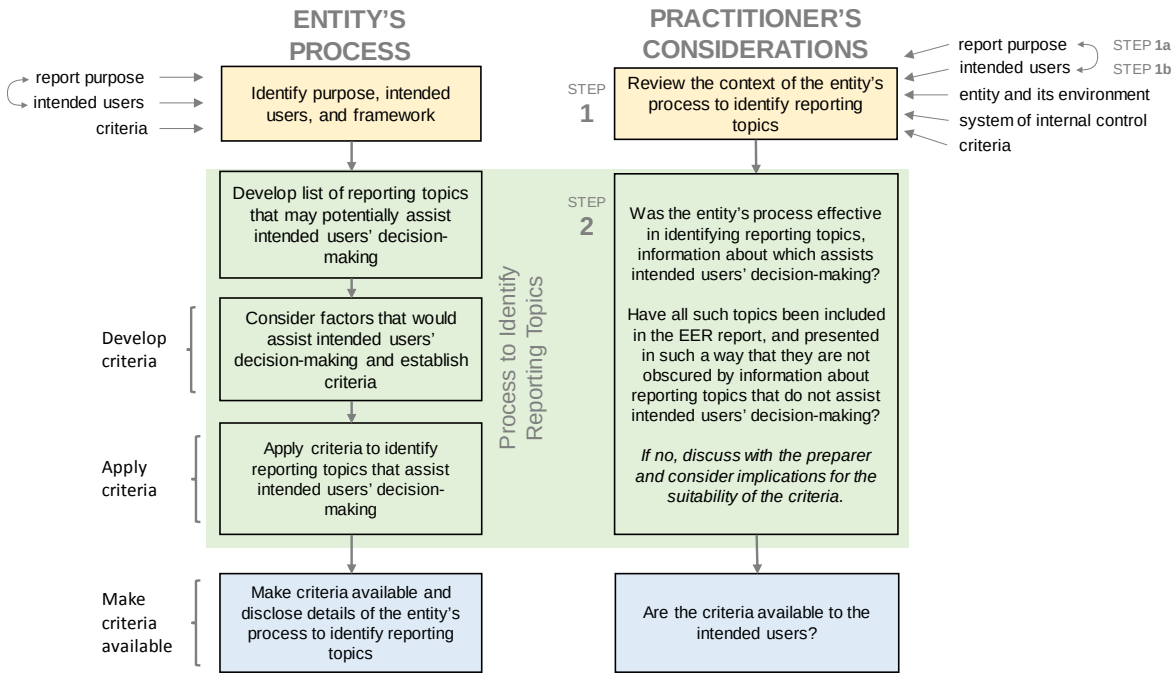
196. ~~[128] The practitioner may need to review an entity's 'materiality process' as part of determining whether the criteria are suitable (see Chapter 7).~~ The practitioner is ~~also~~ required to consider the process used to prepare the subject matter information in a limited assurance engagement, or to obtain an understanding of internal control over the preparation of the subject matter information in a reasonable assurance engagement~~[18]~~ (S.47L/R, G.Ch6). This may also involve ~~reviewing~~ considering an entity's ~~'materiality process'~~process to identify reporting topics, which is a part of the EER reporting process, when~~re~~ the preparer has undertaken one. ~~Reviewing~~ Considering ~~a 'materiality process'~~the process may also assist a practitioner to identify areas where a material misstatement of the subject matter information is likely to arise, or to identify and assess the risks of material misstatement in the subject matter information, as required in limited and reasonable assurance engagements respectively~~[19]~~.

197. [129] The extent to which the practitioner ~~needs to review~~considers the appropriateness ~~and outcomes~~ of the entity's ~~'materiality process'~~process to identify reporting topics, and the reporting topics identified as a result of the application of that process, ~~-~~may depend on the ~~scope of the assurance engagement~~boundary of the subject matter information for the engagement (see G.Ch4). Considering these matters~~, as it is more likely to~~may be ~~important~~ more relevant when~~re~~ the assurance engagement covers a whole EER report than when~~re~~ the ~~scope of the assurance engagement~~boundary of the subject matter information is ~~only~~ limited to specific indicators. However, ~~understanding such outcomes may also be an~~they may be important considerations ~~when agreeing the assurance scope for certain types of EER, and as part~~in the context of determining whether an assurance engagement has a rational purpose.

~~[18] ISAE 3000 (Revised) paragraphs 47L and 47R~~

~~[19] ISAE 3000 (Revised) paragraphs 46L and 46R~~

198. [130] ~~Where~~ When applicable to ~~the~~ an EER assurance engagement, the flowchart below may assist the practitioner ~~with~~ in ~~reviewing~~ considering the ~~preparer's 'materiality process'~~entity~~preparer~~'s process to identify reporting topics. The steps a preparer might be expected to follow are provided on the left-hand side for reference. These are explained in this guidance to illustrate what the practitioner may expect when ~~they come to review~~considering ~~a 'materiality process'~~the ~~preparer~~entity's process to identify reporting topics. The suggested



thought process for ~~a~~ the practitioner is shown on the right-hand side of the diagram and then explained in the guidance paragraphs below. ~~The guidance focuses on the 'materiality process' identifying the relevant criteria to determine the topics and related elements to include in the report, but a similar approach may be used to then identify relevant criteria for indicators or metrics about those topics and related elements.~~

Step 1: Consider the Context of the ~~Preparer's~~ Entity's Process to Identify Reporting Topics

199. [131] The practitioner may begin by ~~reviewing~~ considering the context of the entity~~preparer~~'s process to identify reporting topics, including ~~consideration of~~ aspects of the engagement circumstances, such as the:

a) EER report purpose (step 1a);

b) Intended users (step 1b);

c) Entity and its environment;

d) System of internal control (see G.Ch6); and

e) Criteria (EER framework or entity-developed) (see G.Ch5)

200. [132] ~~It would be helpful if~~When a preparer has ~~documents~~ documented their process to identify reporting topics and the decisions they have made, ~~so that it~~the documentation ~~can~~ may ~~be~~ provide a useful starting point for ~~considered by~~ the practitioner's consideration. In the absence

of ~~written~~ such documentation, the practitioner may be able to understand the entity~~preparer~~'s process through inquiry of the preparer. If the preparer has not undertaken an appropriate process to determine the content of the EER report, the practitioner may need to consider whether this suggests the preconditions for an assurance engagement are not all present.

201. [133] Some EER frameworks may establish the EER report purpose and identify who the intended users are. Others may not specify this, leaving the preparer to make these determinations.

202. [134] Where an EER framework is being used by a preparer, the practitioner may need to consider any direction on the considerations to identify material reporting topics included in the EER framework to consider whether the process undertaken by the preparer is appropriate.

EXAMPLE

When reporting on human rights in accordance with the United Nations Guiding Principles on Business and Human Rights, the topics to be included are focused on risks to people impacted by the activities of an entity, not solely on the risks to the entity.

Some EER frameworks interpret what would assist intended users' decision-making as things that may create a financial risk to the entity, for example the SASB conceptual framework says that "information is material if there is a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available".

Other EER frameworks focus considerations about what would assist intended users' decision-making on the effect an organization has on the economy, the environment or society. For example, the Global Reporting Initiative (GRI) determines that 'material' topics are those that reflect the organization's significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders.

203. [135] The following paragraphs provide further guidance for how the practitioner may consider the EER report purpose (step 1a) and the intended users (step 1b). Further considerations relating to the practitioner's ~~No further specific guidance is considered necessary in respect of~~ consideration of~~ing~~ ~~the entity and its environment, the system of internal control or~~ the ~~criteria beyond what is included in ISAE 3000 (Revised).~~criteria more generally, and the system of internal control are set out in G.Ch5 and G.Ch6, respectively.

Step 1a: Has the Preparer Adequately Identified the Purpose of the EER~~ir~~ Report?

204. [136] The purpose will be to report certain information about an underlying subject matter to a group(s) of intended users. ~~A few~~Some examples of ~~the~~ EER report purposes might include:

- To report the entity's impact on the natural environment
- To describe the entity's activities over a period and how they contribute to the entity's objectives
- To describe how the entity creates 'value'
- ~~To inform the intended users of the financial position, financial performance and cash flows of the entity~~
- To describe what the entity plans to do in the future, or how it expects to perform

205. [137] The practitioner may need to consider the EER report purpose as context when considering the judgments made by the preparer.

Step 1b: Has the Preparer ~~Adequately~~ Appropriately Identified the EER Report's Intended Users?

206. [138] The practitioner may consider~~In order to make criteria relevant, it may be important for~~ whether the preparer ~~to~~ has obtained and documented an understanding of the general nature of decisions the intended users~~20~~ are likely to take based on, or influenced by, the information in the EER report. If so, t~~T~~he practitioner ~~therefore~~ may ~~also use this as context when considering the judgments made by the preparer~~consider that in the context of their understanding of the engagement circumstances.

207. [139] A distinction is made between intended users and stakeholders. A stakeholder in the entity may:

(a) ~~-~~have a relationship and interactions with the entity, or

(b) ~~-~~be directly or indirectly affected by the entity's actions.

There may be circumstances where the stakeholders and intended users are not the same. ~~Some~~ When a stakeholder is not an intended user, ~~s may only have influence or a voice through a third-party agent(s), whether they have chosen to~~their interests may be ~~represented~~ taken into account ~~in this way or not. The agent(s)~~by other parties who are intended users ~~may then be an intended user of the EER report, and the stakeholder may not read or use the EER report themselves directly~~. It should not be assumed that, just because a class of stakeholders that would have a legitimate interest in the EER report is not expected to use the report, information about reporting topics that would meet their information needs would not be relevant to the other classes of intended users, particularly when the categories of intended users are diverse.

EXAMPLE	A victim of child slavery involved in a company's manufacturing supply chain (a stakeholder) would presumably not be in a position to read the company's report, however their interests may be represented by a charity / politicians / lobbyists (agents) campaigning against child labor and using their position to influence the company's customers.

208. [140] A single EER report may have multiple groups of intended users, with potentially different information needs. An EER report cannot focus on the ~~particular~~ needs of each individual intended user, unless there is only a single intended user, however a preparer may need to consider where individuals within a group of intended users have common information needs.

209. [141] The S~~s~~tandard's application material contains some further guidance, including that in some circumstances where there are a large number of possible users, it may be necessary to limit the intended users to "major stakeholders with significant and common interests" (S.A16)~~21~~. This might be useful, subject to any particular requirements in the EER framework, when there~~re~~ EER reports ~~are~~ is published without specifying the intended users, effectively for the benefit of ~~global~~ society as a whole.

~~[20] The 'intended users' are defined by ISAE 3000 (Revised) as the individual(s) or organization(s), or group(s) thereof that the practitioner expects will use the assurance report (paragraph 12(m)).~~

~~[21] ISAE 3000 (Revised) paragraph A16~~

EXAMPLE

An EER report prepared by a state-run hospital on its clinical performance might have users including:

- Government, which —needs to know whether citizens are being provided with adequate healthcare and whether resources are being used efficiently.
- Groups of patients (current or potential), the general public and the wider world, who —want to know whether the hospital is available to provide care to the community, playing its role in controlling diseases, and whether if it is clinically safe.
- Cancer patient, who has a —self-interest about whether the hospital has the capabilities to treat them the patient successfully.

In this example, the top two user groups might be the intended users, but the individual patient might not beon his or her own might not be, although such patient may be a member of the collective group of patients.

210. [142] Different intended user groups may have different information needs or attitudes; something that assists decision-making by one group of intended users may be trivial to another.

211. [143] Merely reading the information in the EER report is a valid use by intended users; the outcome may be that they make a decision to take no action based on the information reported. They would still have a legitimate need for the information to assist them in reaching that conclusion and so relevance does not depend on intended users taking action based on the reported information.

212. [144] Some examples of possible user groups are included in the table below – this is not intended to be an exhaustive list, but it could be considered by a preparer as a starting point for considering whether the preparer appropriately identifying identified the intended users of their EER report by considering the potentially selecting somegroups from the belowin the table and adding further considering entity-specific user groups. It is not necessary for a preparer orthe practitioner to create consider a detailed list of the intended users – the aim is to have an awareness of the broad groups of intended users as context in making judgments in a 'materiality process'about the entity's process to identify reporting topics.

Example user groups	May influence decision making or be affected by the entity in these areas:
Wider society • NGOs / civil society organisations / special interest groups • Global organisations • Members of the public • Researchers, academics • Competitors and other market participants • Vulnerable groups	• Change in the natural environment where they live • Change in lifestyle or quality of life as a result of the entity's activities • Activities of other entities & individuals, including managing natural resources
Governments, regulators and legislators • Parliaments and legislators • National, regional and local government • Regulators	• Law and policy making • Monitoring compliance with laws and regulations • Providing national resources (public sector) • Accountability • Decision making on behalf of vulnerable groups
Investors and economic stakeholders Existing and potential: • Investors • Suppliers • Customers • Employees • Lenders • Share or stock markets	• Buying or selling equity in the entity • Lending to the entity • Transacting business with / using services of the entity • Matters relating to being employed by the entity • Stewardship • Shareholder voting decisions • Trading negotiable instruments (in an emissions trading scheme) • Financial decisions e.g. investing in other entities • The entity's use of their data and personal information

Step 2: ~~Review~~ Consider Selection of Reporting Topics ~~and Related Elements~~ to Include in the EER Report

213. [145] ~~Taking into account the EER framework(s) used, the purpose of the EER report and the intended users, a~~ The practitioner may consider how the preparer ~~may often create~~identified ~~a list of~~ reporting topics ~~and related elements~~ that assist intended users' decision-making in the context of the underlying subject matter. A preparer may ~~do this~~have done so in multiple stages, taking into account the EER framework(s) used, the purpose of the EER report and the intended users, and filtering an initially longer list of ~~possible~~ potential reporting topics ~~and related elements~~ to end up with those that are considered to assist decision-making by intended users.

214. [146] Criteria ~~about~~ for identifying reporting topics ~~and related elements~~ are likely to be relevant if the information resulting from applying them contributes to decision-making by the intended users and achieves the purpose of the EER report.

Considering i~~I~~nterest to the i~~I~~ntended u~~U~~sers

215. [147] To consider whether something would assist decision-making by intended users, one approach is to consider directly whether it is of interest to the intended users.

216. [148] The information that would be of interest to intended users may be expected to be reasonably (but not absolutely) aligned with what would assist their decision-making. This could reflect the extent to which the intended users perceive something will impact their own interests in the context of the purpose of the EER report.

217. [149] If considering whether something is of interest to intended users, examples of circumstances that might increase its relevance include:

(a) It is likely to cause investors to buy or sell equity in the entity
(b) It is likely to change the entity's share price or enterprise value
(c) There has been media coverage relating to it, or disclosure of it would likely result in media interest (local / national / global)
(d) There have been a large number of complaints relating to it (for example from customers, suppliers or other stakeholders)
(e) It has been mentioned unprompted by several stakeholders
(f) There is a high level of wider societal interest in it, or particularly high levels of public sensitivity

EXAMPLE	A few examples in some circumstances might include human rights issues, corruption, amounts of tax paid in jurisdictions of operation, and executive remuneration.

(g) It is known to be an area of interest of stakeholders based on the preparer's prior experience and awareness

(h) It relates to an area of interest in the industry that may be widely reported by peers and competitors in the entity's sector

(i) It relates to (non-)compliance with laws, regulations, international agreements, or voluntary agreements with strategic significance to the organization and its stakeholders

Considering '~~i~~Impact'

218. [150] When it is not possible to evaluate sufficiently what would assist intended users' decision-making by identifying directly what would be of interest to them, an alternative or supplementary approach is to consider the significance~~, in the context of the purpose of the EER report,~~ of the ~~underlying subject matter elements~~ ~~aspects~~potential reporting topics. Depending on the purpose of the EER report, ~~(whether they represent 'conditions' or 'causes of change')~~ the significance of the potential reporting topics may be considered in the context of ~~on~~ the entity's performance (in achieving its strategic objectives) or its impact on other entities. This approach is sometimes referred to as considering 'impact'.

218A. Impact on '~~O~~other ~~entities'~~entities could include impact on individuals, organizations, wider society or the environment as is appropriate in the context of the purpose of the EER report. The impacts could occur either directly due to the actions and decisions of the reporting entity's management, indirectly through relationships of the reporting entity, or by the direct or indirect effect of forces external to the reporting entity.

EXAMPLE	A company may be responsible for regularly releasing a large volume of pollutants into a river. There may be direct impacts on the environment, and perhaps on local communities using the river for fishing or a water supply. There could also be indirect impacts on the company itself, perhaps through loss of revenue from customers unhappy with the company's attitude towards damaging the environment as well as direct impacts such as the cost of clean-up or fines from authorities.

219. [151] If considering the anticipated impact, examples of circumstances that might increase its relevance include:

(a) It has major risks or opportunities for the entity (including reputational, affecting the entity's license to operate)
(b) It has direct material financial implications (as determined by financial statement materiality thresholds)
(c) It has, or will potentially have, a major effect on the entity's operational performance
(d) It has, or will potentially have, a major effect on other entities' operations or activities
(e) It has resulted, or will potentially result, in major direct irreversible damage to natural resources or the environment
(f) It relates to strategic opportunities for the entity to boost competitive position
(g) It relates to key organizational values, policies, strategies, operational management systems, goals and targets of the entity or its stakeholders

Other c~~C~~onsiderations

220. [152] Some preparers present the results of their analysis of reporting topics~~ and related elements~~ that, in the context of the purpose of the EER report, would be of 'interest to intended users' and that would have 'impact' on a scatterplot, which positions such reporting topics~~ and related elements~~ relative to~~ in terms of~~ two axes, which ~~their~~ represent 'interest to intended users' and ~~their~~ 'impact', ~~,~~ for each reporting topic~~on separate axes~~.

221. [153] The judgments made in positioning such reporting topics~~ and related elements~~ ~~on~~ relative to each axis may be influenced by considering both the likelihood that~~of~~ ~~such~~ each reporting ~~topics~~ topic exists or occurs and ~~related elements existing or occurring, and~~ the magnitude of their significance, in terms of their 'interest to intended users' or 'impact' (as a proxy for considering the relative potential of information about such reporting topics~~ and related elements~~ to assist intended users' decision making), if they were to exist or occur. Consideration of ~~both~~ the combined influence of their likelihood and magnitude of significance~~, and the importance of their~~ on their potential to assist intended users' decision-making, may be illustrated on ~~a diagram:~~a graph that plots reporting topics relative to separate axes for their likelihood and the magnitude of their significance

~~a.~~

~~(b)~~(a) If something is certain or factual, its likelihood of occurrence is at the maximum level and the magnitude of its significance is the only variable.

~~(c)~~(b) The likelihood assessment may ~~take into account~~consider whether a matter is inside or outside the control of the entity or management.

222. [154] The chosen timescale being considered in terms of impact or interest to the intended users is often also an important consideration. ~~These may not be consistent, for example some intended~~

~~users may be more interested in matters manifesting over the short-term (perhaps for an investor with a short-term intended investment period), and less interested in matters that will have a significant impact on the entity in the longer-term, and vice-versa.~~

EXAMPLE

An example to illustrate this might be an entity owning a factory on low-lying coastal land. Rising sea levels are expected to mean the factory site is unusable in five years' time. ~~As there will be no~~While there may not be any physical impact for the next five years, this information may ~~not~~ assist decision-making by an intended user, irrespective of whether they have ~~with~~ a short-term interest in the entity (for example an investor expecting to invest for three years) or a longer term interest (for example, ~~. Information about the issue may however assist decision-making by~~ a bank ~~who~~ that has issued a loan, secured on the factory site maturing in ten years' time) as these considerations are likely to be priced into the investment. ~~.~~ The practitioner may need to consider whether the timescale chosen by the preparer for inclusion of information ~~must decide the appropriate timescale and make~~is appropriate and whether there is sufficient disclosure of this in the EER report.

223. [155] Stakeholder engagement activities can be an important part of a preparer identifying ~~such~~ reporting topics ~~and related elements~~. An open dialogue with stakeholders may give better results than passive interaction or asking them to comment on an existing list of reporting topics ~~and related elements~~, however there may be a need to adequately inform stakeholders about the entity and its activities to enable them to engage effectively with the process.

