

NON-AUTHORITATIVE GUIDANCE ON APPLYING ISAE 3000 (REVISED) TO EXTENDED EXTERNAL REPORTING (EER) ASSURANCE ENGAGEMENTS

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Introduction

Scope

1. [\[1\]](#) Chapters 1 to 12 of this document provide practical non-authoritative guidance (hereafter ‘the Guidance’) intended to assist practitioners in performing assurance engagements in accordance with [International Standard on Assurance Engagements \(ISAE\) 3000 \(Revised\) Assurance Engagements Other than Audits or Reviews of Historical Financial Information](#) (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’*.
2. [\[1A\]](#) In explaining the principles and requirements of the Standard, the Guidance presumes that practitioners have an understanding of the entire text of the Standard.
3. [\[2\]](#) The scope of the guidance in this document is limited to specific areas where the IAASB identified¹ 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 are discussed below under *Circumstances Commonly Encountered in Relation to EER Assurance Engagements*.

Purpose and Intended Audience of the Guidance

4. [\[3\]](#) The aim of the IAASB in issuing the Guidance is to promote consistent high-quality application of the Standard in EER assurance engagements to:
 - Strengthen the influence of such engagements on the quality of EER reporting,
 - Enhance trust in the resulting assurance reports, and
 - Increase the credibility of EER reports so that they can be trusted and relied upon by their intended users.
5. [\[4\]](#) The intended audience of the Guidance is practitioners carrying out EER assurance engagements in accordance with the Standard. Although the Guidance may also assist other parties to an EER assurance engagement in understanding aspects of the performance of EER assurance engagements, such as preparers and users of EER reports, or regulators, it has not been developed with the needs of such parties in mind.

Nature of EER and Meaning of ‘EER Information’ and ‘EER Report’

6. [\[5\]](#) EER encapsulates many different types of reporting that provide information about the financial and non-financial consequences of an entity’s activities. EER may also include future-oriented information relating to these matters. Such information (referred to in this document as ‘EER information’) may be about the consequences of the entity’s activities for the entity’s own resources and relationships, or 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. EER information ~~therefore~~ may go beyond information related only to the entity’s own activities. The boundaries of the EER information and the scope of the related [EER](#) assurance engagement therefore need to be clearly defined, and ~~considered when determining preconditions align with a rational purpose to the engagement and with the expectation of being able to obtain evidence~~ (see Chapter 3).

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

7. [6] EER information –goes beyond the historical financial information typically included in statements of financial position or financial performance and related disclosures. Such financial information is expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in the past time period, or about economic conditions or circumstances at points in time in the past ~~–('historical financial information')~~.
8. [7] 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 as the 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 'EER information' means information that is covered by the EER assurance engagement. EER information may be less than a whole report and may be presented as one or more metric(s), section(s) or statement(s). Alternatively, EER information may be a whole report (referred to in this document as an 'EER report'). -

Circumstances Commonly Encountered in Relation to EER Assurance Engagements

9. [8] EER information is often voluntarily prepared and issued by entities, but increasingly may be required by law or regulation (such as the EU requirement² for a large company to include a non-financial statement in its annual report). Such information 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.
10. [9] EER information may address diverse underlying subject matter(s), or aspects thereof, which may be complex and may have diverse characteristics that range from objective to subjective, historical to future-oriented, or a combination, and may include both non-financial (including non-monetary) information and financial information. Where EER information includes both non-financial and financial information, the extent to which the Standard is relevant is a matter for the assurance practitioner's professional judgment. For example, where historical financial information is a relatively minor part, the Standard may apply on its own. However, where historical financial information is a key part of the engagement, International Standards on Auditing may also apply. Due to the wide range of available EER frameworks, there may be diversity in the criteria used to prepare the EER information. 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. It may, therefore, be ~~particularly~~ important for practitioners to exercise professional skepticism and professional judgment in performing EER assurance engagements (see Chapter 2).
11. [10] The outcomes of measuring or evaluating aspects of the EER underlying subject matter by applying the criteria are presented in the EER information, and the nature of those outcomes may be diverse. Some may be presented principally in quantified terms and others may be presented principally in qualitative (narrative or descriptive) terms. In either case, the principal presentation may be accompanied by related disclosures. As a result, EER reports may be diverse in structure and format.

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

12. [\[11\]](#) EER information may also be presented in diverse forms, including text, charts, graphs, diagrams, images or embedded videos.
13. [\[12\]](#) 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 fully developed, particularly when an entity first starts to prepare its EER report (See Chapter 6).

Authority of the Guidance

14. [\[13\]](#) The Standard is the IAASB's authoritative pronouncement that governs the performance of assurance engagements other than audits or reviews of historical financial information. The Standard therefore governs EER assurance engagements. There is no requirement to refer to the Guidance in performing such an engagement, but the Guidance may be used as reference material in doing so. The Guidance is not a comprehensive text that addresses all aspects of performing an EER assurance engagement.
15. [\[14\]](#) 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.
16. [\[15\]](#) 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 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 [24](#) in Appendix 2.
17. [\[16\]](#) The Standard can be used in both [direct engagements](#) and [attestation engagements](#). Like the Standard, the Guidance is written in the context of attestation engagements, and may be applied to direct engagements, adapted and supplemented as necessary in the engagement circumstances.

Using the Guidance

18. [\[17\]](#) The guidance in this document is structured in chapters that relate to specific stages and other aspects of an EER assurance engagement performed in accordance with the Standard. Diagram 1 below is useful in navigating 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 10 and 11 address specific considerations from acceptance to reporting in the context of qualitative and future-oriented information, respectively; the guidance in those chapters is intended to be read in conjunction with relevant guidance in other chapters
19. [\[18\]](#) 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'.
20. [\[19\]](#) 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 referenced, where relevant, to

requirements and application material in the Standard, or to specific guidance and examples in the same or other chapters.

21. [\[21\]](#) 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.
22. [\[20\]](#) Diagram 1 below provides an overview of all the aspects of the performance of an EER assurance engagement under the Standard (see [descriptions and paragraph](#) numbers within the 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 reference 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.

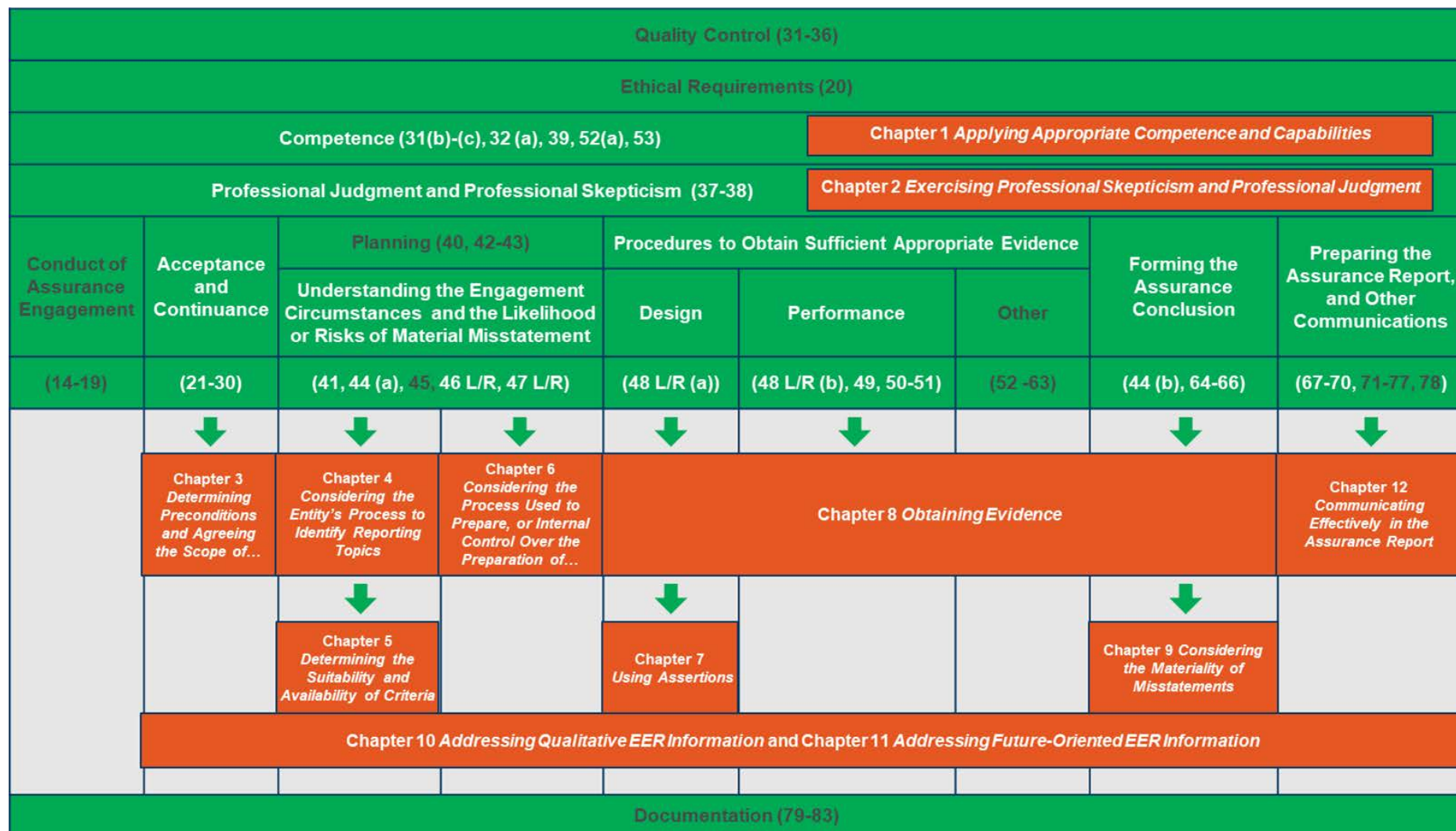


Diagram 1 – Relationships Between Stages of Engagement, Standard Requirements, and this Guidance