224. [156] A practitioner could use some of the following sources in considering the ~~Criteria~~ completeness of the criteria. Criteria about topics ~~and related elements~~to be included in the EER report are likely to be complete if the information resulting from applying them does not omit relevant factors about such topics: ~~and related elements. In evaluating the completeness of the criteria, a practitioner could use some of the following sources:~~

Internal sources:

- Discussions with management and those charged with governance
- Previous reporting by the entity
- Agendas and minutes from board or senior management meetings and committees
- Risk assessments
- Strategy documents prepared by the entity

External sources (see also G.Ch6 and G.Ch9):

- Reporting by peers and competitors
- ~~Strategy documents prepared by the entity~~
- Survey results (of the entity, peers or the industry)
- Interviews with stakeholders, outreach activities, stakeholder engagement

- Web and social media searches
- Expert views on g~~G~~lobal megatrends
- Sustainable Development Goals
- ~~Agendas and minutes from board or senior management meetings and committees~~
- ~~Risk assessments~~

225. [157] The practitioner may make the following key judgments in considering the relevance and completeness of the criteria used by the preparer in selecting reporting topics~~ and related elements~~ to include in the EER report:

CONSIDERATIONS FOR THE PRACTITIONER	
	Was the entity~~preparer~~'s ~~'materiality process'~~process effective in identifying reporting topics~~ and related elements~~, information about which assists intended users' decision-making? Have all such reporting topics~~ and related elements~~ been included in the EER report, and in such a way that they are not obscured by information that does not assist intended users' decision-making?

226. [158] In doing so, the practitioner ~~uses~~ exercises professional judgement and professional skepticism to evaluate the preparer's decisions and may focus particularly on how the preparer decided to include or exclude items and the reasons for their decisions.

Considering Reporting Topics~~ and Related Elements~~ Collectively

228. [160] It may be appropriate not just to consider the ~~relevance and completeness~~suitability of criteria for ~~selecting~~ identifying reporting topics~~ and related elements~~ individually as there may be circumstances where information about multiple topics or related elements may in aggregate contain relevant factors, even when information about such topics or related elements individually does not.

EXAMPLE	
	Information about members of staff leaving may not, on its own, assist intended users' decision-making, neither might be information about a few customer complaints or the termination of two supplier contracts. However, if when combined, information about these events turn out to be related and indicates serious problems with the entity's senior management, information about such events may assist decision-making by the intended users in the context of those problems.

Disclosure of the ~~'Materiality Process'~~Entity's Process to Identify Reporting Topics

232. [164] Intended users are likely to find it helpful in understanding the criteria, to also understand ~~any 'materiality process'~~any process the preparer uses in developing the criteria. Accordingly, a practitioner may consider it appropriate to encourage a preparer to disclose details of their process to identify reporting topics~~'materiality process'~~ (either in their report, or elsewhere such as their website), giving details of what has been included in the EER report and what has been left out.

Chapter 8: ~~Performing Procedures and~~ Using Assertions

Matters Addressed by the Guidance in this Chapter

233. [165] This Chapter provides guidance on how a~~A~~ssertions ~~are a tool that~~ 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 ~~performing risk assessment procedures and to assist 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. ~~If used, they are a way for the practitioner to consider the different types of potential misstatements that may occur.~~

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

233A. The underlying subject matter, and ~~frameworks and~~ criteria ~~used to measure or evaluate it~~ may be diverse, and may ~~be expressed differently from those~~require different characteristics of the resulting subject matter information than are required by applicable financial reporting frameworks that are ~~used to~~applied to prepare ~~and report an entity's financial performance and position~~financial statements or the criteria used to measure greenhouse gas emissions. Consequently, the question may arise as to whether the assertions used by an auditor or practitioner, as described in IAASB ~~other~~ standards other than the ISAs and ISAE 3410, apply to EER subject matter information or whether ~~there may be different~~ assertions that may be used by a practitioner ~~embodied in the EER information~~in an EER assurance engagement may be different.

~~**234. [166] the Standard does not specifically require the practitioner to use assertions, and it therefore does not prescribe or identify specific assertions to be used, as these may vary from one engagement to another depending on the underlying subject matter and the criteria. However, a practitioner may use assertions in both reasonable assurance engagements and limited assurance engagements.**~~ **Using Categories of Assertions**

The meaning of assertions

241. [173] The term 'assertions' is used in this guidance consistent with the definitions of assertions in certain IAASB standard~~ds~~s, ~~[25],~~ in the context of their use by the practitioner to consider the different types of potential misstatements that may occur, and to design assurance procedures accordingly. They are conceptually different from the 'written representations' that may be obtained from the preparer in accordance with ~~paragraphs 56 to 60~~S.56-60 ~~of the Standard~~. The term 'assertions' is also not used in this guidance in the sense that the preparer may 'assert' something by writing it in their EER report.

Considering types of potential misstatements in designing procedures

249. [181] When performing a reasonable assurance engagement, the Standard requires the practitioner to form a conclusion about whether the subject matter information is free ~~from~~ of material misstatement, which may be expressed as whether the subject matter information is prepared, in all material respects, in accordance with the applicable criteria. When performing a limited assurance engagement, the Standard requires the practitioner to form a conclusion stating that no matter has come to the attention of the practitioner that causes the practitioner to believe

that the subject matter information is not prepared, in all material respects, in accordance with the applicable criteria, based on the procedures performed and evidence obtained.

250. [182] Although the practitioner is not required to use assertions under the Standard, when ~~When~~ designing procedures, a practitioner may ~~begin by considering the categories of assertions~~find it helpful to use assertions to consider the different types of potential misstatements that may occur (refer to G.252) in both reasonable and limited assurance engagements. If so, the practitioner may begin by considering the ~~categories of about the subject matter information that result if the applicable criteria were applied appropriately and the corresponding types of potential misstatements that may have occurred if they were not applied appropriately. The practitioner may then design procedures to test whether the subject matter information is misstated with respect to the identified assertions. If the assertions are not misstated, this provides evidence that the information is properly prepared in accordance with the applicable criteria~~ assertions used in other IAASB standards. Such assertions are described as "categories of assertions" (for example, see paragraph A129 of ISA 315 (Revised) and paragraph A82 of ISAE 3410). Categories is a general term used in many different circumstances in the IAASB's standards to mean different classes, classifications, types or groups of various things. In the context of assertions, a category is a group of assertions that address a characteristic such as "completeness".

250A. The table below sets out the categories of assertions that are included in ISA 315 and in ISAE 3410. T~~, with t~~hose in ISA 315 relating to classes of transactions, other events and conditions are shown as 'period' and those relating to account balances are shown as 'point in time'. The categories of assertions in ISAE 3410 all relate to emissions which occur in a 'period'.

Table 2 – Categories of Assertions in IAASB Standards

ISA 315 (Period)	ISAE 3410	ISA 315 (Point in Time)	
Occurrence	Occurrence	Existence	A
	Responsibility	Rights and Obligations	A
Cut-off	Cut-off		A
Completeness	Completeness	Completeness	A
Accuracy	Accuracy	Accuracy, Valuation and Allocation	B
Classification	Classification	Classification	B
Presentation and Disclosure	Presentation and Disclosure (including Consistency)	Presentation and Disclosure	B

~~245. [177] Some examples of categories of assertions that may be used in EER engagements include:~~250B. The categories of assertions in these Standards ~~address subject matter information~~ may be ~~applied~~used by the practitioner to consider the types of potential misstatement that may occur ~~to~~in subject matter information about the underlying subject matter or aspects of ~~the underlying subject matter~~it. For example, the 'period of time' assertions in ISA 315 relate to classes of transactions, other events or conditions, which are aspects of the underlying subject matter. The applicable criteria may require ~~S~~such aspects ~~may~~to be measured or evaluated at a level of disaggregation. If so, the categories of assertions may be used to identify potential types of misstatement of the subject matter information measured or evaluated at that level of disaggrgation~~of the underlying subject matter, at which it is required to be measured or evaluated in accordance with the applicable criteria~~.

250C. The nature of the assertions in the categories ~~of assertions~~ in the rows in region A of the Table is that they are assertions ~~of the type~~ that may be expressed in the form: "the subject matter information would be properly prepared in accordance with the criteria if the subject matter information [X]", where "[X]" is:

(a) "Only relates to ~~appropriate~~ aspects of the underlying subject matter ~~(respectively, for each column, appropriate aspects are those~~ that have **occurred**, or that have **occurred** and for which the entity is **responsible**, or that **exist** and represent **rights or obligations** of the entity" (referred to below as "appropriate aspects of the underlying subject matter");

(b) "Is **complete**, in that it relates to all ~~such~~ appropriate aspects of the underlying subject matter information"; or

- "Reflects appropriate ~~'~~**cut-off**~~'~~, in that it has been presented as relating to the appropriate periods of time in which the appropriate aspects of the underlying subject matter occurred

and for which the entity is **responsible** or at the point in time at which the appropriate aspects **existed** and represented **rights or obligations** of the entity".

(c)

- ~~and~~

250D. The nature of the assertions in the categories ~~of assertions~~ in the rows in region B of the Table is that they are are assertions ~~of the type~~ that can be expressed in the form "the subject matter information would be properly prepared in accordance with the criteria if the subject matter information [X]", where "[X]" is:

- "Results from the proper measurement or evaluation of the appropriate aspects of the underlying subject matter information, in that the outcome of the application of the measurement or evaluation criteria to such aspects is **accurate**, or where applicable gives rise to a reasonable **valuation** or an appropriate **allocation"**;
- "Is appropriately **classified** as to the aspects of the underlying subject matter that it relates to"; and
- "Includes the **disclosures** required by the criteria and is **presented** in accordance with the requirements of the criteria".
- Has been measured or evaluated and presented in a **consistent** way from period to period.

250F~~E~~. These categories of assertions in the table are broad categories and, in general, it is likely that assertions that result from the requirements of the criteria in most EER assurance engagements can be classified into one of these categories or that one of these categories can be adapted to include them.

250G~~F~~. It may ~~assist~~be helfpful for the practitioner to consider the assertions at the level of disaggregation at which aspects of the underlying subject matter are required to be measured or evaluated in accordance with the criteria.

~~This is not intended to be an exhaustive list, nor is it expected that all of those examples might apply. Consequently, it is not necessary to identify these as separate categories of assertion or suitable criteria. In GS, it may not be necessary to identify these as separate categories of assertion or suitable criteria. It may not~~

~~251. [183] As in a financial statement audit, a single procedure or test may be designed to test whether subject matter information exhibits more than one assertion. Decisions on the extent and nature of procedures that the practitioner plans to perform may be informed both by the nature of the assertions being tested and by the practitioner's assessment of the risks of material misstatement of that assertion (in a reasonable assurance engagement).~~

Types of potential misstatement

252. [184] The assertions allow the practitioner to consider the different types of potential misstatements that may occur, as when an assertion is not present in subject matter information, the information is misstated. Some examples of different types of possible misstatement include:

(a) Omission of information (failure of a 'completeness' assertion)

(b) False claims in information (may be failure of an 'existence' or 'occurrence' assertion~~, or of a more general 'free from error' assertion~~)

(c) Misleading or unclear representation of information (may be failure of a~~n 'understandability' or~~ 'presentation ~~and~~or disclosure' assertion)

(d) Bias in information so that positive aspects of performance are focused on and negative aspects are omitted (failure of a ~~'neutrality' or~~ 'presentation and disclosure' assertion)

253. [185] If a practitioner identifies a misstatement when performing the planned procedures on the subject matter information, the practitioner is ~~, they are~~ required to make a judgment as to whether the misstatement is material, which will then determine the appropriate action. Refer to G.Ch10~~2~~ for more guidance.

250A. There may be other ways in which the practitioner ~~chooses to~~ categorizes relevant assertions, and this is a matter of choice for the practitioner as long as the types of misstatements that may occur are considered. For example, the~~a~~ ~~framework's~~ criteria may ~~specify~~include a required principle of 'connectivity', such that the criteria require disclosures in, and presentation of, the subject matter information in a manner that demonstrates connectivity between aspects of the underlying subject matter. The practitioner may ~~choose to categorize~~treat ~~the~~ assertions ~~embodied in the subject matter information~~about disclosure and presentation that result from applying criteria that meet the principle of connectivity as a category of 'connectivity' assertions or may treat them as ~~in this way or may elect to consider this~~ subsumed in the category ~~category of assertion in terms~~ of presentation and disclosure ~~of the subject matter information~~assertions.

~~251. [183] As in a financial statement audit, a single procedure may be designed to test whether subject matter information exhibits more than one assertion. Decisions on the extent and nature of procedures that the practitioner plans to perform may be informed by the practitioner's assessment of the risks of material misstatement (in a reasonable assurance engagement).~~

234A. If the practitioner does not use assertions, the practitioner may ~~consider the criteria to evaluate~~ consider the potential types of misstatements that may occur by firstly considering the nature of a misstatement of the subject matter information that would result from improper application of each relevant criterion to each aspect of the underlying subject matter. The practitioner may secondly consider the similarities and differences between all such potential misstatements. This approach may enable the practitioner to identify and categorize all the potential misstatements into types.

Chapter 9: Obtaining Evidence

[Placeholder in this Chapter for Performance Materiality Guidance]

~~**146. [78] The nature of the entity's system of internal control may also affect the likelihood of material misstatements occurring and the practitioner's strategy for designing appropriate assurance procedures, including tests of controls. Where the practitioner is unable to test controls, expects that the controls are not operating effectively, or it is not cost-efficient to test controls, the practitioner may adopt a fully substantive approach.**~~

~~**147. [79] In other circumstances, the practitioner may need to obtain sufficient appropriate evidence that certain controls are operating effectively when other procedures cannot alone provide sufficient appropriate evidence[22], for example because substantive procedures are not possible or practicable due to the nature of the underlying subject matter or the source information.**~~

~~**Other information**~~

~~**66. [36] Anything in an EER report not within the scope of the assurance engagement is classed as 'other information'. Regardless of the engagement's scope, the practitioner is required by paragraph 62 of the Standard to read all 'other information' in the EER report to identify material inconsistencies between the subject matter information and the other information that is not in that scope. If a material inconsistency or a material misstatement of fact in the 'other information' is identified, the practitioner is required to discuss this with the preparer and take further action as appropriate. 67. [37] Whether the scope of the assurance engagement is a whole EER report, or part of an EER report, that includes both narrative and quantitative representations and related disclosures the narrative information is as much part of the subject matter information as the quantitative subject matter information, and does not automatically constitute 'other information' (however, circumstances where narrative information could be considered to be 'other information' are discussed in paragraph [162]). The practitioner therefore needs to apply the same degree of rigor when obtaining evidence related to the narrative subject matter information as would be applied to any quantitative subject matter information. Each representation and its related disclosures are considered together from the perspective of suitable criteria and work effort.**~~

~~**Other Information**~~

~~**86. [57] Anything in an EER report not within the scope of the assurance engagement is classed as 'other information'. Regardless of the engagement's scope, the practitioner is required by paragraph 62 of the Standard to read all 'other information' in the EER report to identify material inconsistencies between the subject matter information included in the scope of the engagement and the other information that is not in that scope. If a material inconsistency or an unrelated material misstatement of fact in the 'other information' is identified, the practitioner is required to discuss this with the preparer and take further action as appropriate.**~~

Matters Addressed by the Guidance in this Chapter

254A. This Chapter provides guidance on the requirements of S.48L/R-60 to obtain evidence, and on determining how much evidence is enough in both limited and reasonable assurance engagements. It also set out considerations for practitioners on what evidence may be needed

~~22 ISAE 3000 (Revised) paragraph 48R~~

and available, and considerations when designing and performing procedures, and when evaluating the sufficiency and appropriateness of evidence.

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

254B. As discussed in G.Ch1, the underlying subject matter(s) of EER reporting, and the way in which it is measured or evaluated and presented may be diverse. EER subject matter information may include both non-financial (including non-monetary) information and financial information, and information presented in qualitative or quantified terms. Subject matter information may be presented in different formats, for example, text, charts, graphs, diagrams, images or embedded videos.

254C. EER reporting may also include information obtained from sources external to the entity, for example, from other entities within the entity's supply chain, from agencies such as carbon offset registries, organizations providing information such as CO_2 conversion factors used in calculating or valuing the underlying subject matter, or organizations providing industry benchmarking data. The entity may also outsource some of its activities to third party organizations, for example to carry out surveys on its behalf, or to analyze the quality of effluent from its operations.

254D. As discussed in G.Gh6. the entity's process to prepare the EER report and other components of the entity's system of internal control relevant to the preparation of the EER report may often be less than fully developed, particularly when an entity first starts to prepare. In addition, there may not be the same rigor of control over qualitative information as over quantitative information.

254E. Although not unique to EER reporting, there may also be circumstances when the use of innovative technologies, for example, the use of drones or satellite images to capture and record information relevant to the entity's EER reporting, may be more prevalent due to the nature and location of the underlying subject matter(s).

254F. All of these factors can create challenges for practitioners in designing and performing evidence-gathering procedures, and in deciding on how much evidence is enough to support the assurance conclusion.

~~**Introduction**~~

~~254. [93] Paragraphs 46 to 51 of the Standard set out the requirements for a practitioner to obtain an understanding of the underlying subject matter and other engagement circumstances (see Chapter 5 for what is meant by 'engagement circumstances'), sufficient to:~~

~~a) Enable the practitioner to identify and assess the risks of material misstatement (in a reasonable assurance engagement) or to identify areas where a material misstatement of the subject matter information is likely to arise (in a limited assurance engagement; and~~

~~b) Thereby, provide a basis for designing and performing procedures to respond to those risks or to address those areas and to obtain the level of assurance (limited or reasonable) needed to support the practitioner's conclusion.~~

~~255. [94] Paragraphs 48 to 60 of the Standard set out the requirements for obtaining evidence, differentiating between limited and reasonable assurance in some respects. Where the Standard does not differentiate, the requirements are the same for both limited and reasonable~~

~~assurance. The table at the end of this chapter summarizes the key differences in the requirements for limited and reasonable assurance when obtaining evidence.~~

Determining how much evidence is enough in limited and reasonable EER assurance engagements

254. [93] S.46-51 set out the requirements for a practitioner to obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to:

(a) Enable the practitioner to identify and assess the risks of material misstatement (in a reasonable assurance engagement) or to identify areas where a material misstatement of the subject matter information is likely to arise (in a limited assurance engagement); and

~~(a)~~(b) Thereby, provide a basis for designing and performing procedures to respond to those risks or to address those areas and to obtain the level of assurance (limited or reasonable) needed to support the practitioner's conclusion.

255. [94] S.48L/R-50 set out the requirements for obtaining evidence, differentiating between limited and reasonable assurance in some respects. Where the Standard does not differentiate, the requirements are the same for both limited and reasonable assurance. The table at the end of this chapter summarizes the key differences in the requirements for limited and reasonable assurance when obtaining evidence.

256. [95] However, rather than considering limited and reasonable assurance as two discrete types of assurance, it may be useful to consider them as being differently positioned on a scale that reflects the level of assurance to be obtained by the practitioner, in the specific circumstances of the engagement. In both limited and reasonable assurance engagements:

(a) The collective persuasiveness of the evidence obtained establishes the actual level of assurance obtained (see the International Framework for Assurance Engagements, paragraphs 63-64, and ~~the Supplement to this guidance,~~SuA [x], for further guidance on the persuasiveness of evidence);

(b) The level of assurance obtained, and conveyed in the assurance report, is intended to enhance the degree of confidence of intended users in the subject matter information; and

(c) The enhanced degree of confidence of intended users is likely to vary with the level of assurance obtained and conveyed in the assurance report, and therefore with the persuasiveness of the evidence obtained.

257. [96] In both limited and reasonable assurance engagements, the practitioner also aims to obtain evidence with enough collective persuasiveness to reduce engagement risk to a level that is acceptably low, a level that is likely to enhance intended users' confidence to a degree that is sufficiently meaningful in the circumstances of the engagement. When limited assurance has been obtained, the level of assurance is required to be at least meaningful (i.e. the assurance obtained is likely to enhance intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential). What is meaningful in a limited assurance engagement can range from just above 'clearly inconsequential' to just below what would be meaningful in a reasonable assurance.

258. [97] Decisions about 'how much evidence is enough?' therefore depend on the persuasiveness of the evidence obtained in reducing assurance risk to the level that is acceptable in the specific circumstances of the engagement, including who the intended users are, what their needs are,

and the nature of the risks, or areas of greater likelihood, of the subject matter information being materially misstated. Such decisions will require the exercise of professional skepticism and professional judgment and other assurance skills and experience.

~~259. [98] As discussed in Chapter 1, an EER report may represent different aspects of the underlying subject matter primarily in numerical or narrative form, in either case with related disclosures. Information in the EER report may be in the form of, or a combination of, writing, charts, graphs, diagrams, images or embedded videos. The information may be objective or subjective, historical or future-oriented, or a combination of these. All of these factors can create challenges for practitioners in obtaining the evidence needed to support the assurance conclusion.~~

~~259. [98] As discussed in Chapter 1, an EER report may represent different aspects of the underlying subject matter primarily in numerical or narrative form, in either case with related disclosures. Information in the EER report may be in the form of, or a combination of, writing, charts, graphs, diagrams, images or embedded videos. The information may be objective or subjective, historical or future-oriented, or a combination of these. All of these factors can create challenges for practitioners in obtaining the evidence needed to support the assurance conclusion.~~ For examples of how much may be enough evidence in different circumstances, see SuB [x] to [x].

260. [99] The nature, types and sources of available evidence may be different in an EER engagement from that available in a financial statement audit. However, the key thought processes followed by a practitioner in designing and performing evidence-gathering procedures are likely to be common to any type of subject matter information, including those in an EER report,~~.~~, whether qualitative, quantitative (monetary or non-monetary), historical or future-oriented. The thought process set out below may assist practitioners in designing and performing procedures to obtain evidence related to any subject matter information and in evaluating the evidence obtained. ~~The examples illustrate their application in the specific context of EER subject matter information.~~

261. [100] The particular challenges in obtaining evidence related to qualitative and future-oriented information are considered further in ~~GGChapters 11~~G.Ch12 and ~~GG12~~G.Ch13, respectively.

261A. The following thought process sets out considerations that may assist the practitioner when determining what evidence is needed and available, when designing and performing procedures to obtain sufficient appropriate evidence, and when evaluating the sufficiency and appropriateness of evidence obtained, in relation to the subject matter information in any EER report. While the thought process is set out in a step-by-step manner, in practice the evidence-gathering process is iterative, and the thought process, or aspects of it, may be revisited as new information comes to light:

~~THOUGHT PROCESS FOR EVIDENCE-GATHERING~~CONSIDERATIONS FOR THE PRACTITIONER

~~The following thought process sets out considerations that may assist the practitioner when determining what evidence is needed and available, when designing and performing procedures to obtain sufficient appropriate evidence, and when evaluating the sufficiency and appropriateness of evidence obtained, in relation to the subject matter information in any EER report. While the thought process is set out in a step-by-step manner, in practice the evidence-gathering process is iterative, and the thought process, or aspects of it, may be revisited as new information comes to light:~~

Considerations when determining what evidence is needed and available may include the ~~fo~~ following:

(a) ~~a)~~ What practitioner decision (what assertion) does the evidence need to address and~~, if applicable, how~~ what does the evidence needed relate to ~~the subject matter information:~~?

(i) Does the e~~E~~vidence needed relate~~s~~ to the subject matter information directly (i.e. ~~when it~~ relates to whether ~~the subject matter information~~it is materially misstated?~~.~~

(ii) ~~Alternatively~~If not, how does the evidence needed ~~may only~~ relate indirectly to the ~~underlying~~ subject matter information indirectly, such as when the evidence needs to be about whether controls over the subject matter information are designed or operated effectively or about the likelihood or magnitude of risks ~~that the subject matter information is materially misstated~~of material misstatement?~~.~~

(iii) ~~In other cases,~~If the evidence ~~may~~ needed does not ~~be~~ relate~~d~~ to the subject matter information at all, what does it relate to (for example, ~~such as when~~does it relate~~s~~ to whether a source of evidence or another practitioner exhibits certain characteristics)?~~.~~

Note: *When the evidence does not relate to whether the subject matter information is materially misstated, some of the remaining considerations below may not be applicable, or may need to be adapted in the circumstances.*

(b) ~~b) What would the entity be required to assert about the subject matter information in representing that it has been properly prepared in accordance with the criteria (the 'required assertions')? Or, conversely, in~~In what way(s) could the underlying subject matter not be properly measured or evaluated, presented or disclosed in the subject matter information (the 'type(s) of misstatement' or 'what can go wrongs')? ~~See~~ G.Ch8 ~~for~~provides guidance on ~~the~~ using~~e of~~ assertions ~~that may be helpful in~~to consider the~~ing what~~ types of potential misstatement that could occur ~~might arise~~.

~~(c)~~ ~~c)~~What might cause ~~each~~a ~~'required assertion' or~~ ~~'~~type of potential misstatement~~'~~ to occur – i.e. what could cause ~~pose~~ a risk ~~to the proper preparation of the subject matter information i~~of material misstatement of that type~~n that way~~? ~~For example, the nature of the entity's system of internal control may affect the likelihood of material misstatements occurring and the strategy for designing appropriate assurance procedures, including tests of controls.~~

(c)

(d) ~~h)~~ How does the entity manage and mitigate ~~the~~ a risk of material misstatement~~s~~, taking into account the potential cause(s) for a~~that the subject matter information might be wrong in~~ that type of potential misstatement~~way~~? For example, what governance and oversight structures, systems, processes and controls are in place to prevent or to detect and correct misstatements, taking into account their potential causes~~?~~ ~~(see~~ *G.Gh6 ~~for~~provides guidance on understanding the entity's system of internal control.*~~)?~~

(e) ~~i)~~ Is management aware of any actual, suspected or alleged intentional misstatement or non-compliance with laws or regulations ~~affecting the subject matter information and~~ that may increase the likelihood or magnitude of potential types of misstatement~~s~~?

(f) ~~j)~~ In the context of the particular engagement and particular decision to be made, how precise, detailed and extensive does the evidence need to be, for example, is the subject matter information capable of precise measurement or evaluation or is it subject to estimation~~s~~ and uncertainty?

(g) ~~k)~~Does the entity have an internal audit function and, if so, what work have they performed in relation to the subject matter information, and what are their findings? How does that affect the assessment of risk?

~~(h) l)~~ What are the available sources of evidence? ~~and h~~How ~~does~~ do the characteristics of the source affect the persuasiveness of the evidence and nature of the ~~the~~ assurance procedures ~~to~~ that can be performed? ~~—f~~For example, is ~~it~~ the evidence in digital, written or oral form, related to a point in time or for a period, obtained from ~~outside the entity~~an external information source or internally generated, ~~is it entered into~~recorded systematically in the entity's books and records, does it relate to the operation of controls or is it substantive in nature, and how reliable is it?

(h)

~~(i) m) Is~~ Does the evidence ~~that is~~ needed ~~in relation~~relate to subject matter information ~~to the reported information of~~ about ~~the company~~ a single-location entity ~~alone~~ or ~~for~~ to a multi-location organization or a supply chain (upstream, downstream or both) and ~~what~~ how does that affect~~impact will that have on~~ the ability to obtain appropriate~~sufficient appropriate~~ evidence?

(i)

~~(j) n) Do the~~Would procedures to obtain or evaluate the evidence need the application of specialist subject matter expertise ~~or specialist knowledge~~?

(j)

~~(k) o)~~ If so, what sources of that expertise or specialist knowledge are available and what will that mean ~~to~~ for the direction, supervision and review of their work and the interaction between ~~the subject matter~~any practitioner's expert~~/~~(s) and the assurance practitioners on the team~~?~~

~~**(l) Considerations when designing and performing procedures to obtain sufficient, appropriate evidence include:**~~

~~(m) a) What is the purpose of the procedure – i.e. what will the procedure achieve or tell me about the subject matter information?~~

~~(n) b) How much evidence would need to be obtained and from which of the available sources?~~

~~(o) c)How relevant and reliable would the evidence need to be, and will the available sources provide that degree of relevance and reliability? If not, are there alternative or additional procedures that can be performed?~~

~~(p) d) What would constitute a misstatement of the subject matter information and how will any identified misstatements be recorded and evaluated?~~

~~(q) e) What is the nature, timing and extent of the procedures and how might that affect the resources needed on the engagement team, and planning and communications with the preparer?~~

~~(r) f) What arrangements are there in place for documenting the work done and evidence obtained, and when will the documentation be available to review?~~

~~(s) p) Who on the team will direct, supervise, perform and review the procedures performed, and when?~~

~~**(t) Considerations when evaluating the sufficiency and appropriateness of evidence obtained include:**~~

~~(u) a) Was the planned evidence able to be obtained?~~

~~(v) b) Has any new information come to attention that differs from that expected or that contradicts other evidence obtained? If so, has the appropriateness of the planned procedures been re-evaluated in light of the new information?~~

~~(w) c)Has the evidence obtained from different sources been considered in an unbiased manner?~~

~~(x) d) Does the level of exceptions or misstatements identified differ from expectation?~~

~~(y) e) Is more evidence needed and how will that be obtained?~~

~~(z) f) Have any difficult professional judgments been appropriately reviewed and has appropriate consultation on difficult or contentious matters taken place, if needed?~~

~~(aa) g) Has appropriate assurance and subject matter competence and specialist expertise been applied?~~

~~(bb) h) Has the exercise of professional skepticsm and professional judgment been appropriate in performing the procedures and evaluating the evidence, including in understanding the work of subject matter experts, the assumptions and methods they have used, the basis for their conclusions, and the implications of their findings on the subject matter information and any other aspects of the engagement?~~

~~(cc) i) Has the effect of uncorrected misstatements on the subject matter information been considered, both individually and in aggregate, and both quantitatively and qualitatively? For~~ (see ~~further guidance in~~ on the materiality of misstatements, see ~~Chapter 13 and, in the context of narrative and future-oriented information, also Chapters 11 and 12, respectively.~~

~~(dd) j) Has the persuasiveness of the evidence (its sufficiency, and its relevance, and reliability) been considered?~~

~~(ee) k)Where evidence represents information that was not verifiable to a high degree of precision, is the range from which the reported information was selected appropriate?~~

~~(ff) l) Have events subsequent to the reporting period been considered, as well as their implications, if any, for the assurance engagement?~~

~~(gg)~~(k) ~~q) In the face of challenge, would the evidence obtained stand up to scrutiny, and are the evidence and the documentation of that evidence sufficient and appropriate to support the assurance conclusion and to meet the requirements of the Standardin~~ G.Ch2)?

CONSIDERATIONS FOR THE PRACTITIONERTHOUGHT PROCESS FOR EVIDENCE GATHERING

k) Considerations when designing and performing procedures to obtain sufficient, appropriate evidence include:

(a) a) What is the purpose of the procedure – i.e. what will the procedure achieve or tell the practitioner about the subject matter information? For example, will it provide evidence about the whether the subject matter information is complete, or about it relates to a transaction, occurrence or event within the reporting period?

(b) b) How much evidence would need to be obtained and from which of the available sources? For example, when the risk of material misstatement is high, or if each available source provides only some, but not enough, evidence on its own, the practitioner may seek to obtain more evidence than when the risk of material misstatement is low, or evidence from wheremore than one available source of evidence is persuasive on its own. ?

(c) c)How relevant and reliable would the evidence need need to be, and will the evidence from available sources provide thathave that degree of relevance and reliability? If not, are there alternative or additional procedures that can be performed?

d) What would constitute a misstatement of the subject matter information and how will any identified misstatements be recorded and evaluated? (See G.Ch10)

(a) e) What is the nature, timing and extent of the procedures and how might that affect the resources needed on th the engagement team, and planning and communications with the preparer??

(d)

(b) f) What arrangements are there in place for documenting the work done and evidence obtained, and when will the documentation be available to review?

(e)

Who on the engagement team will perform the procedures and who will direct, supervise, perform and review them procedures performed, and when?

(f)

THOUGHT PROCESS FOR EVIDENCE GATHERING CONSIDERATIONS FOR THE PRACTITIONER

Considerations when evaluating the sufficiency and appropriateness of evidence obtained include:

(a) a) Was the planned evidence able to be obtained?

(b) b) Has any new information come to attention that differs from that expected or that contradicts other evidence obtained? If so, has the appropriateness of the planned procedures been re-evaluated in light of the new information?

(c) c) Has the evidence obtained from different sources been considered in an unbiased manner?

(d) d) Does the level of exceptions or misstatements identified differ from expectation?

(e) e) Is more evidence needed and how will that be obtained?

(f) f) Have any difficult professional judgments been appropriately reviewed and has appropriate consultation on difficult or contentious matters taken place, if needed?

(g) g) Has appropriate assurance and subject matter competence and specialist expertise been applied?

(h) h) Has the exercise of professional skepticsm and professional judgment been appropriate in performing the procedures and evaluating the evidence, including in understanding the work of subject matter experts, the assumptions and methods they have used, the basis for their conclusions, and the implications of their findings on the subject matter information and any other aspects of the engagement?

(a) i) Has the effect of uncorrected misstatements on the subject matter information been considered, both individually and in aggregate, and both quantitatively and qualitatively? For guidance on the materiality of misstatements, see Chapter 13G.Ch10 and, in the context of qualitative and future-oriented information, also Chapters 11 and 12G.Ch12 and G.Ch13, respectively.

(i)

(b) j) Has the persuasiveness of the evidence (its sufficiency, and its relevance, and reliability) been considered?2

(j)

(c) k) Where evidence represents information that was not verifiable to a high degree of precision, is the range from which the reported information was selected appropriate?2

(k)

(d) l) Have events subsequent to the reporting period been considered, as well as their implications, if any, for the assurance engagement?

(l)

(m) q) In the face of challenge, would the evidence obtained stand up to scrutiny, and are the evidence and the documentation of that evidence sufficient

	and appropriate to support the assurance conclusion and to meet the requirements of the Standard?

262. [101] The thought process is illustrated in ~~the example below~~ SuB [xx] by applying it to a case when~~rewherewherere~~ the subject matter information is quantitative information. For further considerations in applying it to narrative and future-oriented subject matter information, ~~see Chapters 11 and 12~~see~~.~~ G.Ch12 and G.Ch13 and SuB [xx].

~~, controls~~

Other information

66. [36] ~~Anything in an EER report not within the scope of the assurance engagement is classed as 'other information'. Regardless of the engagement's scope, t~~The practitioner is required by S.62 ~~paragraph 62 of the Standard~~ to read all 'other information' in the EER report to identify material inconsistencies between the subject matter information and the other information~~ that is not in that scope~~. If a material inconsistency or a material misstatement of fact in the 'other information' is identified, the practitioner is required to discuss this with the preparer and take further action as appropriate. 'Other information' includes any information in the EER report that is not within the boundary of the subject matter information. For further guidance on 'other information' in the context of a whole EER report, which includes both qualitative and quantitative information, refer to G.Ch12 *Addressing Qualitative Information.*

~~67. [37] Whether the scope of the assurance engagement is a whole EER report, or part of an EER report, that includes both narrative and quantitative representations and related disclosures the narrative information is as much part of the subject matter information as the quantitative subject matter information, and does not automatically constitute 'other information' (however, circumstances where narrative information could be considered to be 'other information' are discussed in paragraph [162]). The practitioner therefore needs to apply the same degree of rigor when obtaining evidence related to the narrative subject matter information as would be applied to any quantitative subject matter information. Each representation and its related disclosures are considered together from the perspective of suitable criteria and work effort.~~

~~Other Information~~

~~86. [57] Anything in an EER report not within the scope of the assurance engagement is classed as 'other information'. Regardless of the engagement's scope, the practitioner is required by paragraph 62 of the Standard to read all 'other information' in the EER report to identify material inconsistencies between the subject matter information included in the scope of the engagement and the other information that is not in that scope. If a material inconsistency or an unrelated material misstatement of fact in the 'other information' is identified, the practitioner is required to discuss this with the preparer and take further action as appropriate.~~

Chapter 10 ~~(previously 13)~~: Considering the Materiality of Misstatements ~~and Forming the Assurance Conclusion~~

Matters Addressed by the Guidance in this Chapter

254A. This Chapter provides guidance on the practitioner's responsibilities when misstatements are identified during the performance of the assurance engagement, and on how to accumulate such misstatements. It also sets out considerations for the practitioner when evaluating the materiality of misstatements, including those that arise in subject matter information that is subject to inherent variability or uncertainty.

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

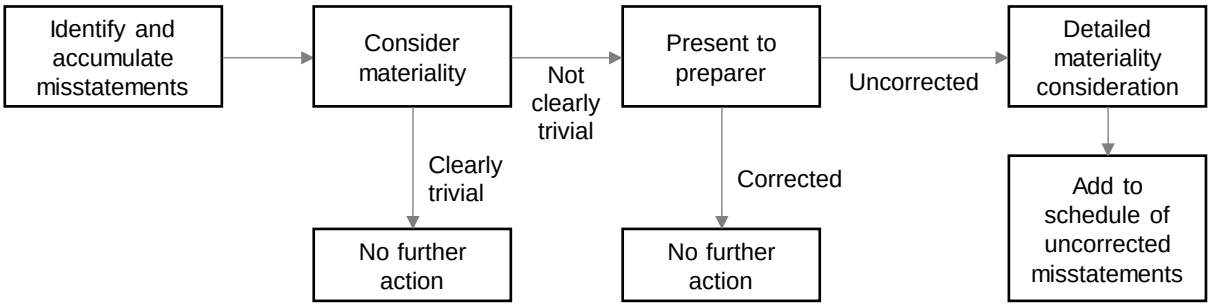
254B. The nature of underlying subject matter(s) of an EER report may be diverse, the subject matter information may be measured and presented in quantified terms or evaluated and presented in qualitative (narrative or descriptive) terms or in other forms such as charts, graphs, diagrams, images or similar forms (G.Ch1), and it may be able to be measured with precision or may be subject to varying degrees of measurement or evaluation uncertainties.

254C. The ~~scope~~boundary of the subject matter information for ~~of~~ an EER assurance engagement may be the all or only part(s) of an~~whole~~ EER report ~~or it may be a narrower scope~~, such as ~~a few~~specific indicators.

254C. The intended users of the EER report may also be diverse, with different information needs, and different considerations that might affect their decision-making.

254D. These factors may present challenges to the practitioner in determining what may be material in the context of the engagement circumstances, and in evaluating the effect of identified misstatements in relation to ~~individual indicators or to the EER report~~the subject matter information as a whole (S.A99). Considerations relating to performance materiality ~~at the planning stage of the engagement~~ are discussed in G.Ch9; this Chapter provides guidance on considerations when evaluating the materiality of misstatements ~~identified during~~in planning or performing the engagement or in forming the assurance conclusion.

~~**Introduction**~~



~~310. [213] If during the assurance engagement the practitioner identifies a misstatement within subject matter information included in the EER report for material topics and related elements, the practitioner is required to make a judgment as to whether the misstatement is material.~~

~~311. [214] Misstatements may need to be evaluated in different ways given that subject matter information in EER takes such a variety of forms (for example quantitative and qualitative, different units of account).~~

~~312. [215] For parts of subject matter information that are quantitative (for example a KPI expressed in numerical terms), the starting point for materiality decisions is to establish materiality thresholds, often by using a percentage[23]. If the EER framework specifies a percentage threshold for materiality, it may provide a frame of reference to the practitioner in determining materiality for the engagement.~~

Practitioner Responsibilities

310. [213] If during the assurance engagement the practitioner identifies a misstatement within subject matter information included in the EER report, ~~for material topics and related elements,~~ the practitioner is required to make a judgment as to whether the misstatement is material.

311. [214] Misstatements may need to be evaluated in different ways given that subject matter information in EER takes such a variety of forms (for example quantitative and qualitative, different units of account).

312. [215] For parts of subject matter information that are quantitative (for example a KPI expressed in numerical terms), the starting point for materiality decisions is to establish materiality thresholds, often by using a percentage[24]. If the EER framework specifies a percentage threshold for materiality, it may provide a frame of reference to the practitioner in determining materiality for the engagement.

313. [216] Having identified a misstatement, the practitioner may consider whether it is clearly trivial or not. Where the misstatement is not clearly trivial, depending upon the circumstances of the engagement, the practitioner is required to accumulate it (see G.319-323). T~~may present it~~ he practitioner ~~to~~ is likely to communicate~~the preparer~~ accumulated misstatements to management ~~who then has the opportunity~~and request that they ~~to~~ correct the misstated information. The practitioner may also consider whether the nature of the misstatement may indicate that other misstatements may exist in other parts of the EER report.