Chapter 1: Applying Appropriate Competence and Capabilities

Matters Addressed by the Guidance in this Chapter

23. ~~[23]~~ This Chapter provides guidance on the assignment of the engagement team with the competence and capabilities that may be needed to perform an EER assurance engagement, and to meet the requirements of paragraphs 31-32 of the Standard. It also provides guidance on the required competence of the engagement partner, and their responsibility for:
- Managing the combined competence of the engagement team and any practitioner's external experts, and
 - The appropriate deployment of such combined competence, throughout the engagement, through direction, supervision and review of the work of the members of the engagement team.
24. ~~[24]~~ The focus of the Guidance is on the practitioner's competence to perform the engagement in accordance with the requirements of the Standard, and to issue an 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.
25. ~~24A–[24A]~~ The competence needed to perform an assurance engagement includes both competence in assurance skills and techniques ('assurance competence') and competence in the underlying subject matter of the engagement and in its measurement or evaluation ('subject matter competence').

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

26. ~~[25]~~ As discussed in the Introduction, 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 reports often may be less developed than in a financial reporting context, particularly when an entity first starts to prepare its EER reporting. All these matters influence the appropriate assurance competence and subject matter expertise, for example, scientific, engineering or other skills, that may be needed to perform the engagement, depending on the particular engagement circumstances.
27. ~~[26] In an EER assurance engagement, while the practitioner may have some subject matter competence, I~~ the subject matter competence that may be needed on ~~such an EER assurance engagement may go beyond that ordinarily possessed by most practitioners. In such a case, the practitioner may need to use the work of a practitioner's expert.~~
28. ~~[27]~~ Such an expert has specialized skills and knowledge that enable an informed and knowledgeable view on the underlying subject matter, but they may not have the assurance competence that is needed to perform an assurance engagement in accordance with the Standard. 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.

Assignment of the Team with Appropriate Assurance Competence and Subject Matter Competence

29. [28] Assurance competence is required to be applied as part of an iterative, systematic engagement process to obtain sufficient appropriate evidence to support the practitioner's assurance conclusion., ~~and This~~ includes skills and techniques ~~those related to~~ planning, evidence gathering, evidence evaluation, communication and reporting ~~skills and techniques~~ demonstrated by a practitioner. Assurance competence includes those skills and techniques listed in paragraph A9 of the Standard; accordingly, assurance competence is distinct from, and calls for more than application of, subject matter competence.
30. [29] On broader or more complex EER assurance engagements, or when the measurement or evaluation of the underlying subject matter needs specialized skills, the practitioner may judge it necessary for the work to be performed by a multidisciplinary team that includes both appropriate assurance- ~~competence~~ and one or more practitioner's experts. Members of the engagement team, other than the engagement partner (see paragraphs ~~375-37-41~~ below for guidance on the competence of the engagement partner), who perform the engagement, may each have a combination of more or less extensive assurance competence and more or less extensive subject matter competence. However, members of the engagement teams may need some competence in both, as well as industry and sector knowledge, to be able to consider the information needs of intended users and exercise the professional skepticism and professional judgment needed during planning and performing an assurance engagement.
31. [30] Both practitioners and practitioner's 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 practitioner's expert, such as a biochemist, may have expertise in environmental waste measurement and management, or a lawyer may have expertise in environmental or human rights legislation.
32. [31] What constitutes sufficient subject matter competence depends on the engagement circumstances, and differs from engagement to engagement. Whether the engagement partner has sufficient subject matter competence in order to accept responsibility for the assurance conclusion, and the extent to which the work of experts is used, and how it is used, are matters of professional judgment for the engagement partner, and may involve taking account of factors such as:
- (a) The judgment involved in identifying the reporting topics for inclusion in the entity's EER information;
 - (b) The judgment involved in agreeing the ~~boundary of the~~ subject matter information that is within the scope of the EER assurance engagement;
 - (c) The nature and complexity of the underlying subject matter and its measurement or evaluation;
 - (d) 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, and

- (e) The engagement partner's and engagement team's competence and previous experience in relation to the underlying subject matter.

33. [34] The following example illustrates some of the considerations relating to the collective competence of the engagement team that may apply in a relatively less complex engagement.

EXAMPLE

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

- its greenhouse gas (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 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.

By contrast, an energy company reports on the quality of effluent associated with a power plant. A practitioner may utilize a biologist, chemist or physicist (practitioner's expert), as appropriate, to assist in designing and performing procedures associated with measuring effluent quality.

34. [32] 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 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).
35. [33] The more complex the engagement, the more necessary it may be to consider how the work of the practitioners and the work of the practitioner's expert(s) is to be integrated across the engagement. The appropriate application of competence in performing the engagement depends on the individual practitioners and practitioner's experts who are to perform the engagement:
- Both having the appropriate competence to perform the roles assigned to them, and
 - Working together effectively as a multidisciplinary team in performing the engagement.
36. [33A] When there are multiple aspects to the subject matter information that involve using the work of different practitioner's experts, or when the entity is a large, diverse and complex organization, with other practitioners ~~to performing~~ some of the work on behalf of the practitioner, it may be particularly important to communicate clearly with those practitioner's experts or those other practitioners about the scope and timing of their work and about their findings.

EXAMPLE

A large company with diverse mining operations in a number of territories has asked for assurance on its environmental reporting, among other topics. The environmental reporting includes information on the company's tailings management; water consumption; impact on water quality; noise and vibration impacts; biodiversity management and land rehabilitation; greenhouse gas emissions; hazardous materials management; health and safety incidents, and its emergency preparedness.

In this example, it may be necessary to use the work of a number of practitioner's experts such as geotechnical engineers, geochemists, environmental scientists, health and safety experts, and legal experts. In addition, there may be a need to use the work of ~~one or more~~ other practitioners in relation to the entity's mining operations located in other territories.

In such a case, it may be particularly important for the practitioner to:

- communicate clearly with the practitioner's experts or other practitioners about the scope and timing of their work;
- consider to what extent the practitioner may need to be involved in the work of the practitioner's experts or other practitioners to direct, supervise and review their work, and
- communicate the findings of the work of practitioner's experts or other practitioners to other members of the engagement team.

Competence and Responsibilities of the Engagement Partner

37. [35] The Standard, paragraphs 31(b)-(c), requires that, in addition to being satisfied that those persons who are to perform the engagement have the appropriate competence and capabilities, 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.
38. [36] A practitioner may use the work of a practitioner's expert if, having followed the requirements of paragraph 52 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 may need to have sufficient understanding of the underlying subject matter and sufficient subject matter competence, in addition to having extensive assurance competence, to be able to:
 - (a) When needed, ask appropriate questions of the expert and evaluate whether the answers make sense in the engagement circumstances;
 - (b) Evaluate the expert's work and, to the extent needed, integrate it with the work of the engagement team as a whole, and
 - (c) Take responsibility for the conclusions reached.
39. [36A] Similarly, a practitioner may use the work of the entity's internal audit function if, having followed the requirements of paragraph 55 of the Standard, they conclude that the work of the internal audit function is adequate for the purposes of the engagement.

40. [36B] Paragraphs A121-A135 of the Standard give further guidance when the work of a practitioner's expert is to be used. While written in the context of using the work of a practitioner's expert, those paragraphs may also provide helpful guidance when using work performed by a management's expert, or an internal auditor. For further guidance on the evaluation of competence and objectivity of the practitioner's expert, see Appendix 3 Limited and Reasonable Assurance Engagements – EER Illustrative Table.
41. [37] The engagement partner also requires appropriate competence to take responsibility for the overall quality of the engagement – see paragraph 33 of the Standard.

Direction, Supervision and Review

42. [38] In making decisions about the direction, supervision and review of the work performed throughout the engagement, the less the assurance competence of a team member, the greater may be the need for direction, supervision and review of their work. Similarly, the less 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.