313A 'Clearly trivial' is different from 'not material'. Matters that are 'clearly trivial' are of a much smaller magnitude than materiality used in planning and performing the engagement. They are clearly inconsequential in terms of their significance to user decision-making, whether taken individually or in aggregate, and whether judged by their size, nature or circumstances. While it may be helpful to avoid the need to record small misstatements identified during the engagement, if there is any doubt in the practitioner's mind about whether one or more misstatements are 'clearly trivial', ~~may be likely that the matter is not~~the practitioner may 'clearly trivial'. In some cases, management or those charged with governance may request all misstatements to be accumulated and communicated to them; in such a case, there would be no 'clearly trivial' threshold.

~~[23] There are instances where this would not be appropriate, perhaps where the number is often very small (for example, number of fatalities).~~

[24] There are instances where this would not be appropriate, perhaps where the number is often very small (for example, number of fatalities).

EXAMPLE	A misstatement so small that, even if it were to occur in all of the measurements, would not affect the roundings of the quantitative subject matter information, might be considered be 'clearly trivial' under certain circumstances. On the other hand, a large number of small misstatements all affecting the same area, even if they are quantitatively 'clearly trivial' may be an indication of weaknesses in internal controls, or that a measuring instrument may need recalibrating, i.e. there may be qualitative considerations to bear in mind when considering whether misstatements are clearly trivial.

314. [217] If the preparer does not ~~want to~~ correct some or all of the accumulated misstatements, the practitioner may need to undertake a more detailed consideration of whether the accumulated misstatements ~~is~~ are material, individually or in combination with others, and may take into account the considerations below. ~~If the preparer refuses to correct some or all of the misstatements communicated by the practitioner, t~~The practitioner may ~~consider~~ obtain~~ing~~ an understanding of the preparer's reasons for not making the corrections and take that understanding into account when forming the ~~practitioner's~~assurance conclusion. The practitioner may need to consider carefully the reasons for the preparer not wanting to make the corrections and whether they are justifiable in the engagement circumstances.

Accumulating Misstatements

319. [222] After considering misstatements individually, the practitioner may need to consider misstatements in combination with others. The practitioner is unlikely to be able to accumulate misstatements and consider them together in the same way as a financial statement audit for an EER report comprising diverse and varied underlying subject matter. However, the practitioner may still need to consider whether there are misstatements ~~of assertions~~ that relate to the ~~EER report~~subject matter information as a whole (such as ~~criteria~~ misstatements relating to presentation of the ~~EER report~~subject matter information), where ~~such~~ related criteria may apply in the context of the ~~engagement~~subject matter information as a whole.

319A. When the scope of the EER engagement is a number of indicators or KPIs, each relating to a different underlying subject matter, the practitioner may evaluate the materiality of misstatements separately for each different indicator as (i) intended users may have different tolerances for misstatement in each different indicator and (ii) there may not be a common basis for aggregating misstatements.

EXAMPLE	An entity's sustainability report includes subject matter information on greenhouse gas emissions, water usage, hazardous and non-hazardous waste, employee work-related accident and illness, and community investment. Each of these underlying subject matters is likely to influence user decisions in different ways and at different thresholds. User tolerance for misstatement is likely to be higher for non-hazardous, degradable waste, than it would be for radioactive or other hazardous waste, so there may not be a reasonable basis for aggregating misstatements of hazardous waste and misstatements of non-hazardous waste.

320. [223] The practitioner is required to accumulate all the uncorrected misstatements identified during the engagement, other than those that are clearly trivial[25]. This can be documented on a schedule so that the uncorrected misstatements can be considered collectively. While it will not be possible to add up non-numerical misstatements, or those relating to different ~~elements~~aspects of the EER report, it may be possible to group the misstatements according to ~~the elements~~the aspects in the EER report. Alternatively, the misstatements could be grouped according to the type of misstatement~~ or the assertion that was not present~~. Misstatements of subject matter information in narrative form may need to be concisely described.

320a "Clearly trivial" is not another expression for "not material." Misstatements that are clearly trivial will be of a wholly different (smaller) order of magnitude, or of a wholly different nature than those that would be determined to be material, and will be misstatements that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the misstatement is considered not to be clearly trivial.

321. [224] ~~It may be helpful for the~~The practitioner may choose to give each of the misstatements a rating (for example, low, ~~/~~ medium or ~~/~~ high) to indicate the significance of the misstatement, particularly where the misstated subject matter information is in narrative form. The criteria may give further guidance in this area. For further guidance on evaluating the materiality of misstatements in qualitative information, see G.Ch12.

322. [225] It may be appropriate for the practitioner to consider whether the misstatements identified affect any other parts of the EER report (both those parts within and outside of the assurance engagement scope) and look for any contradictions or inconsistencies.

322A. The practitioner may also consider whether the EER report as a whole may be misstated, even though, taken individually, each constituent aspect of the EER report may not be materiality misstated. This may occur, for example, when the overall message is misleading or biased, or when subject matter information is presented with greater or lesser priority than is warranted.

323. [226] The practitioner is required to form a conclusion about whether the subject matter information is free from material misstatement[26], including whether the uncorrected misstatements are material, individually or in the aggregate. Where the subject matter information is materially misstated, the practitioner follows the requirements in ~~the Standard paragraphs 74 to 77.~~S.74-77.

Materiality Considerations

315. [218] G.316-319~~Below is a series of 'materiality~~ set out practitioner considerations~~'~~ that ~~a practitioner~~ may ~~use~~ be appropriate when considering materiality~~ initially or in a detailed manner~~. They ~~are~~ provide examples of matters that could assist a practitioner in considering whether a misstatement is material. Misstatements are generally considered to be material if they could reasonably be expected to influence relevant decisions of intended users (S.A94)~~[27]~~. Therefore,

[25] ISAE 3000 (Revised) paragraph 51

[26] ISAE 3000 (Revised) paragraph 65

~~[27] ISAE 3000 (Revised) paragraph A94~~

the practitioner takes into account the extent to which the intended users could reasonably be expected to make a different decision if the subject matter information was not misstated. The considerations below are not exhaustive; ultimately, professional judgment will be required to conclude based on the specific circumstances.

316. [219] ~~A~~Materiality is considered in the context of qualitative and, where applicable, quantitative factors. Qualitative factors that may indicate that ~~A~~ a misstatement is more likely to be material, include ~~if~~:

Underlying subject matter

(a) The misstated subject matter information relates to an aspect of the underlying subject matter that has been determined as being particularly significant (material).

External factors

(b) The misstated information relates to non-compliance with a law or regulation, particularly where the consequence for non-compliance is severe.

EXAMPLE	An instance of non-compliance with an important regulation that attracted a large fine is more likely to be material to some users than one where there was no significant penalty. Other users, for example, local communities affected by an entity's breach of environmental regulations related to the disposal of hazardous waste may not be concerned so much with the size of the penalty, but with whether the breach of the regulations has endangered their health or welfare.

(c) ~~c)~~ The misstated information relates to underlying subject matter that has implications for a large number of the entity's stakeholders. However, there may be situations when the underlying subject matter has implications for only a small number of stakeholders but may have material implications.

EXAMPLE	A small community affected by radioactive contamination of their water supply from effluent from an entity's operations may open a class action lawsuit which could have a material impact on the entity and its other stakeholders.

~~(e)~~

Nature of the subject matter information

(d) It is a key performance indicator known to be used by intended users that is misstated, perhaps that is commonly used to compare the entity to its peers.

(e) It is in information reporting performance in relation to a target or threshold, where the magnitude of the error is comparable to the difference between the actual outcome and the target.

EXAMPLE	One of the performance targets determining a Chief Executive's bonus is achieving a customer satisfaction score of 75% or higher. The reported achieved score was 77% however this was found to be overstated by 3 percentage points, meaning the target was actually not met. It is likely that the misstatement in these circumstances would be material. If, however, the target was 90%, the misstatement may be considered to be immaterial as the target was not reported to be achieved even though the score was incorrect.

(f) The misstated information is reporting a significant change in a previously reported position, or a trend that has reversed.

Presentation

(g) It is a presentational misstatement that has arisen from subject matter information being misleading and the wording that has been used lacks clarity such that it could be interpreted in widely different ways. Accordingly intended users might make different decisions depending on their interpretation.

Preparer's behavior

(h) The misstatement has arisen as a result of an intentional act by the preparer to mislead.

(i) The preparer is reluctant to correct the misstatement for reasons other than they consider it immaterial.

317. [220] Many of the considerations listed as examples in G.316~~paragraph 219~~ may apply to both quantitative and qualitative information. For information that is quantitative, the factors can be used in considering materiality thresholds, which influences the level of performance materiality, including the level of misstatement that may be tolerated in performing procedures using sampling of a population~~.~~ (see G.Ch 9 for guidance on performance materiality). For qualitative information, the factors similarly help a practitioner decide whether a misstatement is material based on the level of sensitivity of intended users' decision-making to such a misstatement.

318. [221] Knowing the context may be important before making materiality judgments – for example understanding the objective or purpose of the disclosure, and how the criteria intended the underlying subject matter to be measured. The practitioner can then consider whether (i) the disclosure is consistent with the objective, and (ii) whether it is clear and understandable.

Measurement or Evaluation Uncertainty

324. [227] When measurement or evaluation uncertainty means there is inherent variability in subject matter information, this does not affect materiality considerations. Higher measurement or evaluation uncertainty also may not necessarily lead to an increased risk of misstatement.

325. [228] Subject matter information with inherent variability may be sufficiently accurate if it is as precise as ~~it reasonably can be~~is required by the criteria and information required by the criteria about the inherent uncertainty is also disclosed. Supporting disclosures can give important context necessary to help the intended users understand the uncertainty. Without this, the criteria

might not be suitable, and the underlying subject matter element may not be represented appropriately.

326. [229] When the uncertainty is not inherent, it may give rise to misstatements, perhaps because the preparer has not used the information available to measure or evaluate the underlying subject matter as precisely as would be possible.

EXAMPLE	The criteria may specify that actual ~~routes~~distances flown by company personnel on company business, together with aircraft type (commercial or private) are to be used in calculating the entity's Scope 3 GHG emissions. However, ~~but~~ the company estimates this by categorizing flights as either long-haul or short haul (whether on commercial or private aircraft) ~~uses~~and applying ~~an~~different average distances to the number ~~for~~of flights in each category. The uncertainty is not inherent in this example. Rather it results from using an estimate to apply the criterion. ~~, t~~To the extent the estimation method does not properly apply the criterion, this may result in an estimation error, which is a misstatement.~~, depending on how many of the flights flown were on private aircraft or commercial aircraft, and how many flights were long-haul or short-haul flights~~.

Chapter 11 ~~(previously 14)~~: Preparing the Assurance Report

Matters Addressed by the Guidance in this Chapter

327A. This Chapter provides guidance on how the practitioner may communicate effectively, in the written assurance report, their assurance conclusion about the subject matter information so that users are able understand:

(a) what has been assured;~~,~~

(b) how the underlying subject matter has been measured or evaluated;~~,~~ and

(c) the degree of confidence they may have in the subject matter information.

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

331. [153] As discussed in Chapter 1, an EER report may ~~in some cases~~ cover underlying subject matters that are diverse in nature ~~and have diverse characteristics~~. Even when the underlying subject matters are relatively homogeneous, the characteristics of the underlying subject matter, the nature of the criteria and the presentation format of the subject matter information may give rise to complexity, or inherent measurement or evaluation uncertainties.

332. [154] Such matters could be impediments to understandability of the report, depending on the specific circumstances of the engagement, if their implications are not clearly communicated to the intended users. These matters may include:

~~332. [154] Such matters could be impediments to understandability of the report, depending on the specific circumstances of the engagement, if their implications are not clearly communicated to the intended users. Such matters may include:~~

(a) The scope of the underlying EER report and how it is presented. For example, it may be in the form of a traditional standalone report or may be spread across various pages on a website with hyperlinks between pages;

(b) The identification and diversity of intended users and the decisions they expect to make based on the EER report;

(c) The diversity and characteristics of aspects of the underlying subject matter. For example, whether they are:

(i) Qualitative or quantitative

~~(i)~~(ii) Subjective or objective

(iii) Future-oriented or historical

and the complexities and uncertainties associated with their measurement, ~~or~~ evaluati~~uati~~on or, in th~~:~~e case of future-oriented information, whether they will occur;

(d) The criteria used, including whe~~n~~n~~re~~ the criteria may be based on a framework but need further development by the entity in order to be suitable, w~~or w~~hether the criteria were selected from multiple frameworks, or whether the criteria were entity-developed;~~;~~

(e) The practitioner's ~~M~~considerations on materiality~~ateriality considerations~~, and whether those considerations are in the context of a whole report or less than the whole report, and whether they are in respect of qualitative or quantitative subject matter information;

(f) The range of competencies that were needed to perform the engagement and how they have been deployed on the engagement;

(g) Whether the engagement is a reasonable or limited assurance engagement, or includes both limited and reasonable assurance for different aspects of the subject matter information, resulting in multiple assurance conclusions;

(h) The professional and ethical standards under which the engagement has been performed, for example, whether the assurance engagement is performed under more than one assurance standard or under ethical or quality control standards other than those issued by the IAASB or IESBA.

332A —The assurance report is the only means by which the practitioner communicates the outcome of the assurance engagement to the intended users. Clear communication in the assurance report may help minimize expectation gaps between the assurance the practitioner has obtained through the performance of their assurance procedures, and the confidence in the subject matter information and the assurance conclusion that intended users may believe is warranted.

~~Introduction~~

~~327. [149] In performing an assurance engagement, an objective of the practitioner is to express one or more conclusion(s) regarding the outcome of the measurement or evaluation of one or more aspects of the underlying subject matter(s), through a written report. The assurance report conveys the assurance conclusions and describes the basis for that conclusion(s).~~

~~328. [150] The practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion(s) designed to enhance the confidence of intended users about the subject matter information. The assurance report is the only means by which the practitioner communicates the outcome of the assurance engagement to the intended users.~~

~~329. [151] Although the Standard specifies minimum elements that are required to be included in assurance reports, it does not require a standardized format for assurance reports. Assurance reports are tailored to the specific engagement circumstances, which involves the exercise of professional judgment. To facilitate effective communication to the intended users, the practitioner may choose a short form or long form style of report. A short form report usually only includes the basic elements that are required to be included in the report. A long form report may include a wide range of additional elements.~~

~~330. [152] Considerations that may assist the practitioner in exercising professional judgment to prepare an assurance report that facilitates effective communication to the intended users and the achievement of the practitioner's objective may include whether, in the specific circumstances of the engagement, the report:~~

~~a) Contains all the information that is useful to intended users in reaching appropriate conclusions about the nature and level of assurance the practitioner obtained (is relevant and complete);~~

~~b) Contains only information that can be relied upon by the intended users to convey what it purports to convey (is reliable);~~

~~c) Conveys that information in an unbiased manner (is neutral); and~~

~~d) Clearly communicates to the intended users both the meaning and significance of the information it seeks to convey (is understandable).~~

~~**The Complexities of EER Reporting**~~

~~331. [153] As discussed in Chapter 1, an EER report may in some cases cover underlying subject matters that are diverse in nature and have diverse characteristics. Even when the underlying subject matters are relatively homogeneous, the characteristics of the underlying subject matter, the nature of the criteria and the presentation format of the subject matter information may give rise to complexity or inherent measurement or evaluation uncertainties.~~

~~332. [154] Such matters could be impediments to understandability of the report, depending on the specific circumstances of the engagement, if their implications are not clearly communicated to the intended users. Such matters may include:~~

~~a) The scope of the underlying EER report and how it is presented. For example, it may be in the form of a traditional standalone report or may be spread across various pages on a website with hyperlinks between pages;~~

~~b) The identification and diversity of intended users and the decisions they expect to make based on the EER report;~~

~~c) The diversity and characteristics of aspects of the underlying subject matter. For example, whether they are:~~

~~i) Qualitative or quantitative~~

~~ii) Subjective or objective~~

~~iii) Future oriented or historical~~

~~and the complexities and uncertainties associated with their measurement or evaluation;~~

~~d) The criteria used, including where the criteria may be based on a framework but need further development by the entity in order to be suitable, or whether the criteria were selected from multiple frameworks;~~

~~e) Materiality considerations and whether those considerations are in the context of a whole report or less than the whole report, and whether they are in respect of qualitative or quantitative subject matter information;~~

~~f) The range of competencies that were needed to perform the engagement and how they have been deployed on the engagement;~~

~~g) Whether the engagement is a reasonable or limited assurance engagement or includes both limited and reasonable assurance for different aspects of the subject matter information, resulting in multiple assurance conclusions;~~

~~h) The professional and ethical standards under which the engagement has been performed, for example, whether the assurance engagement is performed under more than one assurance standard or under ethical or quality control standards other than those issued by the IAASB or IESBA.~~

Communicating Effectively in the Assurance Report

327. [149] In performing an assurance engagement, an objective of the practitioner is to express one or more conclusion(s) regarding the outcome of the measurement or evaluation of one or more aspects of the underlying subject matter(s), through a written report. The assurance report conveys the assurance conclusions and describes the basis for that conclusion(s).

328. [150] The practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion(s) designed to enhance the confidence of intended users about the subject matter information. The assurance report is the only means by which the practitioner communicates the outcome of the assurance engagement to the intended users.

329. [151] Although the Standard specifies ~~minimum~~basic elements that are required to be included in assurance reports at a minimum, it does not require a standardized format for assurance reports. The Standard allows ~~A~~assurance reports ~~are~~to be tailored to the specific engagement circumstances (S.68-69), which enables the practitioner to include information in addition to the basic elements, to explain the basis, and provide appropriate context, for the assurance conclusion. Such tailoring involves the exercise of professional judgment. To facilitate effective communication to the intended users, the practitioner may choose a short-form or long-form style of report. A short form report usually only includes the basic elements that are required to be included in the report. A long-form report may include a wide range of additional elements.

333. [155] An assurance conclusion expressed in a binary manner may not be able to communicate the complexities discussed above sufficiently without further contextual information to aid the intended users' understanding.

330. [152] Considerations that may assist the practitioner in exercising professional judgment to prepare an assurance report that facilitates effective communication to the intended users and the achievement of the practitioner's objective may include whether, in the specific circumstances of the engagement, the report (SuA [x]):

(a) Contains all the information that is useful to intended users in reaching appropriate conclusions about the nature and level of assurance the practitioner obtained (is relevant and complete);

(b) Contains only information that can be relied upon by the intended users to convey what it purports to convey (is reliable);

(c) Conveys that information in an unbiased manner (is neutral); and

(d) Clearly communicates to the intended users both the meaning and significance of the information it seeks to convey (is understandable).

~~333. [155] An assurance conclusion expressed in a binary manner may not be able to communicate the complexities identified above sufficiently without further contextual information to aid the intended users' understanding.~~

334. [156] A key consideration for the practitioner is whether the report will convey sufficiently clearly to the intended users:

(a) Who the assurance report is intended for, and for what purpose;

(b) What information has been assured and what has not been, when the scope of the assurance is not the whole EER report~~ as a whole~~;

(c) ~~What nature and~~The nature and extent of the procedures performed in obtaining assurance as context for the assurance conclusion~~ level of assurance has been obtained and what has not~~;

By reference to what criteria the assurance has been obtained;

(d)

(e) The level of assurance that has been obtained and what that means in terms of the confidence that a user can have in the subject matter information.

~~335. [157] Paragraphs S.68 and S.A158-A160 of the Standard allow for flexibility in how and what may be included in the assurance report, provided the required elements in paragraph 69 of the StandardS.69 are included, and it is clear that other information and explanations included as context or information are not intended to detract from the practitioner's conclusion. This means that, although the assurance conclusion is expressed in a binary way, the practitioner may include other information in their report to explain the basis and provide appropriate context for the assurance conclusion.~~

~~336. [158] Paragraphs yyy to xxx below address each of the basic elements of the assurance report required by paragraph 69 of the Standard, and provide guidance and examples to help practitioners make decisions about information that may be added to the report in respect of each basic element to facilitate effective communication with the intended users.~~

337. [159] Setting the context for the assurance conclusion in a clear, informative way may assist in enhancing the intended users' understanding of the assurance engagement and the confidence they can justifiably have in the subject matter information.~~-~~ particularly if ~~that~~that context:

(a) Keeps a clear focus on the intended users; and

~~(a)~~ Neither omits information that would assist the user nor includes information that obscures the messages.

(b)

may assist in enhancing the intended users' understanding of the assurance engagement and the confidence they can justifiably have in the subject matter information. The guidance and examples are not intended to provide the only approach but are included as illustration.

338. [160] It may be helpful for the practitioner to bear in mind the relevance, reliability, completeness, neutrality and understandability (see paragraph 119) of the information to be included, when preparing the assurance report (see G.280). An assurance report is likely to be:

a) Relevant when it includes those matters that are likely to enhance users' understanding of the assurance conclusion, and confidence in the subject matter information, i.e., it does not include information that detracts from the ability to understand the practitioner's conclusion about the subject matter information;

b) Reliable when it:

i) communicates transparently the information about the engagement that was performed, the criteria, underlying subject matter, a summary of the work performed, and other factors that are necessary for users' understanding of the basis for the assurance conclusion, and

ii) does not mislead users either inadvertently (for example, by not applying sufficient rigor or precision in the wording used in the assurance report to reflect the basis for the conclusion) or intentionally (for example, by using positive observations and explanation to weaken or avoid a modified conclusion);

c) Complete when it does not omit information relevant to users' understanding of the practitioner's conclusion;

d) Neutral when it presents the summary of work performed in an objective way and does not overstate or embellish it (S.A177)28, and the conclusion follows from the procedures performed and the evidence obtained;

e) Understandable when it is clear for whom the subject matter information and related assurance are intended, the purpose of the assurance report, and the degree of confidence the user can draw from the practitioner's conclusion. Assurance Report Content

339A. The G.339-372A assurance report is required to include at a minimum each of the basic elements indicated in italics below. The sub-paragraph of S.69 that requires each such element is indicated alongside. The discussion that follows under each italicized sub-heading indicates the reason for the inclusion of that element, and provides guidance and examples that may assist to help practitioners in making decisionsjudgments about information that may be added to the assurance report in respect of eachcertain basic elements to facilitate effective communication with the intended users (G.329). The guidance and examples are not intended to provideindicate the only approach but are included as illustrationthat a practitioner may take. assurance report is required to include at a minimum each of tEach of the basic elements addressed is indicated in italics in a heading below. The, which includes the sub-paragraph of S.69 that requires each suchthat element is indicated alongside. The discussion that follows under each italicized sub-

[28] ISAE 3000 (Revised) paragraph A177

headingfor each element addressed indicates the reason for the inclusion of that element, andexplains why it has been addressed in the guidance.

A title (S.69.a)

339. [161] The first element required by paragraph 69 of the Standard is a title The title identifies the nature of thethat the report is an independent assurance report, distinguishes it from a non-assurance report and delineates it from information for which the preparer is responsible and which has been included within a wider document prepared by the preparer. It may aid user understanding It may be helpful for the title to include enough informational content to make it clear whether it is a limited or reasonable assurance report and what the assurance report is over on - i.e. what the subject matter information is. This guidance is provided because intended users may not otherwise readily understand these matters.

An addressee (S.69.b)

340. [162] An addressee identifies to whom the assurance report is directed. This may be done, for example, by referring to the intended users in the title of the assurance report, or in the body of the report. Assurance engagements need at least three separate parties (the practitioner, responsible party, and the intended users); the responsible party may also be the preparer and the engaging party, and the responsible party can be one of the intended users, but not the only one29.

341. [163] The assurance report is usually addressed only to the engaging party or the directors of the engaging party. However, if users are not identified, the context for the assurance conclusion being expressed in terms of 'in all material respects' is incomplete as materiality considerations take account of what is relevant to the needs ofcould reasonably be expected to influence the decisions of intended users. The practitioner may , therefore, consider stating who the intended users are as a group (limitedlimit to those with significant and common interests as identified by the entity)[30]).31..

342. [164] As indicated in the example above, the title may simply refer to 'the Intended Users' and within the body of the assurance report it would be made clear who those intended users were. It is the preparer's responsibility to identify the users and purpose of report; the assurance practitioner reflects what has already been disclosed by the preparer. The practitioner may also wish to state who the assurance report is not intended for.

[29] International Framework for Assurance Engagements paragraph 35

[30] ISAE 3410 paragraph A47

[31] ISAE 3410 paragraph A47

EXAMPLE

In the body of the assurance report, an explanation of who the intended users are might read:

The i~~I~~ntended u~~U~~sers of this report are the shareholders of ABC plc as at [date]. This report is not intended for any other users as their needs have not been taken into account in performing our assurance procedures and preparing this report.~~.~~

~~or~~

~~*This report has been prepared, under [name of framework] and the related criteria as further developed by the entity and set out on page x, for the shareholders of the company and not for wider groups of stakeholders, whose reporting needs may differ from those for whom the report was prepared.*~~

~~343. [165] The practitioner may also consider it appropriate to include information about the materiality considerations so that it is transparent to the intended user what tolerance for misstatement has been applied in conducting the assurance engagement.~~

~~For example:~~

~~*In planning and performing our assurance engagement, we set thresholds for materiality to help us determine the nature, timing and extent of our procedures and to evaluate the effect of misstatements we identify in the subject matter information during the course of our work. We consider the effect of identified misstatements both on their own and when aggregated with other misstatements when reaching our conclusion about whether the subject matter information has been prepared in all material respects accordance with the stated criteria. We also consider qualitative factors such as how the subject matter information has been presented within the [identified report] and whether identified misstatements have resulted in ABC's non-compliance with laws or regulations.*~~

~~*Based on our professional judgment, we determined materiality for the [identified underlying subject matter] as follows:*~~

~~*Scope 1 greenhouse gas emissions: 5% of ABC PLC's reported Scope 1 greenhouse gas emissions [could include others to show multiple subject matter information]*~~

~~*This threshold means that a misstatement of x tonnes of CO_2e either as an individual misstatement or as an aggregate of smaller misstatements would lead us to conclude that the Scope 1 emissions had not been prepared in all material respects with the stated criteria. [consider including wording that explains that as testing is on a selective basis, the misstatements we base our conclusions on are only those that we have identified, but there may be others, and that for limited assurance there is greater risk that such misstatements may exist and not be identified].*~~

~~*For narrative information, materiality considerations consider qualitative matters, including balance, understandability, and lack of bias.*~~

An identification or description of the level of assurance, the subject matter information and, when appropriate, the underlying subject matter (S.69.c)

344. [166] ~~An identification or description of the level of assurance, the subject matter information and, when appropriate, the underlying subject matter~~Such identification:

(a) Indicates to users the level of assurance obtained in relation to the subject matter information (the degree of confidence they can have in the subject matter information).

(b) Identifies the subject matter information and, when appropriate, the underlying subject matter, making it clear what has been assured, and linking the output of the engagement to the scope of the engagement.

345. [167] This guidance is provided ~~It~~ because it may not be clear to the intended users what the difference is between a limited and reasonable assurance engagement. This may create an expectation gap between the assurance actually obtained and what the user believes has been obtained. The users may therefore take an inappropriate degree of comfort from the assurance report when making decisions.

345A. The practitioner may consider it helpful to users to include in the assurance report an indication of the differences between limited assurance and reasonable assurance to aid user understanding. It may also be useful to explain that, in a reasonable assurance engagement, procedures are described only briefly because, in a reasonable assurance engagement, in all cases where an unmodified report is issued, sufficient appropriate evidence has been obtained to enable the practitioner to express an opinion~~ (a high level of assurance)~~[32]; a~~A~~s limited assurance covers a greater range in what is meaningful, procedures are therefore described more fully.

[32] ~~ISAE 3410 paragraph A142~~

EXAMPLE

This engagement is a limited assurance engagement.

~~We include a description of the procedures we have performed because, in a limited assurance engagement, possible assurance approaches may range from applying very limited assurance procedures to applying fairly extensive procedures.~~ In an assurance engagement, t~~T~~he level of confidence the i~~I~~ntended u~~U~~sers of our report can have in the ~~reported [identify subject matter~~ information addressed by our report~~]~~ is greater when~~rewherere~~ the assurance ~~extensive~~ procedures have been performed to obtain more persuasive evidence than when~~rewherere~~ ~~very~~ more limited procedures have been performed. We determine the level of assurance we seek to obtain based on our judgment as to what is appropriate in the circumstances of the engagement.

In performing limited assurance engagements, our aim is to obtain sufficiently persuasive evidence (a sufficient level of assurance) such that our conclusion enhances confidence of the intended users of our assurance report, to a degree that is meaningful to them but is not a high level. A higher level of assurance is obtained in a reasonable assurance engagement. ~~We~~ The nature, timing and extent of procedures performed in limited assurance engagements, and therefore the persuasiveness of the evidence obtained, varies depending on the level of assurance we seek to obtain.

This report is based on performing a limited assurance engagement. We have included a description of the procedures we performed to assist~~want~~ the i~~I~~ntended u~~U~~sers of our report to understand how confident they can be in the subject matter information, based on the nature , timing and extent of our ~~assurance~~ procedures and therefore the persuasiveness of the evidence we have obtained. ~~In a reasonable assurance engagement, procedures are described only briefly because sufficient appropriate evidence is obtained to enable the practitioner to express an opinion (a high level of assurance).~~

~~This engagement is a limited assurance engagement.~~

~~Alternatively, it may be possible to show, on a scale, the persuasiveness of evidence the practitioner has obtained to aid the user's understanding of confident they may be in the subject matter information. For example, it may be possible to set out a scale such as the following:~~

~~0, 1, 2, 3, 4, 5, 6 where:~~

~~0 is no evidence to support/not at all comfortable~~

~~1 is minimal evidence to support/not comfortable~~

~~2 is a little evidence to support/somewhat comfortable~~

~~3 is moderate evidence to support/fairly comfortable~~

~~4 is moderately high level of evidence to support/comfortable~~

~~5 is persuasive evidence to support/very comfortable~~

~~6 is conclusive evidence to support/completely confident~~

~~If such a scale were used it would need to be made very clear that this was not part of the assurance conclusion but an indication only of the level of comfort behind the conclusion.~~

346A. When the subject matter information is not the whole EER report, clear identification of both the information subject to assurance as well as the excluded information is needed so that intended users can understand which parts of the EER report they are justified in having confidence in and which parts have not been subject to assurance procedures.

~~346. [168] A description of the Characteristics of the underlying subject matter or subject matter information included as contemplated in S.paragraph 69.c (c), may be included if doing so would assist users' understanding of areas of significant practitioner judgment. User understanding is also likely to be enhanced if it is clear what the reasons are for inclusion and how the matter was addressed.~~

Identification of the applicable criteria (69.d)

347. [169] Identification of the criteria in the assurance report allows the user to understand the benchmarks used to measure or evaluate the underlying subject matter.

348. [170] As discussed in ~~Chapter 3~~G.Ch4 and G.Ch5, it is a precondition for assurance that the criteria are available to intended users so that users can understand the basis on which the subject matter information has been prepared. It may be useful for the practitioner to remind the preparer at the start of the engagement that the preparer is responsible not only for the identification of the criteria and the measurement or evaluation of the underlying subject matter against the applicable criteria, but also for making the criteria available to the intended users.

349. [171] If the criteria are not available publicly, for example ~~wherewherewhere~~when~~re~~ the entity has used its own criteria to identify, record and report the subject matter information or has applied a process to further develop the high level principles of a reporting framework, those entity-developed criteria need to be made available to the intended users in one of the other ways set out in paragraph ~~A51 of the Standard~~S.A51.

EXAMPLE

The assurance report may refer to the criteria as follows:

When the entity has used an established, publicly available framework with suitable criteria, including criteria requiring disclosure of the measurement or evaluation policies used by the company to prepare its subject matter information, in order to enhance comparability between entities using the same framework:

The KPIs subject to independent assurance, set out on pages [xx] to [yy] of [name of entity's EER report], have been prepared in accordance with [name of, and link to, reporting framework] and the basis of preparation set out in notes [x] to [y] of [name of entity's] EER report.

Or, when the entity has developed its own criteria for its EER reporting, as follows:

The information subject to assurance, set out on pages [xx] to [yy] of [name of entity's EER report] needs to be read and understood together with the Reporting Criteria on pages [x] to [y] of that report, which [name of entity] has developed and applied to prepare the subject matter information.[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.]

Or, when the entity has selected aspects from a number of different frameworks, but has developed its own additional criteria, as follows:

The KPIs subject to independent assurance are set out on pages [xx] to [xx] of the [name of entity's EER report]. These KPIs have been prepared based on criteria selected from [name of framework 1] and [name of framework 2], and further developed by [name of entity] to result in the criteria set out on pages [x] to [y] of the [name of the entity's EER report].

In this case, it is clear to the user that the entity has not prepared the subject matter information 'in accordance with' the framework(s), but has selectively applied aspects of the frameworks to result in the criteria actually applied. Simply stating that it had 'selectively applied' may be insufficient for a user to understand the differences between the framework criteria and the criteria used by the entity.

350. [172] If the preparer does not want to make the criteria ~~will not be~~ available, then the preconditions for assurance ~~won't~~ will not have be~~en met~~ present and either the assurance engagement cannot be ~~provided~~accepted (if discovered before acceptance (S.25)) or the matter is required to be addressed in accordance with S.42-43 (if subsequently discovered)~~. If the preparer does not include the criteria in the subject matter information and they are not otherwise available from a readily accessible source, they are included in a clear manner in the assurance report~~. When subsequently discovered, the practitioner is required to discuss the matter with the preparer to see if it can be resolved to the practitioner's satisfaction. If the practitioner continues with the engagement and the matter is not resolved, the practitioner is required to determine whether and if so how to communicate the matter in the assurance report.

351. [173] Whenre the criteria are not included in the subject matter information or not otherwise made available in a suitable manner by the preparer(G.Ch5), the practitioner may need to include them in the assurance report to enable the intended users to understand how the subject matter information has been prepared and to meet the requirements of the Standard. However, criteria made available in this way wouldmay need to be just asin the same detailed as they would need to beif had they been made publicly available or made available within the preparer's report. Including, in the assurance report, only a brief summary of the criteria would may not enable the intended users to understand the basis of preparation of the subject matter information. However, it is the preparer's responsibility for to making make the criteria available to the intended users; including them in the assurance report is not ideal.

352. [174] Criteria need to be readily available to intended users; it should not be difficult for the intended users to find the criteria that are needed to understand how the subject matter information has been prepared. For example, a hyperlink from the preparer's report to an entity's home web page may not be enough if the user then has to navigate from the home page to another page where the criteria are set outif it is not clear from that other page what comprises the criteria.

353. [175] In order to enhance the intended users' understanding of the assurance report, it may be helpful for the practitioner not only to identify the criteria used, but also to indicate where they may be found, and to identify them by name, date or version number. Changes may be made by the preparer to the criteria over time and is important that the assurance report identities the criteria that were used in performing the assurance engagement.

EXAMPLE	For example the assurance report may refer to the criteria as follows: *The Reporting Criteria used by ABC to prepare the subject matter information are set out in "ABC's Basis ofCriteria for the Preparation of the Sustainability Information 2019" available at* www.ABC.com/ara2019/downloadbasisofpreparation/

354. [176] Sometimes preparers may report the subject matter information using more than one framework. In such a case, user understanding is likely to be enhanced if the preparer makes available the criteria relating to each framework are made available separately, rather than being summarized or combined. The practitioner can then separately identify the criteria in their assurance report.

355. [177] A preparer may not wish to disclose the criteria on the grounds that they are confidential or commercially sensitive. Without the criteria being made available, the intended user would not be able understand how the underlying subject matter had been measured or evaluated and the requirements of the Standard would not have been met (see G.Ch5). In such a situation, the rational purpose of the engagement may also be called into question. If there is sensitive information that only a few may be party to (for example in a contractual arrangement), then it may be expected the assurance report would be made available only to those users who are party to the contract, and would not be more widely available. In such case, the criteria could be made available to the intended users. Whenre the preconditions criteria will not be made available to the intended users or when they are so summarized that they are not likely to be regarded as suitable, the preconditions for the assurance engagement will not have been met (see G.Ch4).

Where appropriate, a description of any significant inherent limitations associated with the measurement or evaluation of the underlying subject matter against the applicable criteria (S.69.e).

356. [178] ~~It may be useful~~The practitioner may find it useful to consider this requirement in conjunction with the requirement in ~~of paragraph 69 (c))~~S.69.c as it may be clearer to refer to any inherent limitations when ~~discussing the characteristics of t~~describing the ~~underlying~~ subject matter information, particularly if that description includes the characteristics of the underlying subject matter, rather than in a separate, isolated paragraph.

357. [179] ~~While in~~~~ininininin~~In some cases, inherent limitations can be expected to be well-understood by the intended users of an assurance report, in other cases it may be appropriate to make explicit reference to them in the assurance report (S.A165)~~33~~.

358. [180] Some inherent limitation wordings may have become standard, for example those relating to measurement methods applied to greenhouse gases, for which examples can be found in ISAE 3410. However, it may be unclear to a user what impact the described limitations have on the assurance conclusion, for example, whether the assurance conclusion 'stands' or whether the inherent limitations weaken the practitioner's conclusion and, if so, in what way and by how much. To enhance user understanding, the practitioner may consider:

(a) When inherent limitations can be expected to be well-understood, whether it is necessary to include them as standard language in the assurance report;

(b) Whether it may be helpful to explain not only that there are limitations, but also the impact on the assurance procedures and the assurance conclusion;

(c) Whether there are unusual subject matter specific limitations that may need to be described in more detail to be understood by the intended users and how the description of such limitations can be worded so that it avoids 'boilerplate' language and helps the intended users to understand the implications in the specific context of the subject matter information and assurance engagement.

EXAMPLE	*As described in [insert reference – e.g., non-financial information] the Subject Matter is subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for preparing such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.*

359. [181] It ~~will~~ may also be important that any description of inherent limitations is clearly separated from the practitioner's conclusion so that it such a description is not read by users as, in some way, modifying the assurance conclusion.

~~33 ISAE 3000 (Revised) paragraph A165~~

When the applicable criteria are designed for a specific purpose, a statement alerting readers to this fact and that, as a result, the subject matter information may not be suitable for another purpose (S.69.f)

360. [182] To avoid misunderstandings, the practitioner alerts readers of the assurance report to the fact that the applicable criteria may be designed for a specific purpose. It may be helpful for the practitioner to consider this requirement in conjunction with the requirement in paragraph 69 (b).

A statement to identify the responsible party…and to describe their responsibilities and the practitioner's responsibilities (S.69.g)

361. [183] A statement to identify the responsible party informs the intended users who is responsible for the underlying subject matter and the measurement or evaluation of the underlying subject matter against the applicable criteria, and that the practitioner's role is to independently express a conclusion about the subject matter information (S.A168)[34].

362. [184] It may help to enhance users' understanding of the boundaries of the respective roles, and avoid the perception that assurance may be there to 'fill the gaps', by explaining in the assurance report why the assurance ~~provider~~ practitioner cannot become involved in the preparation of the subject matter information in an assurance engagement, i.e., assurance is designed to give an independent conclusion over the subject matter information.

EXAMPLE

The *Directors ABC PLC are responsible for:*

- *Designing, implementing and maintaining systems, processes and internal controls over the preparation of [identified subject matter information];*
- *Establishing suitable ~~reporting~~ criteria for preparing the [identified subject matter information] and making the reporting criteria available to the intended users of the [name of report];*
- *Measuring or evaluating and reporting the [identified subject matter information] based on the ~~reporting~~ criteria;*
- *Maintaining proper documentation and records to support the reported information.*

We are responsible for planning and performing the engagement to obtain [limited/reasonable] assurance about the [identified subject matter information] and for forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained. As we are engaged to provide an independent conclusion, we are not [permitted to be] involved in the preparation of the subject matter information as doing so may compromise our independence.

A statement that the engagement was performed in accordance with ~~the Standard~~ISAE 3000 (Revised) or a subject-matter specific ISAE (S.69.h)

363. [185] Such a statement enables users to understand which standard is governing the conduct of the engagement.

~~[34] ISAE 3000 (Revised) paragraph A168~~

364. [186] Performance of the engagement under the Standard requires compliance with all of the applicable requirements of the Standard. Where a subject matter specific ISAE (e.g. 3400, 3410), is used, compliance with both that standard and ISAE 3000 (Revised) is required.