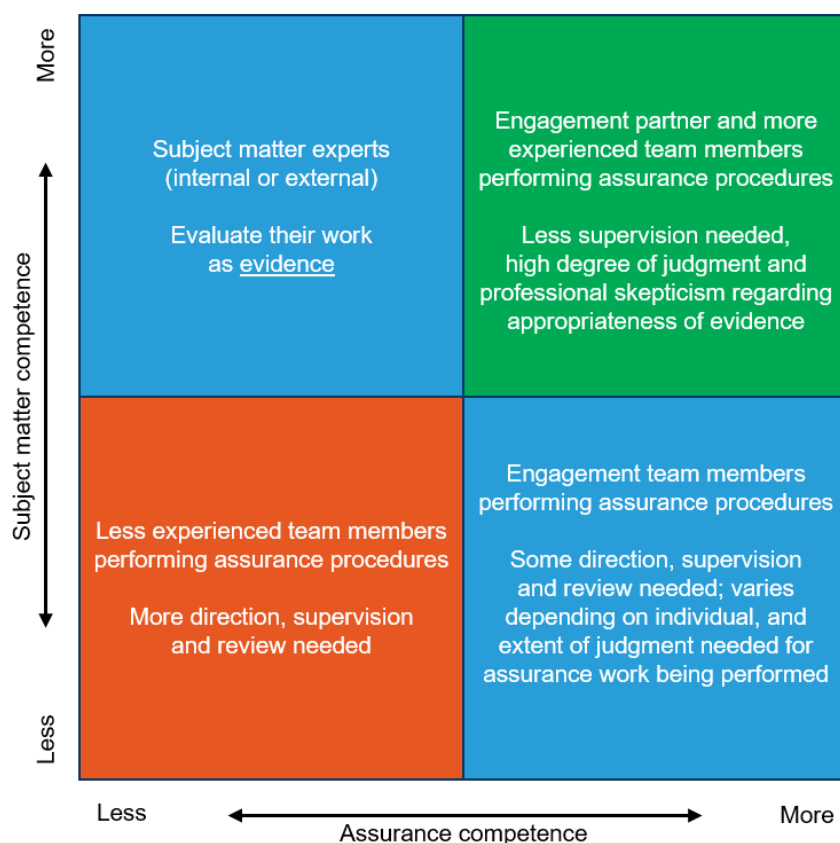


Diagram 2 – Relating Competence to Direction, Supervision and Review

43. [39] The diagram above illustrates the range of assurance competence and subject matter competence that may be available on the engagement team, and the direction, supervision and review that may be appropriate.

44. [40] The extent and nature of direction, supervision and review needed in the engagement circumstances are a matter of professional judgment, and may take 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;
 - (e) Whether the practitioner's expert has sufficient understanding of relevant ISAEs to enable them to relate the work assigned to them to the engagement objectives; and
 - (f) Whether or not the firm has a well-developed methodology for practitioners to follow when performing a particular type of EER assurance engagement.
45. [41] 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.

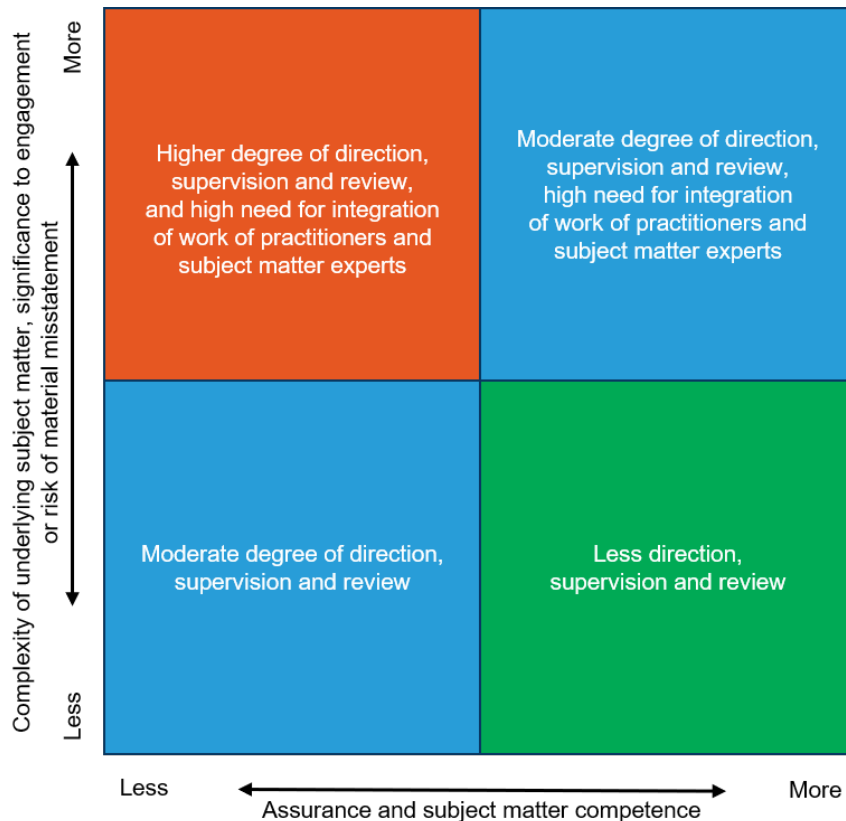


Diagram 3 – Relating Complexity and Significance to Direction, Supervision and Review

Other Quality Control Considerations

46. [42] The premise on which the Standard is based includes that practitioners are members of a firm that is subject to quality control requirements that are 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 A61 of the Standard, and that are communicated to the firm's personnel. In the absence of being subject to such quality control requirements, the practitioner is not able to perform an EER assurance engagement in conformity with the Standard.
47. [43] Practitioners are often professional accountants (i.e., ~~are~~ individuals who are members of an IFAC member body), 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
 - Are able to evidence that they are a member of a firm that is subject to quality control requirements that are at least as demanding as ISQC 1.
 - Comply with relevant ethical and independence requirements that are at least as demanding as the *International Code of Ethics for Professional Accountants (including International Independence Standards)*
48. [44] When the entity has a subsidiary, division, branch or operational site in a different jurisdiction or at a remote location, the practitioner may use the work of another practitioner to perform assurance procedures at that entity. However, the engagement partner remains responsible for the overall assurance conclusion and for the quality control of the engagement.
49. [45] The Standard, paragraph 53, requires the practitioner to evaluate whether the work of another practitioner whose work is being used, for example in a multi-team or multi-location engagement, is adequate for the practitioner's purposes. The guidance in paragraphs A121-A135 of the Standard, though written in the context of using the work of a practitioner's expert, identifies a number of factors that may be taken into account, and may therefore also provide helpful guidance in this context. 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, may be a factor, among other factors, to take into account in considering the appropriate degree of direction, supervision and review of the other practitioner's work.

Chapter 2: Exercising Professional Skepticism and Professional Judgment

Matters Addressed by the Guidance in this Chapter

50. [46] This Chapter:

- Discusses why professional skepticism and the exercise of professional judgment required by paragraphs 37-38 of the Standard, are important in the context of an EER assurance engagement;
- Discusses, and gives examples of, what might impede the exercise of exercising professional skepticism in an EER assurance engagement;
- Indicates behaviors and skills that may support the exercise of professional skepticism, and
- Gives examples of the exercise of demonstrating professional skepticism and the exercise of exercising professional judgment in the context of an EER assurance engagement.

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

51. [49] In an EER assurance engagement, it may be challenging to:

- (a) Understand the needs of intended users because diverse groups of users may have differing decision-making needs;
- (b) Understand complex interrelationships between, and the relative importance of, diverse aspects of the underlying EER ~~underlying~~ subject matter and their impacts in the context of the entity's business. The larger, more complex and more diverse the entity (e.g., the greater its geographical spread, and the more dependent it is on a long and diverse supply chain), the more challenging it may be to understand:
 - (i) Whether the underlying subject matter is appropriate in the engagement circumstances, or
 - (ii) How much prominence should be given to each aspect of the subject matter information in the context of the EER information as a whole;
- (c) Determine whether the criteria are suitable, when there are numerous possible EER frameworks, criteria or bases of preparation for each underlying subject matter from which the preparer may select. This may be particularly challenging when the EER subject matter information is voluntarily reported, without regulatory oversight;
- (d) Determine whether assumptions and methods used by the preparer are appropriate because:
 - (i) There may be numerous acceptable assumptions or methods that could be used, or
 - (ii) The underlying subject matter may be complex to measure or evaluate, or subject to uncertainties, for example potential climate-related risks, the likelihood of their occurrence, and their expected short, medium and long-term financial and non-financial impacts on an entity and its supply chain may be both complex to ~~evaluate and measure~~ and evaluate, and subject to a high degree of uncertainty;
- (e) Recognize unusual circumstances or omissions of information when they occur, because:

- (i) EER reporting frameworks are often still being refined, allowing for different interpretations or applications of the criteria,
 - (ii) Entities' systems, processes and controls may still be developing, or there may be less engagement by those charged with governance ('TCWG') with, or management priority given to, EER matters than for financial ~~performance strategy~~ and ~~strategy performance~~; misstatements, including omissions, of information may therefore occur without being prevented or detected and corrected;
 - (f) Evaluate whether uncorrected misstatements are material, individually or in the aggregate, because:
 - (i) The intended users may have diverse needs; what is material to one group may not be to another, or
 - (ii) There may be numerous different aspects to the subject matter information with no common basis for aggregating and evaluating misstatements;
 - (g) Evaluate the sufficiency and appropriateness of evidence obtained; for example, the preparer may have used information generated by external parties in preparing its EER subject matter information; and
 - (h) Form a conclusion about whether the subject matter information is free of material misstatement.
52. **[49A]** In addition to the factors above, other pressures such as fee or time pressures may act as impediments to the exercise of professional skepticism, as may an organizational culture or 'tone at the top' at either the preparer organization or at the practitioner's firm. While fee or time pressures, and 'tone at the top' are not unique considerations for EER engagements, they may be more prevalent in EER engagements as:
- Entities may not place the same importance on EER matters as they do on financial performance and reporting, or there may not be a regulatory requirement to report on EER matters, so there may be greater pressure to keep fees low, resulting in time pressures for the engagement team;
 - An entity's 'tone at the top' that does not place importance on EER matters may result in fewer resources being allocated to developing systems and processes to manage and report on the subject matter information;
 - Entities or engagement partners may ~~be less not be~~ willing to ~~challenge or~~ accept challenge ~~on matters~~ when there is not one generally accepted way in which to measure or evaluate and report the EER information.
53. **[58]** There may also be impediments to the exercise of professional skepticism that arise as a result of factors at firm level, engagement level or personal level. For example, personal traits such as personal bias, attitudes, beliefs and values may be more prevalent for certain EER subject matter(s), such as climate change mitigation, preservation of biodiversity, safe disposal of hazardous waste, fair treatment of local communities, and gender or ethnic equality, than for matters such as staff turnover and recruitment practices. Other possible impediments internal to the practitioner's firm are included in Diagram 4a below.