365. [187] Practitioner's statements that contain imprecise or limiting language (for example "the engagement was performed by reference to ISAE 3000") may mislead users of assurance reports (S.A170).[35] Users are not likely to be able to differentiate between an assurance engagement carried out 'in accordance with' ISAE 3000 (Revised)the Standard and an assurance engagement carried out 'by reference to' or 'based on' ISAE 3000 (Revised).the Standard. While the former meets all the requirements of the Standard; the latter may apply only certain aspects of the Standard and the user would not necessarily be aware of this. If all the requirements of the Standard have not been complied with, then no reference to the Standard should is permitted to be made in the assurance report.

EXAMPLE	
	A statement as follows is acceptable: We *performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements', issued by the International Auditing and Assurance Standards Board.* *A statementStatements such as the following areis not in line with the requirements of the Standard:* *'We performed our work having regard to ISAE 3000 (Revised)' or)* *or'* *Our assurance* engagement *was performed on the basis of ISAE 3000 (Revised)'*

366. [188] If the practitioner has been engaged to provide assurance under two different standards, for example, both ISAE 3000 (Revised) and AA1000 AS, the requirements of both standards, the practitioner may need to consider whether the requirements of both are able to be met, or whether the other standard may conflict with the requirements of ISAE 3000 (Revised). If they do not conflict, and it is clear that any additional information set out in the other standard does not affect the assurance conclusion, as required by ISAE 3000 (Revised), (see G.371.f), then the practitioner may want to refer to both standards in their assurance report. As discussed above, when reference is made to ISAE 3000 (Revised), then all the requirements of that Standard need to be met. should be met.

[35] ISAE 3000 (Revised) paragraph A170

EXAMPLE	*We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements' issued by the International Auditing and Assurance Standards Board, and AA1000APS (Type 1, moderate, which is the equivalent to ISAE 3000 (Revised) limited assurance).*

A statement that the firm of which the practitioner is a member applies ISQC 1, or other professional requirements, or requirements in law or regulation that are just as demanding (S.69.i)

366A. S.A171 sets out an example statement regarding the applicable quality control requirements, which informs users which quality control standards the firm applies, and what those quality controls standards require. ~~[Task Force giving further consideration to this paragraph]~~

A statement that the practitioner complies with the independence and other ethical requirements…~~of the IESBA Code, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding as Parts A and B of the IESBA Code related to assurance engagements~~ (S.69.j)

366A. S.A172 sets out an illustrative statement regarding compliance with ethical requirements. ~~[Task Force giving further consideration to this paragraph]~~

An informative summary of the work performed as the basis for the practitioner's conclusion (S.69.k)

367. [190] Such a summary enables the intended users of the assurance report to understand what has been done in the context of the particular engagement as the basis for the practitioner's conclusion. For many assurance engagements, infinite variations in procedures are possible in theory, making it difficult to communicate clearly and ambiguously. ~~Paragraph~~ S.A176 ~~of the Standard~~ sets out factors to consider in determining the level of detail to be provided in the summary of work.

368. [191] It is important that the summary be written in an objective way that allows intended users to understand the work done as the basis for the practitioner's conclusion. In most cases, this will not involve detailing the entire work plan, but on the other hand it is important for it not to be so summarized as to be ambiguous, nor written in a way that is overstated or embellished (S.173).~~.[36]~~ 'Boilerplate' language is unlikely to aid the intended users' understanding; describing the work performed in sufficient detail for a user to understand both the nature and extent of the procedures and what that means in terms of their ability to have confidence in the subject matter information is likely to be more helpful. However, a description that is too detailed may detract from the users' understanding.

369. [192] The procedures for limited assurance may appear to a user to be more comprehensive than the procedures described for a reasonable assurance engagement so ~~, as discussed in 129 above,~~ it may be helpful for the practitioner to explain why this is the case.

~~[36] ISAE 3000 (Revised) paragraph A173~~

EXAMPLE

We are required to plan and perform our work in order to consider the areas where a the risk of material misstatement of the [identified subject matter information] is likely to arise. In carrying out our limited assurance engagement, we:

- *Held discussions with key management of ABC PLC to understand the governance over their reporting of the [identified subject matter information], and the processes, systems and controls they use to identify, record, check and report the [identified subject matter information]*
- *]*
- *Traced one example of each [transaction] through the system from recording to reporting to confirm our understanding of the governance, systems, processes and controls management had described to us, but we did not test the design of the internal controls or whether they operated effectively over the reporting period*
-
- *Visited eight manufacturing sites out of a total of sixty sites. Selection of these sites was made on the basis of their inherent risk and materiality to the group*
-
- *Tested, at each site visited, [describe what was tested]], which were selected on a haphazard basis by reference to underlying evidence [describe nature of evidence] that the subject matter information had been reported in accordance with the criteria set out on page xx of the [name of report]. Where misstatements were discovered in the initial selection, we held discussions with management and personnel responsible for the information to determine the reasons for the errors, omissions or other misstatements, and we extended our testing by another [x] items to determine whether further misstatements were present*
-
- *Considered the presentation and disclosure of the [identified subject matter information]*
- *[Add other procedures as necessary]*
-

370. [193] Whenre experts are used, it may be helpful to include information relating to the extent of specialized skill or knowledge needed to apply assurance procedure to address a particular matter or to evaluate the results of those procedures. If the practitioner refers to the work of an expert, the wording in the assurance report cannot imply that the responsibility for the practitioner's conclusion is reduced because of the involvement of the expert (S.70)[37], Paragraph S.A187) notes that additional wording may be needed when such wording is included in a short form report to prevent the assurance report implying that the practitioner's responsibility is reduced because of the involvement of an expert. In a short form report the potential for misunderstanding may be higher than in a long form report. [Task Force proposes to include an additional example here]

[37] ISAE 3000 (Revised) paragraph 70

The practitioner's conclusion (S.69.l)

371. [194] The assurance conclusion is the objective of the assurance engagement and is designed to enhance the degree of confidence of the intended users about the subject matter information, but:

~~a) Users may not readily understand the 'double negative' wording used to express a limited assurance conclusion a) Users may not readily understand the 'double negative' wording used to express a limited assurance conclusion a) Users may not readily understand the 'double negative' wording used to express a limited assurance conclusion a) Users may not readily understand the 'double negative' wording used to express a limited assurance conclusion~~ Users may not readily understand the '~~double~~ negative form' of~~'~~ wording used in the Standard to express a limited assurance conclusion (see G.345). ~~372. [195]~~ It may be helpful for the practitioner to explain that the '~~double~~ negative form' conclusion reflects a lower level of assurance than reasonable assurance because of the limited nature of procedures performed (nothing has come to our attention). It does not mean that there is nothing that could have come to the attention of the practitioner but, rather, that the procedures would not necessarily have been expected to result in anything coming to their attention due to the limited nature of the procedures. The Standard also permits a limited assurance conclusion to be expressed as 'we are not aware of', as an alternative to 'nothing has come to our attention…'.

(a)

(b) The Standard requires the conclusion to be expressed in one of two ways. Conclusions expressed in a different way, for example, by referring to 'moderate' or 'high' levels of assurance or stating 'We conclude that…' do not meet the requirements of the Standard and may not assist users' understanding.

(c) As discussed ~~in paragraph~~in G.~~-~~341~~xx~~, the concept of 'in all material respects' may not be understood, especially if it is unclear who the intended users are.

(d) Conclusions may not be clearly delineated from other information in the assurance report, so it is unclear what the conclusion is~~/s is/are~~.

(e) Some practitioners may want to include recommendations and other observations within the assurance report. While this is permitted under the Standard, considerations relevant to deciding whether to include such observations in the assurance report may include whether their nature is relevant to the information needs of intended users.

(f) Including observations of 'good practice' may be misunderstood by users to be part of the assurance conclusion, which may exacerbate the lack of clarity arising from the matter discussed in (d) above. Including those matters where recommendations have been made may raise questions in a user's mind as to whether or not they have not been appropriately dealt with in preparing the subject matter information or may be misunderstood as a qualification of the practitioner's conclusion on the subject matter information[38].

[38] ISAE 3410 paragraph A151

EXAMPLE

For example, the wording immediately below makes it clear what the conclusion is:

Based on the work we have done and the procedures we have performed, as described under the 'Work done' section of this report, and the evidence we have obtained, nothing has come to our attention that causes us to believe that the [identified subject matter information] has not been prepared in all material respects in accordance with the stated criteria.

The following wording is not in accordance with the requirements of the Standard and it is both unclear and potentially misleading to a user as to what it means:

We note that ABC PLC is committed to holistic sustainability reporting and has made significant progress in its in-depth reporting of its sustainability impacts. We conclude that the information presented in ABC PLC's sustainability report is balanced and accurate.

372A. When parts of the EER report are subject to limited assurance and other parts are subject to reasonable assurance, to aid users' understanding of what has been subject to limited assurance and what has been subjected to reasonable assurance, clear identification of both the subject matter information subjected to each different level of assurance will be needed. The practitioner may also consider delineating the procedures performed for each level of assurance so that it is clear to the users what procedures were performed in relation to the subject matter information. The conclusions relating to each also need to be made clear to the intended users. ~~372. [195] It may be helpful to explain that the 'double negative' conclusion reflects a lower level of assurance than reasonable assurance because of the limited nature of procedures performed (nothing has come to our attention). It does not mean that there is nothing that could have come to the attention of the practitioner but, rather, that the procedures would not necessarily have been expected to result in anything coming to their attention due to the limited nature of the procedures.~~

EXAMPLE

The preparer may identify the subject matter information subject to limited assurance with one identifying mark, or in one column or table headed up 'Subject Matter Information subject to limited assurance' and may separately identify the subject matter information subject to reasonable assurance with a different identifying mark or in a table headed up 'Subject Matter Information subject to reasonable assurance'. The wording below is an example of how the practitioner may then refer to where the subject matter is identified, so that it is clear what each conclusion is, and which subject matter information it relates to:

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected sustainability information [identified with an identifying mark/set out in the table 'Subject Matter Information subject to limited assurance)] in the Subject Matter Information paragraph of this report for the year ended [x] is not prepared, in all material respects, in accordance with the reporting criteria.

Reasonable assurance conclusion

In our opinion, the selected sustainability information set out in the Subject Matter Information paragraph [and identified with a different identifying mark or set out in a different column or table] for the year ended [x] is prepared, in all material respects, in accordance with the reporting criteria.

~~373. [196] 69 (m) to (o) – not covered as these are unlikely to present any barrier to the users' understanding.~~

343. [165] The practitioner may also consider it appropriate to include other information in a long form report, for example, information about materiality considerations so that it is transparent to the intended user what tolerance for misstatement has been applied in conducting the assurance engagement.

Example

Based on our professional judgment, we determined materiality for the [identified subject matter information] as follows:

Scope 1 greenhouse gas emissions: 5% of ABC PLC's reported Scope 1 greenhouse gas emissions, etc

This threshold means that a misstatement of x tonnes of CO_2e either as an individual misstatement or as an aggregate of smaller misstatements would lead us to conclude that the Scope 1 emissions had not been prepared in all material respects with the stated criteria.

For qualitative information, materiality considerations consider qualitative matters, including balance, understandability, and lack of bias.

~~[The Task Force proposes to include an additional example here to illustrate multiple conclusions]~~

Chapter 12 ~~(Previously 11)~~: ~~Assuring Narrative Information~~Obtain~~Addressing Assurance on~~ Qualitative EER Information

Matters Addressed by the Guidance in this Chapter

263A. This Chapter provides guidance on ~~what~~the nature of qualitative EER information ~~in an EER report~~ may comprise, and on specific considerations ~~for~~in the context of qualitative EER information in:

(a) D~~d~~etermining ~~the~~ suitability of criteria;

(b) O~~o~~btaining evidence;

~~(c)~~ E~~e~~valuating misstatements;

~~(d)~~(c)

~~(e)~~(d) When presented alongside other information; and

(e) ~~the a~~Communicating in the assurance report.

~~in relation to qualitative subject matter information. It also gives guidance on 'other information' presented alongside qualitative subject matter information.~~

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

263B. There is often a high degree of uncertainty inherent in the measurement or evaluation of EER underlying subject matters, which gives rise to subjectivity in their measurement or evaluation and a greater range of possible measurement or evaluation outcomes.

263C. When the measurement of EER underlying subject matter(s) is purely quantitative, even when there is inherent uncertainty in the measurement of the underlying subject matter, the practitioner may be more readily able to determine the suitability of the criteria used in its measurement than when the underlying subject matter is qualitative. The evidence needed may also be more readily available and more persuasive, even if it involves the use of estimates or proxies, or the use of subject matter experts in obtaining or evaluating it. It is also ~~usually~~ possible to ~~evaluate~~aggregate the effect of identified misstatements on the subject matter information and evaluate their materiality in combination, to the extent their measurement outcomes are expressed in common units.

263D. However, when ~~the~~ underlying subject matter ~~is not able to be~~cannot be measured and expressed in quantified terms, it may be more susceptible to being more reflective of, and more variable with, the views of those reporting it. This may raise questions about the suitability of the criteria, including whether there are~~the~~ additional disclosure criteria that may be needed ~~to result in an EER report~~for the subject matter information to be ~~that is~~ understandable ~~to intended users,~~ and ~~to~~for the criteria ~~allow~~to be capable of ~~for~~ reasonably consistent evaluation of the underlying subject matter (reliable).

263E. A number of challenges may also arise in the context of obtaining evidence for qualitative subject matter information because ~~non-quantitativ~~the~~e~~ underlying subject matter~~s~~ may not be capable of direct ~~as readily~~evaluation ~~measurable~~, ~~or~~and it may be difficult to for the entity's reporting

process to capture data and information about it~~able to be captured by an entity's reporting system, as quantifiable underlying subject matters~~.

263F The processes and controls to identify, record, process and report the subject matter information may not be sufficiently developed or effective in providing a reasonable basis for the qualitative subject matter information. This may have implications for the ability of the practitioner to obtain the evidence needed when assurance procedures other than testing of controls (hereafter ~~commonly~~ referred to as 'substantive procedures'), alone, may not be sufficient.

263~~F~~G. The way in which qualitative information is presented may also give rise to challenges in delineating the boundary between subject matter information and 'other information'.

~~Introduction~~

~~263. [102] While the thought process for obtaining evidence is similar for any evidence-gathering, there are some unique features of narrative information that may impact the practitioner's ability to obtain persuasive evidence for such subject matter information. Narrative and future-oriented information are considered separately in this chapter and Chapter 12, but they are not mutually exclusive. For example, narrative information may be future-oriented or historically-oriented, and future-oriented information may be presented in either narrative or quantitative form.~~

The Nature of ~~Narrative Information~~Qualitative EER Information

264. [186] [187] [103] Qualitative~~Narrative~~ EER information is ~~commonly understood to be non-quantifiable~~subject matter information expressed in qualitative terms rather than in quantitative terms (numbers)~~ information~~. Qualitative information is essentially non-numerical information. Non-numerical information may, for example, be narrative information, descriptions, categorizations or ratings. ~~subject matter information expressed predominately using written words, although it may be presented in an EER report in other forms, such as embedded videos or recordingsnumbers, including historical financial information, and diagrams, charts, images or other visual information may be included. The information is typically qualitative rather than quantitative~~ . The subject matter information for some aspects of the underlying subject matter may be expressed~~Some aspects of the underlying subject matter may be represented in the subject matter information~~ primarily ~~using narrative information~~~~through~~in qualitative terms ~~description~~, rather than ~~quantification~~in quantified terms. However, even when an aspect of the underlying subject matter is expressed primarily in quantitative terms, other parts of the subject matter information relating to that aspect (such as related disclosures) may be expressed in qualitative terms For example, an entity's governance structure, business model, goals or strategic objectives may be described in qualitative terms~~ primarily with narrative information~~, although there may also be ~~with~~ some supporting quantitative disclosures.

264A. Qualitative information is often expressed predominantly using written words, although it may be presented in an EER report in other forms, such as embedded video or sound recordings. However, words are not always non-numerical, since numbers can also be expressed in words. What makes information qualitative rather than quantitative is its non-numerical nature.

264B. ~~Narrative~~ Qualitative information included in EER reports may be:

(a) factual (directly observable~~)and therefore more readily captured by the reporting system)~~; or

(b) inherently subjective (not directly observable ~~or readily captured by an entity's reporting system, and susceptible to being more reflective of,~~ and ~~more~~ variable with~~,~~ the views of those reporting it).

EXAMPLE

Examples of ~~purely~~ factual ~~narrative~~ qualitative subject matter information:

- ~~-~~"An audit committee comprised of non-executive directors was established in the year"
- ~~-~~"We bought a factory in Canada"

Examples of subjective EER ~~narrative subject matter~~ information:

- ~~-~~"We produce healthy food for children"
- ~~-~~"Our impact on the environment is minimal"
- ~~-~~"We have successfully implemented flexible working throughout the organization"

These particular examples of subjective ~~narrative subject matter~~ information may be overly vague and unsubstantiated, as the underlined claims may be interpreted in different ways by different people. ~~such that~~ A such, it~~it~~ is unlikely that the criteria would be suitable, and those claims would not constitute subject matter information, Further~~, and hence it may be difficult to obtain assurance without further~~ development of the criteria ~~so~~ by the preparer would be needed so that the application of those criteria result in information that ~~is able to~~could be ~~objectively~~ reasonably consistently measured or evaluated (i.e. would result in subject matter information).

For the first example of subjective EER ~~narrative subject matter~~ information above, 'healthy food for children' could be defined for the purpose of reporting as 'food containing ~~no artificial flavourants or colourants, and~~ less than x g of salt and less than x g of sugar per 100g portion. ~~Then, if~~Then, if those criteria were made available, the 'healthy food for children' might be suitable for assurance. However, there may also need to be disclosure if the entity produced unhealthy food for children in another product range (completeness of information or ~~/~~balance).

~~265. [188] [104] Narrative information that is not factual is subject to management judgment and may be more susceptible to management bias. The key challenge in relation to narrative information is how to address the inherent subjectivity and increased risk of management bias and to manage potentially unrealistic expectations that the practitioner can reduce the degree to which the subject matter information is affected by inherent subjectivity..~~

Specific Considerations for Determining the Suitability of Criteria for Qualitative Information

266. [189] [105] Subject matter information expressed in words may result from criteria representing different ~~qualities of the~~aspects of the underlying subject ~~matter~~matter~~matter~~matter~~r elements~~ compared to numerical subject matter information~~ or metrics~~, however the requirements for criteria to be suitable remain the same.

267. [190] [106] Reliable criteria for ~~narrative~~ qualitative information need to be well-defined and therefore reasonably unambiguous so as to allow reasonably consistent measurement or evaluation of the underlying subject matter.

EXAMPLE

In applying criteria requiring an entity to report the aspects of its strategy that will help it achieve its principal objectives, an entity may report that such an aspect is its policy to prioritize providing high standards of service to its customers. The criteria behind this information appear to be insufficiently defined as the information is ambiguous (hence the criteria may not be reliable because the resulting ~~subject matter~~ information may not result from reasonably consistent evaluation of the underlying subject matter). It is unclear whether the criteria require the entity merely to disclose that it has such a policy in place (either formally written or not), or that its behavior complies with that policy or that the policy is effective in helping it achieve its objectives.

268. [191] [107] It is particularly important for ~~narrative~~ qualitative information that the criteria result in subject matter information that is understandable (including being unambiguous as to its intended meaning) and neutral, as ~~as subject matter information in narrative form may be at particular risk of failing to exhibit these characteristics. This is often because~~ words ~~and images~~and images can be inherently ambiguous in their meaning, ~~and~~ or ~~charts, graphs and diagrams~~ may be presented out of context. Most importantly, the criteria cannot result in subject matter information that is misleading to the intended users (S.A50)~~[39]~~.

269. [108] ~~Where~~~~Where~~~~Where~~When~~re~~ the criteria are not suitable and the resulting EER ~~subject matter~~ information is subjective and therefore not capable of being assured, the practitioner may discuss this with the preparer so that the preparer has the opportunity to amend the subjective information~~ can be amended, removed from the subject matter information, moved to an 'unassured' section of the preparer's report (such that it becomes 'other information' that is not subject to assurance, but is read for consistency with the subject matter information). Alternatively, suitable criteria may be able to be developed by the preparer, such that the subject matter information is able to be reasonably consistently evaluated~~.