54. [51] Sufficient knowledge of the [engagement circumstances](#), as well as assurance competence are important to being able to exercise professional skepticism and professional judgment in making assurance decisions. Paragraphs A76-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. ↴

Exercising 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 (see paragraph 12-(u) of the Standard)

55. [52] Professional skepticism may be founded on an attitude that is –neither unduly cynical nor accepting of plausible-sounding representations or answers to inquiries at face value, unless these representations or answers support other evidence obtained.
56. [52A] It is important to understand professional skepticism as an attitude of the practitioner. As such, professional skepticism in an EER assurance engagement is similar to professional skepticism in any other assurance engagement, although, as discussed in paragraphs ~~48~~, ~~49~~[51](#), ~~49A-52~~ and ~~58-53~~ above, there may be a heightened need for the exercise of professional skepticism in aspects of an EER assurance engagement.
57. [53] The importance of professional skepticism to the interests of intended users may be underscored by increased risk of material misstatement, whether due to fraud or error, resulting from:
- 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 report.
58. [55] The diagram below indicates:
- Factors contributing to the need for professional skepticism in the context of an EER assurance engagement, also discussed in paragraphs ~~48~~, ~~49~~[51](#), ~~49A-52~~ and ~~58-53~~ above, and
 - Some possible impediments to the exercise of professional skepticism.
59. [55A] It is not intended to illustrate all possible factors or impediments, but is indicative of those that may influence the practitioner's exercise of professional skepticism. The dotted boxes are intended to indicate that further impediments or factors may be identified by the practitioner. An awareness of these factors can help practitioners to mitigate their impact by taking appropriate action.

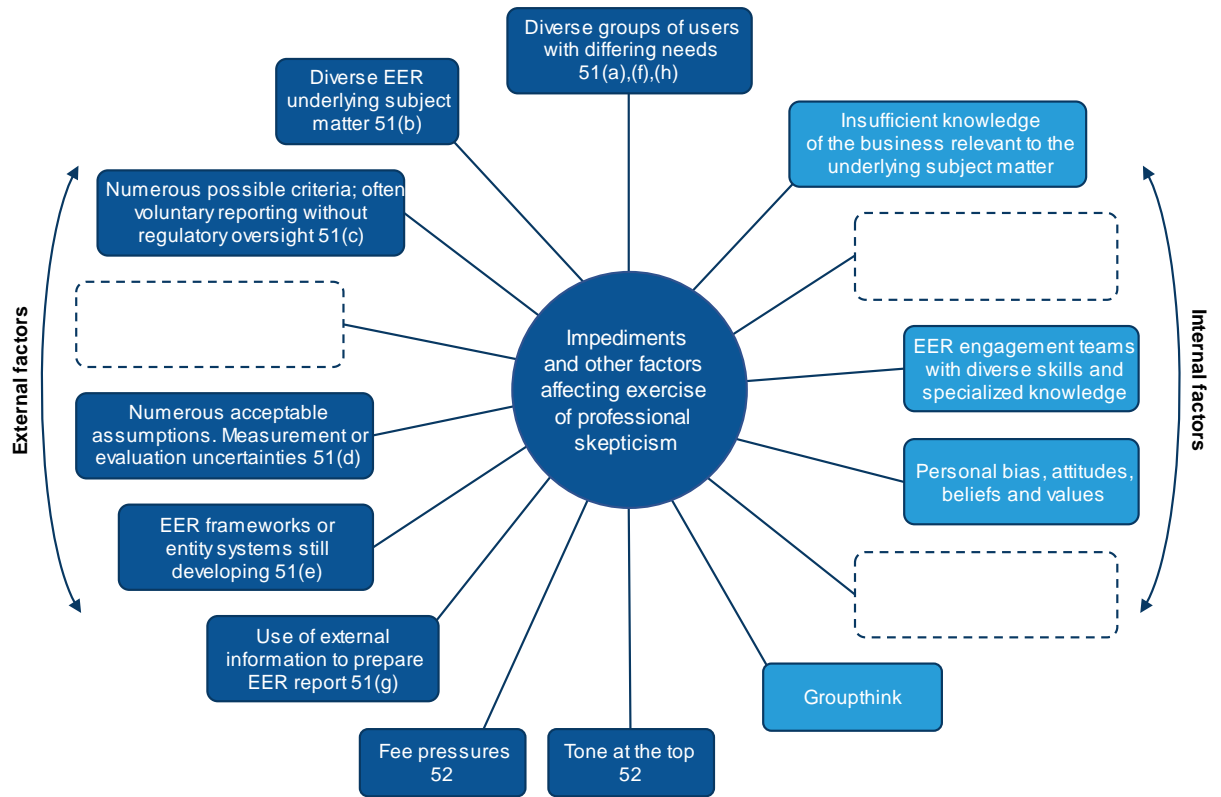


Diagram 4 – Factors Increasing the Need for, and Possible Impediments Affecting the Exercise of, Professional Skepticism

60. **[55B]** The following are two examples of how factors external to the practitioner in an EER engagement may contribute to the need for professional skepticism in the circumstances of the EER engagement.

Example – Lack of Engagement by TCWG

Those charged with governance of an entity pay little attention to environmental and social matters, preferring to focus their attention on maximizing short-term financial return for owners, and on expansion of the business. They delegate environmental and social matters to members of the management team with specialized skills and knowledge. Management remuneration includes a bonus for reaching predetermined targets in all areas of the entity's performance.

Without appropriate governance and oversight, environmental and social matters may not be seen as important, and reporting may not be prepared with the rigor that is given to reporting financial performance. As a result, environmental or social matters at the entity may not be well-managed, or errors may occur in the reported EER information without being detected and corrected. Bonuses based on performance, coupled with the lack of oversight, may increase the risk of misstatement due to fraud, which heightens the need for the practitioner to exercise professional skepticism. Indicators of a heightened need for professional skepticism might include, for example, becoming aware of evidence inconsistent with that already obtained, management acting in a suspicious manner or failing to provide evidence or adequate explanations.

Example – Diverse Underlying Subject Matters and Diverse Criteria

A mining company reports on its alignment with the UN Sustainable Development Goals ('SDGs'). It has used several reporting frameworks as a basis for selecting the criteria, and has developed its own additional criteria to supplement the framework criteria. It has elected to leave out of its reporting *No Poverty* (SDG1), *Zero Hunger* (SDG2), and *Life Below Water* (SDG14).

It may be difficult for the practitioner to determine whether the criteria selected and developed are suitable. The SDGs are high-level principles, covering a wide range of aspects of underlying subject matter, and there is not one mandated reporting framework (set of criteria) to use. It may also be difficult for the practitioner to determine whether it is appropriate for the entity to omit information, such as that relating to the three goals noted above. While entities are not required to report on all the SDGs, if the entity is reporting on SDGs where the entity has taken positive action, but is neglecting to report on SDGs where the entity's impact has been negative, that may call into question the suitability of the criteria, for example whether they are neutral.

It may, therefore, be particularly important for the practitioner to have a sound knowledge of the industry, business and other engagement circumstances to be able to exercise professional skepticism. For example, if the practitioner were aware that the mining company's production processes could be contaminating water courses, the practitioner may be able to question why the entity had not included reporting on SDG14. Similar considerations might apply in the case of other omitted SDGs.

61. [55C] The following is an example of factors internal to the practitioner's firm in an EER engagement that may impede the exercise of professional skepticism.

Example – Insufficient Knowledge of the Business

A practitioner has extensive financial statement audit experience in the agriculture sector, as well as experience in assuring ESG reporting. The practitioner has been asked to perform an EER assurance engagement on a financial institution's disclosures of its physical and transition climate-related risks in relation to its mortgage business.

While the practitioner has assurance skills and competence, and understands climate-related reporting, they may not have sufficient knowledge of the financial services industry to be able to question management's assumptions with professional skepticism about the effect of climate risks on properties on which the entity has lent mortgages.

To be able to question management's assumptions on matters such as availability of insurance, property prices, consumer behavior in the face of negative equity, the risks of customer default, and the relative importance of each, it is important for the practitioner to have sound industry knowledge as well as knowledge of the particular entity's business, or to recognize that they may need to include industry expertise on the engagement team.

62. [55D] The diagram below indicates both the behaviors and skills that may support the exercise of professional skepticism, and that might be able to be applied in situations such as those illustrated in the examples above. The dotted boxes are intended to indicate further behaviors or skills that may be identified by the practitioner.

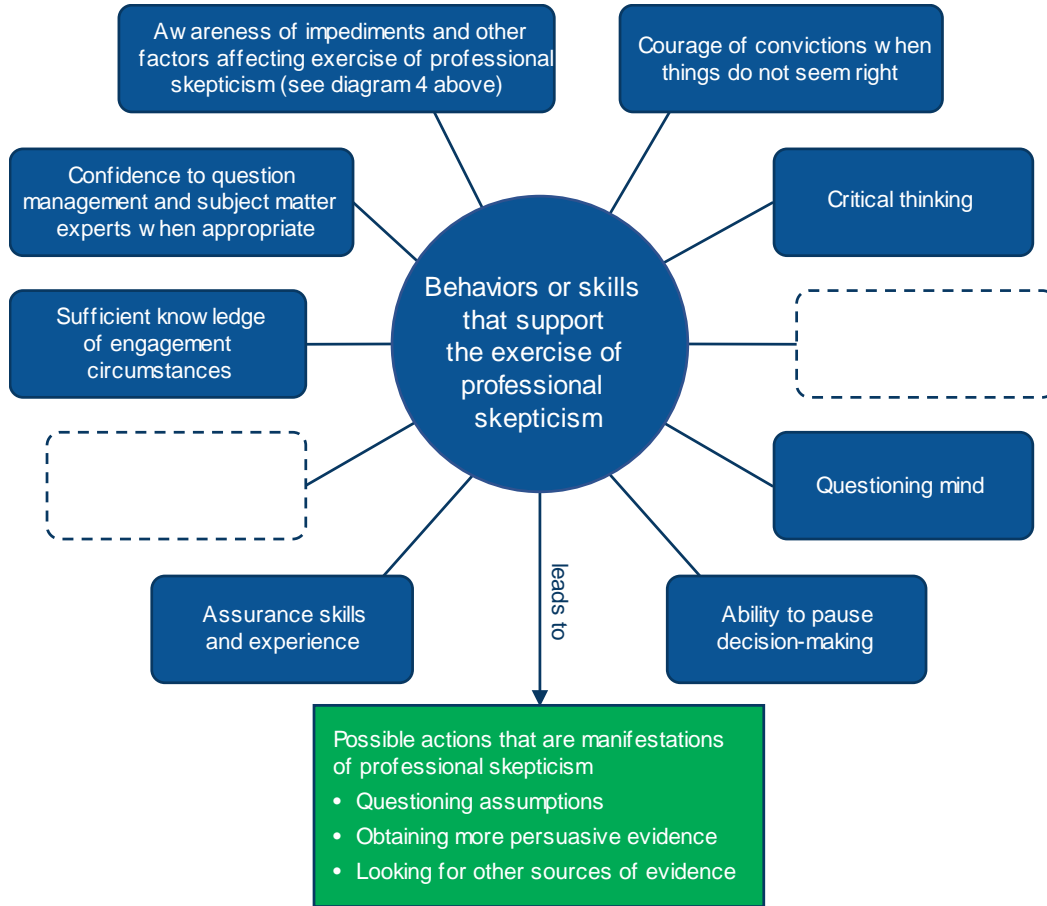


Diagram 5 – Behaviors or Skills that Support the Exercise of Professional Skepticism

63. [55B] The example below illustrates how some of the behaviors and skills set out in the diagram above may support the exercise of professional skepticism.

EXAMPLE

An engagement team member enquires about the decrease in an entity's GHG emissions and waste generated since the previous year. Management explains that, because production decreased significantly during the 2020 lockdown due to the COVID-19 pandemic, those metrics also decreased.

~~While t~~~~This response may seem~~s plausible ~~in certain sectors~~, ~~but~~ the entity is in the food production business, producing tinned and dry foods. The senior manager on the engagement team, showing a questioning mind (a behavior expressing an attitude) and awareness of the wider engagement circumstances (knowledge and skills), suggests that, during lockdown, those items might have been expected to be in greater demand than usual. The senior manager, showing critical thinking (behavior) and awareness of the connection of the GHG emissions to production and financial reporting records (knowledge and skills), suggests that, before speaking to management again, the team might look at the entity's sales records to see if sales have increased or decreased (i.e., the action flowing from the exercise of professional skepticism is that the team will look for other sources of evidence).

As expected, sales have increased, particularly during the first quarter of the year, which is historically a quiet period after the festive season. The engagement team proposes to follow up with management to obtain an explanation about how sales have increased if production decreased, and, if necessary, to ask for stock records at the end of the previous period to check whether high stock levels could explain high sales without a corresponding increase in production. Their proposed approach to question management and obtain further evidence (actions) shows that they are able to pause their decision-making (behavior) and are willing to ask further questions (action) when things do not seem right or do not make sense in light of what they know.

The senior manager exercised professional skepticism by not accepting management's explanation at face value, even though ~~it~~~~in other circumstances it may have~~ sounded plausible. Demonstrating the exercise of professional skepticism, suggesting actions and explaining the reasons for those actions also assist in important on the job coaching of less experienced engagement team members (action).

Exercising 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 (see paragraph 12–(t) of the Standard)

64. [59] Practical experience and 'on the job' coaching 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.

65. [60] Subject matter experts exercise judgment in relation to their area of subject matter expertise. ~~However, but~~ the Standard specifically contemplates professional judgment as part of the assurance competence of a practitioner, acquired through extensive training, knowledge and practical experience. In an EER assurance engagement, the exercise of professional judgment is necessary regarding decisions about, amongst other matters:
- (a) The presence of the preconditions for assurance;
 - (b) Materiality;
 - (c) Engagement risk;
 - (d) The nature, timing and extent of procedures that will enable sufficient appropriate evidence to be obtained to comply with the requirements of the relevant ISAE(s);
 - (e) Evaluating the evidence obtained and drawing appropriate conclusions based on that evidence, and
 - (f) The actions to take in exercising professional skepticism.

EXAMPLE

An entity has asked for assurance on its EER information. The preparer asserts that they have complied with a particular framework that requires, among other matters, an entity's societal and environmental impacts to be disclosed and, where appropriate, quantified. The practitioner is considering whether or not to accept the EER assurance engagement.

The practitioner has had previous experience with the selected framework, and considers it to be suitable. The underlying subject matter, about which the framework requires reporting, is appropriate for the intended users and purpose identified by the preparer. Through discussions with the preparer, the practitioner expects to be able to obtain the evidence needed to support their conclusion. The preconditions therefore seem to be present. However, during discussions, the practitioner asks about a license granted to the entity to mine for copper in a fragile ecosystem. The preparer says they will not disclose anything about the new mining operations, as the infrastructure is not fully completed and operations have only just begun. Further, the mine is immaterial in the context of the entity's global operations, which include much bigger platinum and gold mines.

The practitioner discussed the matter further with the preparer, including reasons why the matter might be important to report, and considered whether ~~not disclosing non-reporting~~ might affect the decisions of intended users. The practitioner is of the view that, even if not material quantitatively, there are qualitative factors to be considered, including the effect on the fragile ecosystem, its biodiversity, and on the local indigenous people, whose numbers are fast dwindling due to encroachment from development. Those matters, in turn, could have an impact on the entity in the future. In the practitioner's professional judgment, omitting information about the new mine could be misleading to the intended users, and mean that the preconditions for assurance are not present (see Chapter 3). If the preparer is unwilling to make changes, the practitioner is of the view that they would not accept the EER assurance engagement

Professional Skepticism and Professional Judgment Throughout the Engagement

66. [61] Professional skepticism and the exercising of professional judgment are discussed throughout the chapters of the Guidance where relevant, and illustrated by way of examples related to specific decision points in the stages of an EER assurance engagement. Within the examples in those chapters, specific illustrations demonstrating professional skepticism or the exercise of professional judgment are identified by the symbols below. They are not intended to indicate every place in the Guidance where the exercise of professional skepticism and professional judgment is discussed.



Professional Skepticism



Professional Judgment

Chapter 3: Determining Preconditions and Agreeing the Scope of the EER Assurance Engagement

Matters Addressed by the Guidance in this Chapter

67. [64] This Chapter provides guidance on applying the acceptance and continuance requirements of paragraphs 21-30 of the Standard in the context of a proposed EER assurance engagement. It focuses on:
- Establishing whether the preconditions are present;
 - 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 proposed engagement.

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

68. [65] Establishing whether the preconditions are present before accepting or continuing an assurance engagement is one of the first key decisions for the practitioner ~~in relation to a proposed assurance engagement~~. In an EER engagement:
- 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;
 - The criteria used to measure or evaluate the underlying subject matter may be a framework, or aspects of a framework, selected from numerous possible frameworks, or may include a significant element of entity-developed criteria.
69. [65A] 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 subject matter information for the engagement being only part(s) of the entity's EER report. These factors may increase the opportunity for bias in the scope of the subject matter information proposed by the preparer for assurance and in the preparation of the subject matter information.
70. [66] When all or some of the above factors are present, especially in an initial engagement, a more extensive work effort may be necessary than in a well-established area of reporting and assurance in order to meet the acceptance and continuance requirements. In some circumstances, the practitioner may encounter potential impediments to acceptance. In such circumstances, a separate non-assurance engagement to evaluate the maturity of the entity's reporting and inform the preparer about its readiness for an EER assurance engagement may be a valuable precursor to the entity's seeking assurance.
71. [66A] However, while such an engagement can serve a valuable purpose in enhancing the entity's reporting process sufficiently so 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 EER assurance engagement. See also paragraphs 1127-12146 below.