270. [109] If the preparer is unwilling to change the ~~narrative~~ qualitative information that does not result from applying suitable criteria (i.e. is not subject matter information), the practitioner may request the preparer to move such information out of the EER report, otherwise clearly identify it as 'other information' not subject to assurance, or further develop the criteria relating to the underlying subject matter, to result in subject matter information that is capable of being assured. If the preparer is unwilling to:

(a) remove such information,

(b) clearly delineate it as 'other information' or

(c) develop suitable criteria,

the practitioner may need to consider ~~consider that the information is 'other information' (see paragraph 108) and may need to consider~~ carefully what that means for the assurance conclusion~~, particularly if there are indications that the narrative information is incorrect, potentially misleading to users, or cannot be substantiated or is not separately identified as not subject to assurance~~.

~~[39] ISAE 3000 (Revised) paragraph A50~~

EXAMPLE

The criteria require an entity to report its principal achievements in the year. A simple statement such as "We won the award for Best Company of the Year" could be technically free from error, but still be misleading if:

- ~~-~~The award relates to the company's operations in only one small jurisdiction and not the whole company.
- ~~-~~The award was not awarded by a well-recognized and respected body, independent to the company.
- ~~-~~The award was not the result of a fair competition, for example if not all companies were eligible.

In such circumstances the practitioner may need to consider whether the criteria define the concept of a 'principal achievement' in sufficient detail, for example, addressing matters such as the scope of the company's operations addressed by the award, the standing of the awarding body, or the scope of eligibility for the award, to be understandable, and whether the criteria should require disclosures about such matters for the resulting subject matter information not to be misleading and therefore for the criteria to be suitable.

Specific Considerations for ~~for Using Assertions and Testing~~Obtaining Evidence about~~for Narrative~~ Qualitative Information

271. [110] A number of challenges may arise in the context of obtaining evidence for ~~narrative~~ qualitative subject matter information, including:

(a) The effectiveness or otherwise of an entity's ~~process to prepare the subject matter information~~reporting process (see G.Ch6). ~~This process may include selection or development of the criteria and the methods used to measure or evaluate the underlying subject matter based on those criteria, and any related ssystems, processes and controls to identify, record, process and report the subject matter information. That process constitutes the preparer's basis for the subject matter information. While the Standard does not explicitly require an effective internal control system, and does allow for a wholly substantive approach, if there is little rigor to how management gathers the information included as narrative in their EER report, there may be little basis for the practitioner to obtain assurance over on the subject matter information. For guidance on considering the entity's system of internal control, see G.Ch6.~~

~~b)~~ Substantive testing alone ~~of the reported narrative qualitative information~~ may be insufficient to obtain evidence about qualitative information, as it ~~will~~ may not provide evidence as to the completeness and balance of the~~at~~ subject matter information. The practitioner may therefore need to consider whether they will be able to obtain evidence through performing tests of controls. ~~Such an approach is only possible when there is a reasonable expectation of the evidence being available, and that is~~which may be ~~dependent on the the relevant controls in place.~~ In accepting an engagement, the practitioner determines that the preparer has a ~~The preparer's processes and records should be sufficient to provide a~~ reasonable basis for ~~narrative~~ the subject matter information~~, its sources, the criteria and the methods used to record the underlying subject matter based on those criteria.criter~~. ~~ia.~~ Accordingly, the preparer's reporting process ~~to prepare the subject matter information~~and related controls may provide the practitioner with a reasonable expectation of being able to obtain the evidence needed to support the

practitioner's conclusion. If the ~~underlying~~ engagement circumstances ~~for the preparation of the subject matter information~~ are not complex, there may be relatively ~~controls may be~~ informal or ~~fairly~~ simple controls; the greater the complexity the more complex the reporting process and related~~important will may be the processes and~~ controls ~~in place~~may be. ~~There is a difference between simple controls and inadequate controls.~~

(c) The use of internal sources as a basis for reporting the information, for example, information may be entered directly into the entity's system on a real time basis without any hard copy documentation to support it, or may be obtained through informal communication by way of telephone calls, email or other internal communications. The practitioner ~~will~~ may need to consider what evidence ~~is~~can be obtained ~~available~~ to support the information being recorded or gathered in this way as these sources, alone, ~~will~~ may not be sufficient. For example, ~~where~~~~where~~~~where~~hen~~re~~ information is being captured by the entity directly onto a computerized system, the practitioner may need to understand and confirm the physical and logical security and access controls in place around the entry of information, and the basis for the entries being made. Where information is gathered through informal communications, the preparer's underlying books and records ~~should~~ may need to include sufficient evidence to back up those communications.

EXAMPLE

A parent company preparer may receive an email from its foreign subsidiary telling the parent about an accidental spillage of hazardous sludge into water sources during the production process at its local operations. The email may say that the spillage was not significant, that there had been an immediate clean-up to bring it under control and that no further action was needed.

The preparer may base the EER report wording on the wording in the email when preparing the ~~narrative~~ subject matter information. Such an email ~~would~~ may not provide sufficient evidence to support the ~~narrat~~subject matter information~~ive~~ in the EER report. The practitioner ~~would~~ may need to consider what further evidence might be available, for example, there may be documentation from the local environment agency that provides evidence of an inspection and clean up, and ~~that~~ confirms that levels of hazardous chemicals after the clean-up ~~are~~ were within safe limits.

PJ

(d) The timeliness with which ~~narrative~~ qualitative information is prepared. Preparers may focus on providing quantitative information to the practitioner, but it may be important for the practitioner to obtain the entity's draft EER ~~narrative information~~ report early in the engagement. ~~-~~so that ~~the work needed to obtain assurance evidence in relation to the narrative information can be properly planned for, and there is enough time for the preparer to make revisions, where needed.~~ there is sufficient time for the practitioner to evaluate the suitability of the criteria, and to plan ~~.~~ and perform procedures to obtain evidence in relation to both the quantitative and non-quantitative (i.e. qualitative) subject matter information, and for the preparer to consider making adjustments to the subject matter information, if appropriate. 67.[37] Whether the scope of the assurance engagement is an entire EER report, or part of an EER report, which includes both qualitative and quantitative representations and related disclosures, the qualitative subject matter information is as much part of the subject matter information as the quantitative subject matter information.

272. [111] Assertions embodied in the narrative qualitative information may be explicit or implicit. Different categories of assertions may be applicable used or more important for narrativefor qualitative information compared tofrom those used for numerical subject matter information, however but this will depend on the criteria being used. Even in situations where the same assertions are applicable, there may be more focus on assertions such as understandability and comparability for qualitative informationinformation in narrative form, as well as consistency with other information presented by the entity in the same document. For further guidance on the use of assertions, see G.Ch 8 and the example in SuB [x].

273. [112] When testing and documenting the practitioner's work in relation to narrative qualitative information, it may be necessary helpful to the practitioner to break up long pieces of text and consider sections, paragraphs or sentences separately wherewherewherewhenre these talk about different things. It is likely that different assertions will be applicable to each. Whenre the scope of the assurance engagement is the whole entire EER report, then any narrative iqualitative information, including charts, diagrams and images, is may need to be subject to the same rigor as numerical information when obtaining evidence. Some of the evidence may be available from procedures performed in respect of related quantitative information, but additional work is likely to be needed.

274. [194] [113] Individual claims or indicators in the subject matter information can be individually significant and can be tested separately, particularly where they are part of wider sections of narrative qualitative subject matter information (not all of which might be as significant). In other circumstances a paragraphs of text comprising related qualitative and quantitative subject matter information may need to be considered together.

275. [195] [114] Practical methods of doing this may include highlighting the text in different colors or by drawing boxes around sentences or sections of significant narrative qualitative information in the practitioner's documentation of the work done and evidence obtained. The practitioner can perform procedures onthen test each one, and ultimately the assurance working papers can be referenced to the related parts of the text in the subject matter information. See SuB [x] for an example of how this might be done. 276. [196] [115] Purely factual narrative subject matter information is more straightforward to test for misstatement (by direct observation) than subjective narrative subject information. In the case of factual narrative, the practitioner's primary focus may be on whether the subject matter information is correct or incorrect (free from error assertion), although other assertions such as completeness and neutrality may also be a consideration.

277. [197] [116] More judgment may be required by a practitioner to test assertions for subjective narrative subject matter information. This is because the information cannot be directly observed, and its preparation is the result of an indirect process that the practitioner would then verify, including the validity of the process and basis for the assumptions made. Whether the subject matter information is neutral and free from bias may become more of an area of focus for the practitioner due to the subjectivity. As noted in paragraph 178, neutrality may be identified as a separate assertion or as an aspect of other assertions.

278. [117] Consideration may need to be given to whether diagrams, charts and images used are congruent with the messages in the narrative information or whether they give a conflicting impression. For example, it may be incongruent for the preparer to show images of happy communities where the company is reporting that it has relocated a community to make way for new production facilities.

Specific Considerations for Evaluating Misstatements in ~~Narrative~~ Qualitative Information

279. [198] [118] Evaluating whether misstatements in ~~subject matter information in narrative form~~qualitative subject matter information are material may require use of the materiality considerations in ~~Chapter 13~~G.Ch10 as numerical thresholds are not appropriate. ~~Paragraph A95 of the Standard~~S.A96 also sets out various qualitative factors that may be considered when evaluating the materiality of misstatements. When evaluating a misstatement within ~~narrative~~ qualitative subject matter information, ~~whether factual or subjective,~~ the same considerations may be used to conclude whether the misstatement is material, where applicable, focusing on whether the misstatement could reasonably be expected to influence decision-making by the intended users. Misstatements in ~~narrative~~ qualitative subject matter information may arise through:

(a) The inclusion of inappropriate information, for example, information that does not meet the criteria or that obscures or distorts information required by the criteria;

~~(a)~~(b) The inclusion of information that is not supported by the available evidence, or the omission of information for which there is evidence that suggests it should have been included;

~~(b)~~(c) The omission of information required by the criteria, ~~or that would be significant to the decisions of users,~~ for example, information relating to a significant subsequent event that would be likely to change the decisions of users but has not been disclosed;

~~(c)~~(d) Misstatements of fact;

~~(d)~~(e) Ambiguous statements or statements the meaning of which is unclear;

~~(e)~~(f) Presenting in vague terms information that is capable of being determined precisely;

~~(f)~~(g) Changes since the previous reporting period to disclosures or presentation without reasonable justification for doing so ~~and/or~~or without disclosure of the reasons for doing so; or

~~(g)~~(h) The ~~inclusion of graphs, charts, diagrams or other visual aids that~~manner in which ~~present~~ the information is presented. For example, it may be presented out of context, distorted, or given greater or lesser prominence than is warranted, based on the available evidence.~~distort the information or are incongruent with the narrative textual statements.~~

280. [119] ~~Where~~~~Where~~~~Where~~When~~re~~ misstatements are identified in qualitative (i.e. ~~narrative,~~ non-quantifiable) information, the practitioner may record them by listing them or by marking up or highlighting them in a copy of the ~~narrative~~subject matter~~-~~ information presented in the EER report. Irrespective of how misstatements are accumulated during the engagement, when evaluating the ~~assurance~~ evidence obtained and in forming the assurance conclusion, the practitioner needs to consider not only individually material uncorrected misstatements, but also individually immaterial misstatements that, when considered collectively, may have a material impact on the subject matter information~~ taken as a whole~~. However, where the subject matter information is not quantifiably measurable, it is not possible to simply add the misstatements together to determine their effect in aggregate.

281. [120] When the ~~narrative~~ qualitative subject matter information relates to one underlying subject matter, it may be relatively straightforward to evaluate the combined effect of individually immaterial misstatements on the subject matter information, ~~–~~as the misstatements are considered within the context of that subject matter information only.

281A. When ~~However, when~~ the subject matter information is an entire EER report covering a wide range of underlying subject matters, it may be more challenging to find a way of evaluating the combined effect of uncorrected ~~narrative~~ qualitative misstatements on the EER report ~~as a whole.~~when the criteria consider materiality for the report as a whole. There may not be a common factor linking the various parts of the subject matter information, different emphasis may have been given to different aspects of the information included in the EER report, or different aspects may be more significant than others to intended users.

282. [121] The practitioner's understanding of who the intended users are and what aspects of the subject matter information are likely to be important ~~are~~ may be essential to the practitioner's ability to make judgments about which misstatements are material. D~~;~~ epending on the definition of materiality, materiality judgments are made from the perspective of the intended users.

283. [122] It may be possible, once all non-quantifiable misstatements have been listed, to group them together, for example, by whether they relate, in common, to particular aspects of the underlying subject matter or to particular criteria. ~~or a criterion requirement has not been followed or by underlying subject matter.~~ For example, in an entity's ESG report, there may be one or more individually immaterial misstatements in the ~~narrative~~ qualitative statements management has made about the health and safety of its workforce and another immaterial misstatement relating to employee diversity. As health and safety and diversity both relate to the social aspect of an ESG report, the practitioner may be able to group these misstatements together and consider their combined effect on the social dimension of the entity's ESG report. Similarly, a number of immaterial misstatements in the reported water usage information and another immaterial misstatement relating to waste generated may be able to be considered together as they both relate to the environmental aspect of the ESG report.

283A However, the ability for the practitioner to do this may depend on the level of aggregation or disaggregation required by the criteria. If the criteria require the ESG reporting to be at the social dimension 'level', then considering the combined effect of misstatements arising in aspects of the social dimension may be appropriate; if the criteria require reporting of the subject matter information on a more disaggregated basis, then misstatements arising in relation to each disaggregated aspect may need to be considered in relation to each individual aspect.

283B A further consideration for the practitioner is whether misstatements that are immaterial in the context of each individual aspect of the subject matter information may, in aggregate, result in a material misstatement of the subject matter information as a whole.

284. [123] Even if there are misstatements that are not be able to be grouped together by underlying subject matter or other common factor, they may exhibit a common 'direction' or trend. For example, if the effect of the misstatements is to make the subject matter information, taken as a whole, look better than it really is, or all the misstatements overstate the positive efforts and impacts of the company's actions, and downplay the negative aspects, that may add up to give a biased and misleading picture to a user of the subject matter information taken as a whole.

285. [124] Understanding the underlying cause of identified misstatements may also help the practitioner to evaluate their materiality to the subject matter information ~~as a whole~~. For example, ~~narrative~~ qualitative misstatements may be due to misunderstanding, oversight or error by an employee preparing the subject matter information, or may be because management has intentionally taken a decision to misrepresent facts. The former may not be considered to be material, whereas the latter may be.~~An individually immaterial misstatement may affect another~~

~~part of the subject matter information, resulting in a misstatement of that part[Example to be developed and included].~~

286. [200] [125] As with any other misstatements, the practitioner may encourage the preparer to correct them. In the case of ~~narrative~~ subject matter information expressed in narrative form, this may frequently involve either re-wording or removing the misstated text. If the preparer declines to correct them, the practitioner is required to consider whether an unmodified conclusion is appropriate.

Specific Considerations When ~~Other~~ Qualitative Information Presented Alongside ~~Narrative Qualitative~~Other Information

288. [127] When the subject matter information is part, but not all of an EER report (e.g. only part of the preparer's EER report is subject to assurance), but that part comprises both qualitative and quantitative information, then the part that is subject to assurance (both the qualitative and quantitative aspects of it) are the subject matter information, and any information outside of that subject matter information is 'other information'. It will be important that the information subject to assurance is clearly delineated from the 'other information' so that it is clear to the intended users what has, and what has not, been assured.

231. 'Other information' in an EER report may also include images or other visual enhancements to the report. 278. [117] The practitioner may need to consider whether such 'other information' is congruent with the messages in the qualitative information presented in narrative form in the EER report, or whether they give a conflicting impression. For example, it may be incongruent for the preparer to show images of happy communities where the company is reporting that it has relocated a community to make way for new production facilities.

287. [126] ~~Whe~~re~~Whe~~re~~Where~~When~~re~~ an entity's EER reporting is integrated with its financial reporting, the practitioner's responsibility to read the 'other information' as required by the Standard will extend to the information contained within the same document/(s) as the EER report – i.e. to the financial statements and ~~any~~ narrative related to those financial statements. The practitioner ~~considers~~ is required to consider the consistency of that other information with the subject matter information. There may be legitimate differences between the subject matter information included in an EER report and the 'other information' related to the same underlying subject matter, depending on the criteria used, but the differences may need to be explained or reconciled by the preparer and disclosed so that a user of the ~~integrated~~ EER report can understand the reasons for the differences.

~~288. [127] Where~~Where~~Where~~re the subject matter information is part, but not all of an EER report (e.g. only part of the preparer's EER report is subject to assurance), but that part is comprised of both narrative and quantitative information, then that part that is subject to assurance (both the narrative and quantitative elements of it) are the subject matter information and any information outside of that subject matter information is 'other information'.~~

Specific Considerations for Communicating in Assurance Report~~ing~~ on ~~Considerations for~~ Qualitative Information

287A. As discussed in G.Ch11, the aim of the practitioner is to obtain sufficient appropriate evidence to be able to express a conclusion designed to enhance the degree of confidence of the intended users about the outcome of the measurement or evaluation of the underlying subject matter(s) against the criteria.

287B. When the underlying subject matter is not able to be quantified, the way in which it is evaluated may be subject to more variability or open to greater interpretation than if it were able to be quantified, which may result in subject matter information that could be misunderstood or misinterpreted by intended users. Consequently, it may be particularly important for intended users to have an understanding of the criteria used to evaluate the underlying subject matter, and for their attention to be drawn to this in the assurance report.

Chapter 13: Addressing Future-Oriented EER Information~~Specific Considerations for Testing Future-Oriented Information~~~~Specific Considerations for Testing Future-Oriented Information~~~~Specific Considerations for Testing Future-Oriented Information~~~~Specific Considerations for Testing Future-Oriented Information~~

Matters Addressed by the Guidance in this Chapter

289A. This Chapter provides guidance for the practitioner on specific considerations in the context of future-oriented EER information in:

(a) D~~d~~etermining ~~the~~ suitability of criteria;

(b) O~~o~~btaining evidence

(c) E~~e~~valuating misstatements; and

(d) ~~the a~~Communicating in assurance report.

289B. ~~in the context of~~The focus of the guidance is future-oriented subject matter information that is subject to estimation or occurrence uncertainty.

263. While qualitative~~Narrative~~ information is considered ~~and future-oriented information are considered~~ separately ~~in this chapter and Chapter~~in chapter 12~~2~~, qualitative and future-oriented information are ~~but they are~~ not mutually exclusive. For example, ~~narrative~~qualitative information may be future-oriented or historically-oriented, and future-oriented information may be expressed in ~~presented in~~ either ~~narrative~~qualitative or quantitative terms ~~form~~. The practitioner may find it helpful to consider the guidance in this chapter together with the guidance in

Chapter 12.

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

289. [201] [128] EER reports may contain different forms of future-oriented subject matter information, ~~which may fall into one of these categories~~such as:

(a) Information ~~predicting~~about future conditions or outcomes. This may include forecasts, projections, and information about future risks and opportunities.

(b) Information regarding the entity's intentions or future strategy.

289A. While future-oriented information results from applying criteria to the underling subject matter, just as for any other subject matter information, the underlying subject matter (a future event, occurrence or action) may be subject to greater uncertainty, and generally able to be evaluated with less precision than historical underlying subject matter(s). As a result, it can be challenging to determine whether the criteria for its evaluation are suitable, because there may be a wide range of possible assumptions and outcomes. It is difficult to know what the subject matter information should be, or what may be of consequence to a user's decision-making, when a range of different, yet possibly acceptable, outcomes may be possible.

303. [212] [142] Evidence may be available to support the assumptions on which the future-oriented subject matter information is based, but such evidence is itself generally future-oriented and, therefore, speculative in nature, as distinct from the evidence ordinarily available in relation to historical events and conditions.