Establishing Whether the Preconditions are Present in an EER Assurance Engagement

72. ~~[67]~~ The practitioner is only permitted to accept or continue an assurance engagement when, among other matters, they have established that the preconditions for an assurance engagement are present, based on a preliminary knowledge of the [engagement circumstances](#) and discussion with the preparer. It may be useful for the practitioner to consider holding discussions with ~~the audit committee or~~ those charged with governance, in addition to those directly involved in preparing the subject matter information, to obtain their ~~perspectives of those charged with governance of the entity~~.
73. ~~[68]~~ 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. The practitioner's considerations may focus on whether the engagement circumstances have changed since the previous period.
74. ~~[69]~~ The preconditions are set out in paragraph 24 of the Standard. The practitioner will need a sufficient preliminary knowledge of the engagement circumstances to be able to ~~make a reasoned determination about~~ establish whether the preconditions are present. The practitioner is also required by paragraph 41 of the Standard to determine, during the planning stage of the engagement, whether the criteria are suitable for the engagement circumstances and, if it is discovered that they are not, to follow the requirements of paragraph 42 of the Standard (see also Chapter 5). The flow diagram below sets out questions for the practitioner, based on the requirements of paragraph 24 of the Standard. Each of these questions is discussed further in the paragraphs ~~following that follow~~, and is considered in the context of the practitioner having ~~the required~~ preliminary knowledge of the engagement circumstances. A summary of considerations is included in a table at the end of the chapter. The letters A-H ~~in~~ the flow diagram correspond with the letters A-H set out below as well as in the 'Practitioner Considerations' summary table in paragraph ~~12474~~ at the end of the chapter.

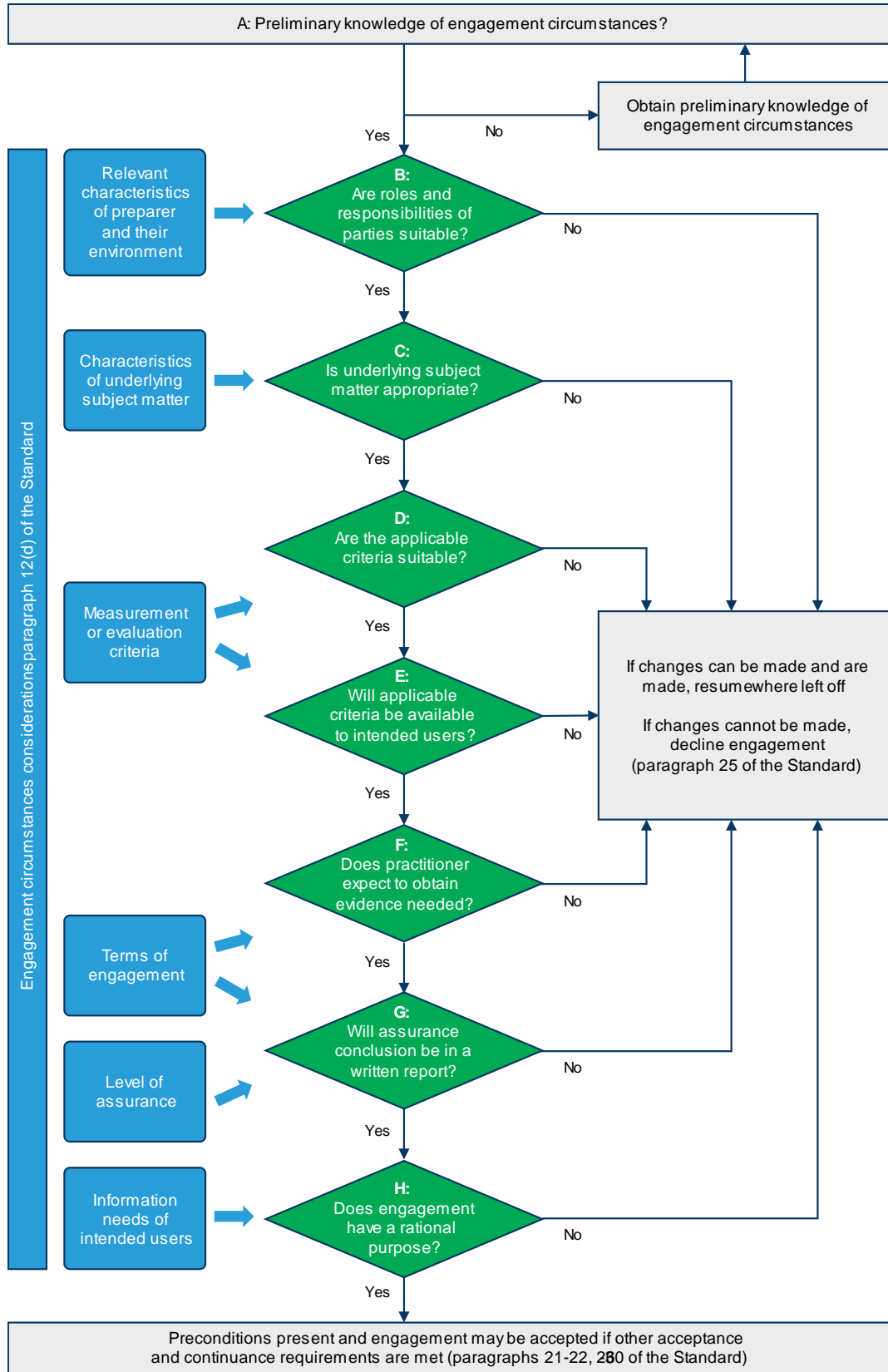


Diagram 6 – Acceptance and Continuance Considerations

Considering Whether the Roles and Responsibilities are Appropriate (B in the Flow Diagram Above)

75. [71A] Paragraphs A37-A39 and the Appendix to the Standard set out guidance on the roles and responsibilities in an assurance engagement.
76. [82] As part of the precondition that the roles and responsibilities of the preparer parties are suitable in the circumstances, the preparer is required to have a reasonable basis for the subject matter information. The practitioner is required to determine, based upon preliminary knowledge of the engagement circumstances, that the practitioner expects to be able to obtain the evidence needed to support their conclusion. See also paragraph 854B below. Practitioners may encounter entities at varying stages of development of their process to prepare the subject matter information, and whether these preconditions related to the roles and responsibilities are suitable and the expectation to be able to obtain sufficient appropriate evidence are present may depend on the extent to which the entity's process is, in the practitioner's professional judgment, able to support these preconditions, taking into account the nature, extent and complexity of the underlying subject matter and criteria.
77. [83] Considering the entity's process to prepare the subject matter information may assist the practitioner in determining whether these 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' in paragraphs 11002-11305 and illustrative procedures are set out in Appendix [x]-3 Limited and Reasonable Assurance Engagements – EER Illustrative Table. 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 Chapter 6.

Considering Whether the Underlying Subject Matter is Appropriate (C in the Flow Diagram Above)

78. [73] Paragraphs A40-A44 of the Standard set 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 such that the resulting subject matter information can be subjected to procedures for obtaining sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.
79. [74] When different aspects of the underlying subject matter are to be measured or evaluated, then those also need to be identifiable and capable of consistent measurement or evaluation against the applicable criteria (see example below). All assurance engagements have underlying subject matter, to which the criteria are applied to result in the subject matter information. As discussed in paragraphs 9287-9489 below, there needs to be a coherent relationship between the underlying subject matter, the criteria and the subject matter information: Using the applicable criteria to measure or evaluate the underlying subject matter within the contemplated boundary ought to necessarily results in the boundary of the subject matter information that is within 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. Additionally, methods exist to measure or estimate those greenhouse gas emissions that are attributable to the entity's activities. Similarly, both Scope 1 and Scope 2 greenhouse gas emissions might be identifiable underlying subject matters because there are clear definitions for each of them, and methods to measure or estimate, separately, Scope 1 and Scope 2 greenhouse gas emissions.

However, the impact of the entity's activities on global temperature change more broadly might not be identifiable underlying subject matter 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).



80. [75] As noted in paragraph A42 of the Standard, different ~~aspects of~~ underlying subject matters (or aspects of an underlying subject matter) have different characteristics, which affect the precision with which the underlying subject matter can be measured or evaluated against the criteria, and the persuasiveness of available evidence.
81. [76] The level of detail of the aspects of the underlying subject matter may affect the practitioner's consideration of matters such as the entity's process to identify reporting topics to be included in the EER report (Chapter 4), the suitability of criteria (see also Chapter 5 for further guidance on the suitability of criteria), ~~the entity's process to identify reporting topics to be included in the EER report (Chapter 4)~~, and what might affect the decisions of the identified intended users (i.e., materiality considerations, which are discussed further in Chapter 9). ———

Considering Whether the Criteria are Suitable (D in the Flow Diagram Above)

82. [78] 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.
83. [80] As set out in paragraph A48 of the Standard, criteria can be selected or developed in a variety of ways. EER framework criteria may not include all the characteristics of suitable 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 in order for the criteria to exhibit all the characteristics of suitable criteria (see Chapter 5 for further guidance on the suitability of criteria).

Considering Whether the Criteria Will Be Available to The Intended Users (E in The Flow Diagram Above)

84. [81A] ~~By the time~~When the practitioner's report is issued, 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. When an EER framework has only high level-principles, there are numerous ways in which high-level principles may be able to be adhered to. Consequently, the intended user is unlikely to be able to base decisions on the reported EER information without

access to both the framework criteria and the entity-developed criteria. For further guidance, see Chapter 5.

Considering Whether the Practitioner Expects to be Able to Obtain the Evidence Needed to Support the Practitioner's Conclusion (F in the Flow Diagram Above)

85. [81B] Paragraphs A53-A55 of the Standard set out guidance on relevant considerations in this regard, related to the quantity and quality of available evidence and access to records. Further guidance on obtaining evidence is set out in Chapter 8, including considerations when the preparer has used information from a third party ('external information source') in preparing the EER information.

Considering Whether the Practitioner's Conclusion is to be Contained in a Written Assurance Report (G in the Flow Diagram Above)

86. [81C] It is a precondition for an assurance engagement that the practitioner's conclusion is to be contained in a written report. The assurance report also needs to contain, at a minimum, the basic elements set out in paragraph 69 of the Standard. For further guidance on the written report, see Chapter 12.

Considering Whether the Engagement Has a Rational Purpose (H in the Flow Diagram Above)

87. [72] The purpose of an assurance engagement is established in the definition of an assurance engagement in paragraph 12(a) of the Standard. The meaning of the term 'rational' is not explicitly addressed in the Standard. However, based on the definition of an assurance engagement, the purpose of an assurance engagement may be considered to be 'to enhance the degree of confidence of the intended users ... about the subject matter information'. The practitioner may consider that the proposed engagement has a rational purpose if it is designed to enhance user confidence in a way that is appropriate in the engagement circumstances. The application material in paragraph A56 of the Standard sets out certain considerations that may be relevant in determining whether the purpose of a proposed assurance engagement is rational. See also paragraphs 9287-9489 under 'Agreeing the Scope of the Engagement' below.
88. [72A] In addition to establishing that the preconditions for an assurance engagement are present, the practitioner is required to meet the other acceptance and continuance requirements set out in paragraphs 21-30 of the Standard.

Agreeing the Scope of the Engagement

89. [84] Agreeing the scope of the engagement means agreeing what is to be assured and the level of assurance to be obtained in performing the engagement. The scope of the engagement might be:
- The whole EER report;
 - Specific topics or areas of information within the EER report, for example environmental or social matters;
 - Individual items within specific topics or areas of information within the EER report, for example waste generated within the 'environmental' topic or area, or gender pay within the 'social' topic, or
 - Different levels of assurance for different aspects of the EER information, for example limited assurance on the 'social' topic and reasonable assurance on the 'environmental' topic, or aspects thereof.

Considering What is to be Assured

90. [85] Irrespective of whether the scope of the engagement is the whole EER report or only part of it, the preconditions set out in paragraph 24 of the Standard, including that there is a rational purpose to the engagement, and the other acceptance and continuance requirements need to be met.
91. [86] In the initial stages of an entity's EER reporting, as it is still developing, a practitioner may not be able to determine whether the preparer has a reasonable basis for all of the information included in the EER report, so the EER information to be assured may be only those parts of the EER report for which the preparer does have a reasonable basis. Provided the other preconditions are present, including that there is rational purpose to the proposed narrower scope engagement, the Standard permits such an engagement (see paragraph A36 and A44 of the Standard).— In other circumstances, the preparer may propose a recurring EER assurance engagement in which the ~~boundary of the~~ subject matter information is subject to variation from period to period. For example, the preparer may propose a scope for the EER assurance engagement that increases from period to period (see paragraphs 950-938 below) or one that varies in a 'rolling program' of assurance (see paragraphs 994-10699 below). One consequence of a changing scope may be a loss of comparability from period to period, which is discussed further in Chapter 5.

Considering a Proposed Scope for the EER Assurance Engagement That Includes Only Part(s) of an EER Report

92. [87] 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.
93. [88] 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 narrower underlying subject matter gives rise to the narrower scope of subject matter information.
94. [89] 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 would not be appropriate unless the subject matter information necessarily results from applying the criteria to the narrower scope underlying subject matter and the preconditions for acceptance of the proposed EER assurance engagement are present, including that the engagement has a rational purpose. Whether the engagement has a rational purpose may be influenced particularly by the extent to which criteria are neutral in the engagement circumstances. This is a matter of professional 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 a narrow scope engagement that 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.

In the past year, the company has had numerous complaints about the quality of its drinking water. The treatment of its wastewater, and the number of samples it takes to test the wastewater, are also currently subject to investigation by the regulator.

While the company reports, in its EER report, on a number of different aspects of the underlying subject matter, it has proposed that the scope of the EER assurance engagement be limited to the drinking water and wastewater KPIs only (i.e., it has proposed a scope for the EER assurance engagement that is individual items within specific areas of information within the EER report (see paragraph 84-89 above)). 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, or 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.



Considering a Proposed Scope for the EER Assurance Engagement that Increases Progressively from Period to Period

95. [90] 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. When 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.
96. [91] 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 appropriate and the proposed engagement has a rational purpose.
97. [92] A further consideration for the practitioner is whether they are aware that there are deficiencies in the entity's EER reporting process for EER information that is not within the proposed scope of the EER assurance 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 (for further guidance relating to 'other information' see Chapter 10).
98. [93] When 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 its plans to progressively increase the scope of the subject matter information for successive EER assurance engagements, or
- Is not meeting users' expectations, and
- Does not make any attempt to include further information in the EER report within the scope of the EER 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 EER assurance engagement has a rational purpose.

EXAMPLE

In Year 1, a company has begun a water conservation program at its production sites. At the end of the year, it requests assurance on a new metric: 'reduction in water consumption directly attributable to our conservation program' at only two of its three sites (A and B), on the basis that the program has not yet begun at site C. It discloses this fact in the subject matter information. It also continues to disclose the water ~~used~~-consumed during the period at all three sites. For the purpose of this example, it is assumed that the preconditions are present and that the practitioner has accepted the engagement.

By Year 2, the program has been completed at all three sites, but only sites A and C have reduced their water consumption. Site B is reporting higher water consumption than it was before implementation of the conservation program, despite earlier implementation of the program than at site C. The company proposes obtaining assurance on sites A and C, but excluding site B from the 'reduction in water consumption directly attributable to our conservation program' metric while they carry out an investigation for the reasons for higher water usage.

It is unlikely that an engagement that excluded site B would meet the rational purpose test, even with disclosure as to reasons for exclusion, as users are likely to be interested in changes in water consumption as a result of the conservation program, whether or not those changes are favorable.



Considering a Proposed Scope that Varies Cyclically from Period to Period (A 'Rolling Program')

99. [94] The entity may wish to establish a program to systematically vary the scope of the assurance engagement 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').
100. [95] A rolling program of the subject matter information means that different parts of the EER information are within the boundary-scope of what is assured each year, and each part may be within the boundary-scope of what is assured once every few years.
101. [95A] When all of the EER report is within the scope ~~for of the EER~~ assurance engagement each year but the practitioner performs their assurance procedures on different aspects of the subject matter information each year, this is not a rolling program but is an aspect of selecting items for testing. For example, in the context of a financial statement audit, while inventory stock from all of the entity's locations is included in the financial statements each year (i.e., it is not part of a rolling program as it is subject to audit each year), the auditor may choose to attend inventory 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 the entity's 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. Such an approach is not a 'rolling program'.

102. [\[96\]](#) By contrast, a rolling program means there will be cyclical variation in what is subject to assurance from period to period in a recurring assurance engagement. This raises questions related to determining [preconditions and agreeing](#) the scope of the [EER](#) assurance engagement ~~and determining the preconditions for assurance~~.
103. [\[97\]](#) When the preparer proposes a rolling program assurance engagement, the practitioner may need to understand the reasons and consider whether those reasons are appropriate in the context of the preconditions for acceptance, taking into account the assurance needs of the intended users. Such a proposal may have implications for whether:
 - The proposed engagement has a rational purpose;
 - The criteria ~~result in subject matter information that is~~[are](#) relevant 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 to year.
104. [\[97A\]](#) In such circumstances, 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.
105. [\[98\]](#) When 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 information in the EER report that has been assured.

EXAMPLE

A company reports on a number of non-financial KPIs including those directly related to:

- achievement of its strategy,
- its assessment of critical business risks, and
- its remuneration policies and practices,

as well as those related to its investment in community projects and sponsorship activities of educational events.