303A. As a result of the inherent uncertainties relating to the underlying subject matter(s) the criteria and assumptions used to evaluate it, and the speculative nature of the available evidence, which give rise to a wide range of possible outcomes, it can also be difficult to identify whether there is a material misstatement of the subject matter information. ~~**Specific Considerations for Testing Future-Oriented Information**~~

293. [204] [132] ~~As with narrative information, some~~Some future-oriented information is factual and therefore does not contain a significant degree of uncertainty, for example the debt maturity profile of an entity that is determined by contractual terms. ~~An alternative example is where future-oriented information is repeated from an external source (for example, a central bank's inflation forecast), as the claim being made by the preparer is likely to only be that it is in a third party's information, which itself is verifiable.~~

~~294.~~ [204] [133] As performing an assurance engagement on this type of information is not considered to pose a particular challenge for a practitioner, the remainder of this chapter of the document only considers future-oriented information subject to estimation or occurrence uncertainty~~, referred to as subjective information~~. ~~.~~

~~Specific Considerations for Determining the Suitability of Criteria~~

The Nature of Future-Oriented EER Information

~~Introduction~~

302. [211] [141] Subject matter information forecasting or projecting future conditions or outcomes relates to events and actions that have not yet occurred and may not occur, or that have occurred but are still evolving in unpredictable ways.

~~289. [201] [128] EER may contain different forms of future-oriented subject matter information, which may fall into one of those categories:~~

~~a) Information predicting future conditions or outcomes. This may include forecasts, projections, and information about future risks and opportunities.~~

~~b) Information regarding the entity's intentions or future strategy.~~

~~290. [202] [129] In all cases, the subject matter information is the result of applying criteria to the underlying subject matter, which require description of the future state or condition, or a future change in state or condition over time, of an aspect of the underlying subject matter.~~

EXAMPLE

~~If the underlying subject matter element was a forest under the control of the entity, the subject matter information might describe a forecast of the expected average growth of the trees over the next five years (future change in state over time), or the expected average height of the trees in five years' time (future state).~~

~~The subject matter information might also describe the future risks of disease affecting the forest (which would change its future condition), or the entity's future intentions to chop down parts of the forest (again changing is future condition).~~

291. [203] [130] Future-oriented subject matter information may describe:

(a) T~~t~~hings that will be subsequently observable; or

(b) H~~h~~ypothetical things that will never be observable.

292. [203] [131] For subsequently observable future-oriented information, it will be possible at a later point in time to observe the precision with which the forecast, projection~~, prediction~~, or intention reflected the subsequent reality, or the extent to which anticipated and unanticipated future risks or opportunities materialized. Hypothetical information includes a condition on the projection, prediction or intention. For example, a projection could be made, conditional on an entity winning a particular contract, that the entity's profit would increase 5% next year.

EXAMPLE

The difference between observable and hypothetical subject matter information is illustrated by the difference between a forecast and a projection (as based on definitions in ISAE 3400[40], paragraphs 4-5):

A **forecast** is prepared on the basis of assumptions as to future events that management expects to take place and the actions management expects to take as of the date the information is prepared (best estimate assumptions).

A **projection** is based on hypothetical assumptions about future events and management actions that are not necessarily expected to take place, or a combination of hypothetical and best estimate assumptions. Such information illustrates the possible consequences as of the date the information is prepared if the events and actions were to occur. This may be known as a scenario analysis.

~~293. [204] [132] As with narrative information, some future-oriented information is factual and therefore does not contain a significant degree of uncertainty, for example the debt maturity profile of an entity that is determined by contractual terms. An alternative example is where future-oriented information is repeated from an external source (for example, a central bank's inflation forecast), as the claim being made by the preparer is likely to only be that it is in a third party's information, which itself is verifiable.~~

~~294. [204] [133] As performing an assurance engagement on this type of information is not considered to pose a particular challenge for a practitioner, the remainder of this chapter of the document only considers future-oriented information subject to estimation uncertainty, referred to as subjective information.~~

[40] International Standard on Assurance Engagements (ISAE) 3400 (Revised), *The Examination of Prospective Financial Information*

Specific Considerations for Determining the Suitability of Criteria for Qualitative Information~~Specific Considerations for Determining the Suitability of Criteria~~

290. [202] [129] In all cases, the subject matter information is the result of applying criteria to the underlying subject matter, which require description of the future state or condition, or a future change in state or condition over time, of an aspect of the underlying subject matter.

> **EXAMPLE**
>
> If the underlying subject matter element was a forest under the control of the entity, the subject matter information might describe a forecast of the expected average growth of the trees over the next five years (future change in state over time), or the expected average height of the trees in five years' time (future state).
>
> The subject matter information might also describe the future risks of disease affecting the forest (which would change its future condition), or the entity's future intentions to chop down parts of the forest (again changing its future condition).

295. ~~[205] [134] Future-oriented information results from applying criteria to the underlying subject matter, just like any other subject matter information. However, the criteria~~The criteria will ask different questions about the underlying subject matter~~ elements~~, often asking for description of the future state or condition ~~of the elemen~~of an aspect of the underlying subject matter, ~~t,~~ or a future change in state or condition over time. ~~(see paragraph 202 for an example).~~

296. [206] [135] Whether the criteria from which future-oriented information results are suitable or not can be determined in the same way as any other criteria as described in ~~Chapter 7.~~G.Ch5

297. [207] [136] For subjective future-oriented information, ~~suitable~~ the practitioner may conclude that, in order for the criteria to~~may require~~ be suitable, ~~suitable criteria~~ disclosure criteria ~~may require~~are needed for ~~disclosure of~~ the assumptions made, and the nature, sources and extent of uncertainty. It may still be possible to obtain assurance on~~ver~~ uncertain subject matter information if it is supported by adequate disclosure such that the uncertainty is adequately conveyed to the intended users.

Specific Considerations for ~~Using Assertions and Testing~~Obtaining Evidence about~~on~~ Future-Oriented Information

298. [208] [137] ~~Assertions~~ Considerations for future-oriented subject matter information are likely to be similar to historical subject matter information with inherent measurement, ~~or~~ evaluation or occurrence uncertainty, and therefore the guidance in ~~Chapter 9~~G.Ch8 and the thought process set out in G.Ch 9 are ~~is~~ broadly applicable. ~~Where~~~~Where~~When~~re~~ future-oriented information is more subjective, ~~assertions~~ considerations relating to ~~such as~~ neutrality~~–~~, presentation and understandability may become ~~more of the focus for testing~~relatively more important when designing procedures, due to the risk of management bias~~. Presentation or understandability assertions may also be a focus where good disclosure of assumptions and the context of subjective information is necessary.~~ ~~.~~

299. [209] [138] When~~re~~~~Wherere~~ criteria require a statement of intended future strategy, a target, or other intentions of an entity~~,~~ (an explicit assertion), ~~the explicit material assertion that a practitioner can test is~~ a practitioner can design procedures to evaluate whether ~~whether~~

management or those charged with governance have an intention to follow that strategy, or that the target or intention exists. (existence assertion). Appropriate evidence could be obtained in the form of documentation of board meetings or actions that manageement management have already taken to work towards adopting the strategy or agreeing the target.

299A. There is likely to be a further implied assertion that the entity has the capability to carry out its intent, or will develop the means to do so, or there may be separate explicit criteria addressing capability. While there is not likely to be evidence available that the outcome will be achieved, the practitioner can design procedures to obtain evidence as to whether the preparer has a reasonable basis for making the assertions that are being made about future actions or events, for example, by considering the processes, systems, controls over the development of the assumptions, and the source data on which they are based.However, a practitioner is ordinarily not in a position to 'predict the future' to obtain assurance on whether the intended outcomes of a strategy or a target will be achieved or not.

300. [210] [139] Similarly, where criteria require information about future risks and opportunities to be reported, the assertions to be testedthe risks of material misstatement at the assertion level (for a reasonable assurance engagement) will likely include that the risks and opportunities exist (existence assertion) and that the list of risks and opportunities is complete (or relating to the completeness assertion) with respect to the risks and opportunities which would assist intended users' decision-making. Appropriate evidence could be obtained in the form of The completeness assertion may be tested by reference to the entity's risk register or records of discussions of those charged with governance. However, it is important that the processes and controls in place over the maintenance of the risk register and the minuting of discussions provide a reasonable basis for using these sources as evidence. See G.Ch6 for further guidance on considering the entity's system of internal control. .

301. [210] [140] The existence assertion is closely related to the underlying subject matter needing to be identifiable (see paragraph 48). A practitioner is ordinarily not able to obtain assurance on whether the risks and opportunities will materialize or not, however it may be possible in some circumstances to obtain assurance on information about the nature of the risks and opportunities, for example their likelihood or potential impact. Whether this is possible will depend on whether the exact applicable criteria are suitable and the availability of appropriate evidence. A common challenge is that the likelihood of and potential impact of risks and opportunities can change significantly and quickly due to factors that may be unknown by the entity or outside of its control.

302. [211] [141] Subject matter information predicting future conditions or outcomes (for example, forecasts, projections and predictions) relates to events and actions that have not yet occurred and may not occur, or that have occurred but are still evolving in unpredictable ways. It is not possible for the practitioner to determine As above, the practitioner is ordinarily not in a position to 'predict the future' and express an assurance conclusion as to whether the results or outcomes forecasted, projected or predictedor projected will be achieved or realized. ThTheTheTheTheThThe e practitioner may instead focus on whether any assumptions are reasonable, are supported by evidence, and that the subject matter information has been properly prepared in accordance with the applicable criteria. However, the practitioner may need to bear in mind that .

303. [212] [142] The practitioner may need to consider that while evidence may be available to support the assumptions on which the future-oriented subject matter information is based, suchsuch evidence is itself generally future-oriented and, therefore,may, itself, be speculative in nature, and

it may be necessary to perform sensitivity analyses to consider how significantly the outcomes might change if the assumptions were to change. ~~, as distinct from the evidence ordinarily available in relation to historical events and conditions.~~

304. [143] When considering subject matter information predicting future conditions or outcomes, the same thought process as was considered in ~~Chapter 10~~G.Ch9 can be applied. The practitioner may ask what decision is to be made, why the representations being made by the entity may not be true, how the risks of material misstatement might arise of those representations not being true, and how management of the entity manages and mitigates those risks.

305. [144] The practitioner's considerations in relation to the evidence that may be available may include, amongst other matters:

(a) What governance and oversight the entity has in place over the reporting of the ~~prospective EER~~subject matter information, and whether there are systems, processes and internal controls that provide a reasonable basis for the assumptions made by the entity and for the data or other information used as basis for its forecasts ~~or projections;~~(see G.Ch6);

(b) What sources of information the preparer has used as basis for the assumptions made, and the reliability of those sources;

(c) What statistical, mathematical or computer-~~-~~assisted modelling techniques, if any, the preparer has used, and what methods for developing and applying the assumptions have been used;

(d) How reliable those techniques and methods are, and how relevant they are to the underlying subject matter being forecast;

(e) The preparer's previous experience and competence in making ~~projections~~forecasts;

(f) The accuracy of previous ~~projections~~ forecasts made by the preparer and the reasons for significant differences between the ~~projected~~ forecast outcome and the actual outcome. When~~reWherere~~ the preparer has a history of making reasonably reliable ~~projections~~forecasts, that may reduce the risk of the future-oriented representations made by the entity being materially misstated. However, that may not be the case if the underlying subject matter is inherently volatile or subject to change. Even when conditions have been fairly stable or predictable in the past, that may not continue to be the case. For example, there may be more volatility in economic conditions than has been the case, historically, or matters such as the impacts of climate change may make it difficult to predict whether existing conditions will continue to prevail, whether there may be a change and, if there is, how significant that change might be or when it might occur;

(g) The time period being covered by the future-oriented information. The longer the time period covered, the more speculative the assumptions become as the ability to make a best estimate decreases;

(h) The inherent susceptibility of the underlying subject matter to change and the sensitivity of the assumptions to changes that may occur;

(i) The extent to which the future conditions are solely or partly under the entity's own control or whether they are outside of the entity's control;

(j) The evidence and documentation the preparer has in place to support both the assumptions made and the proper preparation of the subject matter information from those assumptions and how persuasive the evidence is; and

(k) Whether there is a need for subject matter or other expertise on the engagement team and, if so, the sources of that expertise.

306. [145] The considerations when designing and performing the procedures to obtain sufficient, appropriate evidence and when evaluating the sufficiency and appropriateness of evidence obtained are similar to those set out in ~~Chapter 10~~G.Ch9 and, where future-oriented information is presented in narrative form, also to the considerations set out in ~~Chapter 11~~G.Ch12.

307. [146] However, it may be more difficult to determine the persuasiveness of evidence when it is more speculative in nature than when it is factual. While written representations from management do not take the place of sufficient, appropriate evidence, it may be relatively more important in the context of an engagement to assure future-oriented information to obtain written representations from those charged with governance of the entity confirming that the assumptions as of the date of the assurance report remain appropriate even though the underlying information may have been accumulated~~accumulate~~ over time.

308. [147] ~~Similarly, future~~As future-oriented information is subject to greater uncertainty than historical information, ~~so it~~it may also be acceptable to ~~assess~~ evaluate whether the outcome is within a reasonable range of possible outcomes.

309. [148] ~~Disclosures~~ Presentation and disclosures may be particularly important in the context of future-oriented information to enable a user to understand the context for the subject matter information and the inherent uncertainties involved. The practitioner's considerations on whether the presentation and disclosures in the subject matter information are appropriate may include whether:

(a) The presentation of the future-oriented information is informative, neutral and not misleading;

(b) The assumptions used and the basis for those assumptions are clearly disclosed;

(c) The basis for establishing points in a range is disclosed and the range is not selected in a biased or misleading manner when the future-oriented EER subject matter information is expressed in terms of a range;

(d) The date as of which the future-oriented information was prepared is clear and there is a statement that the assumptions are appropriate as at that date;

(e) The uncertainties and sensitivities involved are disclosed, enabling a user to understand the implications of 'what if?'

(f) Where comparatives are presented, whether there have been any changes in the current period to the assumptions made or the basis on which the underlying subject matter has been prepared, the changes are disclosed together with the reasons for those changes and their effect on the subject matter information

309A. For an example of obtaining assurance on ~~[Examples under development of~~ future-oriented information ~~(~~with both qualitative and quantitative~~)~~ aspects, and including ~~disclosure(narrative and quantitative) including~~ disclosures; ~~one of which on strategy/ governance~~see Su~~]~~B [placeholder x]

Specific Considerations for Evaluating Misstatements in Future-Oriented Information

309B. As discussed in G.x, future-oriented information is generally subject to greater measurement, estimation, or evaluation uncertainty than historical information. As a result there may be a broad range of possible measurement or evaluation outcomes, and it can be more difficult to evaluate whether there is misstatement in the subject matter information, and ~~what the potential impact~~the materiality of such a misstatement ~~may be~~.

309C. For the purposes of evaluating the effect of uncorrected misstatements, and based on the evidence obtained, it may be helpful for the practitioner to distinguish between misstatements that are:

(a) Misstatements about which there is no doubt (factual misstatements)

(b) Differences arising from the preparer's judgments concerning estimates or forecasts that the practitioner considers unreasonable, or the selection or application of assumptions and methods that the practitioner considers inappropriate (judgmental misstatements)

(c) The practitioner's best estimate of quantitative misstatements in a population, involving the projection of misstatements identified in samples, selected by the practitioner for the purpose of performing their procedures, to the entire population from which the sample was drawn (projected misstatements).

309D. In some cases, misstatement could arise as a result of a combination of these circumstances, making separate identification difficult.

309E. The practitioner may also consider whether there are indicators of possible management bias in the selection of assumptions, methods or in the way in which the subject matter information is presented that may have implications for the rest of the EER engagement. For example, when the preparer has:

(a) changed the assumptions or methods used, or has made a subjective assessment that there has been a change in circumstances, without reasonable justification

(b) used assumptions that are inconsistent with observable marketplace assumptions, or has

~~(a)~~(c) selected significant assumptions that favor management's objectives, or that may indicate a pattern or trend.

309F. The practitioner may also consider whether the preparer has made adequate disclosures about the assumptions used in measuring or evaluating the subject matter information, and the uncertainties involved, to enable the intended users to understand the implications for their decision-making, and do not result in misleading subject matter information.

Specific Considerations for Communicating in Assurance Report~~ing Considerations for Qualitative Information~~ on Future-Oriented Information

309G As discussed in G.Ch11 and G.Ch12, the aim of the practitioner is to obtain sufficient appropriate evidence to be able to express a conclusion designed to enhance the degree of confidence of the intended users about the outcome of the measurement or evaluation of the underlying subject matter(s) against the criteria.

309H. When the underlying subject matter is subject to a high degree of estimation or evaluation uncertainty, there may be more variability or it may be open to greater interpretation than when there is less uncertainty. This may result in subject matter information that could be

misunderstood or misinterpreted by intended users. Consequently, it may be particularly important for intended users to have an understanding of the criteria used to evaluate the underlying subject matter, and for their attention to be drawn to this in the assurance report, for example by describing the inherent limitations associated with the measurement or evaluation of the underlying subject matter against the applicable criteria (see S.69.e)

EXAMPLE	For example, *[Name of entity] has prepared its forecast of expected outcomes related to [identified subject matter information] using a set of assumptions that include hypothetical assumptions about future events and management's actions. Actual outcomes are likely to be different from those forecast as anticipated events frequently do not occur as expected and the difference between the forecast outcome and the actual outcome may be material.*

Appendix 1

Terms used in this Guidance

Terms used	How described in the Guidance
Assurance competence	The competence needed to perform an assurance engagement, including competence in both assurance skills and techniques. G.88
Boundary of the subject matter information	Subject matter information for the engagement that is only part(s) of entity's EER report. G.12B
EER	Extended external reporting. G.7
EER assurance engagement	An -assurance engagements on EER. G.
EER information	Information about the financial and non-financial consequences of an entity's activities included in an entity's EER report. G.1
EER report	EER information presented as one or more section(s), report(s) or statement(s). G.2
Entity developed criteria	Criteria developed by the entity. G.3
Entity's reporting process	An entity's process to collect data and information, apply the criteria to the underlying subject matter and report information relevant to the preparation of the EER subject matter information. G.127A
External information source	An external (external to the preparer) individual or organization that provides data or information that ~~has been~~is used by the preparer in the preparation of an~~the~~ EER report. G.137
Financial information	Information about an entity's economic resources or obligations, or changes therein, as a consequence of the entity's transactions and other events and conditions. G.1A
Framework criteria	Criteria in EER frameworks, standards or guidance established by law or regulation, by international or national standard setters, or by other bodies. G.3
Preparer	A responsible party who is also the measurer or evaluator.

Terms used	How described in the Guidance
Reporting topics	Relevant (aspects of) underlying subject matter. G.51F
Subject matter competence	Competence in the underlying subject matter of the engagement and in its measurement or evaluation. G.88
Subject matter experts	Experts in the underlying subject matter and its measurement or evaluation.G.94
Substantive procedures	Assurance procedures other than testing of controls. G.263

Appendix 2

Table 1: Types of EER Reports, Example Frameworks Used and Whether Covered by this Guidance

Subject	Example of Available Reporting Frameworks or Standards	IAASB Standard(s)	Covered by the EER Guidance?
Greenhouse Gas Emissions	• WBCSD/WRI GHG Protocol • ISO 14064	• ISAE 3410 (requires compliance with ISAE 3000 (Revised))	• Yes
Integrated Reporting	• IIRC Integrated Reporting Framework	• ISAE 3000 (Revised)	• Yes
Intellectual Capital	• WICI Intangibles Reporting Framework	• ISAE 3000 (Revised)	• Yes
Management Commentary related to Financial Statements prepared under IFRS	• IASB Management Commentary Practice Statement	• ISAE 3000 (Revised)	• Yes
Public Sector Service Performance or Value for Money Statements	• Law, Regulation or Standards	• ISAE 3000 (Revised)	• Yes
Sustainability (Environment, Social, Governance)	• CDSB Framework • GSSB Standards • SASB Standards • TCFD Framework	• ISAE 3000 (Revised)	• Yes
Country-by-Country Taxes	• Law or Regulation • GSSB Standard: Tax and Payments to Governments	• ISAE 3000 (Revised) • ISA 800/805	• Yes • No
Compliance	• Law or Regulation • Contractual Terms	• ISAE 3000 (Revised)	• No
Historical Financial Statements	• IASB International Financial Reporting Standards (IFRS)	• ISAs • ISRE 2400 (Revised) or ISRE 2410	• No
Internal Controls at a Service Organisation	• COSO Internal Control - Integrated Framework • AICPA SOC 2 Trust Services Criteria	• ISAE 3402 (requires compliance with ISAE 3000 (Revised)) • ISAE 3000 (Revised)	• No