The shareholders of the company, for whom the report is prepared, are interested in the first three ~~of these~~[KPIs](#) and regard them as key to their decision-making. While they also want to know what the company is doing to demonstrate that it is being socially responsible, the shareholders do not place as much importance on investment in community projects and sponsorship activities of educational events as they do on the first three ~~indicators~~[KPIs](#). Their needs may be met by having the first three KPIs assured every year, but ~~investment in community projects and sponsorship activities~~ assured every second or third year in a rolling program of assurance. In this case, in the practitioner's judgment, there may be a rational purpose to the engagement.



106. [99] When an evolving or rolling program of assurance engagements is proposed by a preparer and accepted by a practitioner, users may expect it to be followed consistently as designed. However, when a rolling program of assurance is followed, the ‘other information’ changes from period to period because the information included in the EER report related to those aspects not within ~~the perimeter 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 ‘rolling program’ engagement is no longer appropriate for subsequent periods. An example of when a rolling program may not be appropriate is set out below.

EXAMPLE

A multinational beverage company has high water ~~usage-consumption~~ in an area of water scarcity. 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.

In this example, including water ~~usage-consumption~~ and wastewater for assurance on a rolling basis may not have a rational purpose as such an EER 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 and to monitor the quality of its wastewater. It is likely that a rolling ~~basis-of~~ assurance program, where some sites were excluded from assurance in a particular year(s), would not reflect a rational purpose in this situation.



Considering the Proposed Level of Assurance to Be Obtained (For Illustrative Limited and Reasonable Assurance Procedures, See Appendix ~~IX~~3 Limited and Reasonable Assurance – EER Illustrative EER Table)

107. [100] The proposed level of assurance to be obtained (limited or reasonable) may influence the practitioner’s consideration of the acceptable, or an acceptably low, level of engagement risk and the nature, timing and extent of procedures the practitioner performs as part of their evidence-gathering procedures.
108. [101] 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.
109. [101A] As noted in paragraph ~~84-89~~ above, different levels of assurance may be obtained for different aspects of EER subject matter information. For example, instead of proposing a rolling program of assurance in the example in paragraph ~~98-105~~ above, a preparer may ~~propose request~~ limited assurance on investment in community projects and sponsorship activities, and reasonable assurance on the first three KPIs.

Work Effort in Determining Whether the Preconditions are Present

110. [102] The practitioner 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).

111. [\[103\]](#) The greater the complexity of the underlying subject matter or the more 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.
112. [\[104\]](#) 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. For example, the practitioner may perform a walk through to understand the processes for recording the information, or may suggest carrying out a pre-acceptance engagement (sometimes known as an 'readiness assessment' (see paragraph [407-115](#) below).
113. [\[105\]](#) On small, less complex engagements, a discussion with the preparer to obtain sufficient preliminary knowledge may be appropriate. Whether the engagement is complex or relatively less complex, the practitioner's preliminary knowledge needed to arrive at a decision about the preconditions and to exercise the professional skepticism and professional judgment required by the Standard, may include a sufficient understanding of, as applicable:
- (a) The entity's business and its operating environment;
 - (b) Who the intended users of the EER report are and what would affect their decision-making;
 - (c) The underlying subject matter and, where relevant, its relationship to other underlying subject matters the entity reports on;
 - (d) Whether the entity is requesting assurance on a narrow part of the information presented within the EER report, and the reasons for that request;
 - (e) The criteria used and how they were selected or developed; and
 - (f) Where the EER subject matter information is to be presented, for example, included in a financial filing or in a standalone report.

Initial Assurance Engagements

114. [\[106\]](#) When the proposed assurance 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.
115. [\[107\]](#) In some circumstances, the practitioner may carry out a separate pre-acceptance engagement to determine whether the preconditions are present, and, if the preconditions are not present, to identify actions for management to consider to address the impediments to acceptance (see paragraphs ~~447-122-448-123~~ below for further guidance). Such an engagement is sometimes referred to as 'readiness assessment'. The focus is on performing pre-acceptance procedures, on agreed terms, for a proposed EER assurance engagement, without any pre-commitment to accept the proposed assurance engagement. Such a pre-acceptance engagement would not be an assurance engagement performed under ISAE 3000 (Revised) as the presence of the preconditions for such an engagement will not yet have been determined. However, such an engagement can give rise to potential threats to the practitioner's independence in later performing the proposed assurance engagement. See paragraphs ~~1172-446-121~~ below.
116. [\[110\]](#) The approach described in paragraph [407-115](#) above may assist the practitioner in managing a preparer's expectations about the potential to perform a proposed EER assurance

engagement in the circumstances. In addition, it ~~The approaches~~ provides the entity's management or those charged with governance with useful input about the entity's readiness for an assurance engagement. Such input may encourage management or those charged with governance to take steps to enhance their readiness when impediments are identified.

Independence and Ethical Considerations

117. [112] Performing a readiness assessment may give rise to self-review, self-interest or advocacy threats to the practitioner's independence in relation to the proposed EER assurance engagement if the assurance engagement were later accepted. Threats may arise, for example, when the practitioner provides input-suggestions 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 process, or related controls, to prepare the EER information.
118. [113] The nature and level of any potential threat created by the ~~approaches~~ described in paragraph ~~407-115~~ would depend on the circumstances. Any potential threat created would need to be evaluated and addressed in accordance with relevant ethical requirements if the practitioner anticipates accepting the proposed assurance engagement.
119. [115] 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 when a practitioner provides ~~certain~~ non-assurance services to assurance clients that may create threats to ~~compliance with the fundamental principles of~~ independence.
120. [116] Providing advice and recommendations to assist the management of an assurance client in discharging its responsibilities is not assuming a management responsibility if management of the entity makes all related judgments and decisions that are the proper responsibility of management.
121. [116A] Similarly, if, based on discussions with the preparer, the practitioner assists the preparer in documenting criteria that the entity has already developed but has not documented, a self-review threat is not created in the particular circumstances as the practitioner's actions are restricted to documenting what they have been told. However, in an attestation engagement, relevant ethical requirements prohibit the practitioner ~~cannot from assuming management responsibility in relation to the selection or development of the criteria or the preparation of the subject matter information~~. In particular, a self-review threat might be created if the firm is involved in the preparation of subject matter information which subsequently becomes the subject matter information of the assurance engagement.

Response when the Preconditions are not Present

122. [117] When the practitioner establishes that the preconditions for an assurance engagement are not present, the practitioner may discuss this with the potential engaging party (management or those charged with governance). If changes cannot be made to meet the preconditions, under paragraph 25 of the Standard the practitioner is not permitted to accept the engagement as an assurance engagement unless required to do so by law or regulation.
123. [118] In circumstances when the preparer has not met its responsibilities and the practitioner cannot decline acceptance of the engagement due to law or regulation, the practitioner needs 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 is not permitted (see paragraph 25 of the Standard) to include any reference within the assurance report to the engagement having been conducted in accordance with the Standard or any other ISAE(s).

EXAMPLE

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. In such a case, no reference to ISAE 3000 (Revised) is permitted.

124. [71] The table below sets out a summary of considerations for the practitioner when determining whether the preconditions for assurance are present. These considerations are ~~illustrative~~intended as guidance; they are not intended to suggest the only way in which a practitioner may establish whether the preconditions are present. The letters A to H correspond with the letters shown ~~in~~ the flow diagram at the start of the chapter.

PRACTITIONER CONSIDERATIONS

- A. Preliminary knowledge of engagement circumstances: Considerations include: Do I know enough about the entity, the industry in which it operates, and other engagement circumstances to ~~be able to~~ establish whether the preconditions are present? Establishing whether the preconditions are present is in the context of the [engagement circumstances](#).
- B. Are the roles and responsibilities of the appropriate parties suitable in the circumstances of the proposed engagement, for example:
 - Has the preparer identified the purpose and intended users of the assurance report?
 - Is the preparer also the responsible party and the engaging party, or are these roles performed by different parties; if different, what are the characteristics of the relationships between them (see paragraph A37 and the Appendix to the Standard)?
 - Has the preparer acknowledged, or will it acknowledge, its responsibility for the underlying subject matter (see paragraph A38 of the Standard)?
 - Does the preparer's process to prepare the subject matter information provide the preparer with a reasonable basis for that information, and, where appropriate, is the process appropriately supported by other relevant aspects of the entity's system of internal control?~~;~~[?](#)
- C. Characteristics of the underlying subject matter: Can the underlying subject matter be identified?~~;~~ [is](#) it capable of consistent measurement or evaluation against the applicable criteria such that the resulting subject matter information can be subjected to procedures to obtain sufficient appropriate evidence (see paragraphs A40-A44 of the Standard and paragraphs ~~738-76-81~~ above)?
- D. Are the applicable criteria suitable for the engagement circumstances? What criteria are to be used and are they relevant, complete, reliable, neutral and understandable, on their own, or do they need further development by the entity (see paragraphs ~~7882-79-83~~ above and Chapter 4 on the entity's process to identify reporting topics), for example:
 - Do the criteria specify what is to be reported, how it is to be measured or evaluated, and how it is to be disclosed and presented, including for different aspects of the underlying subject matter?
 - Has the ~~proposed boundary of the~~ subject matter information [that is within the \(scope\) of the EER assurance engagement](#) been determined appropriately; if the subject matter information is only parts of an EER report, has it been selected in an unbiased manner (see also paragraphs ~~8489-99-106~~ above)?
- E. Will the framework criteria and any additional entity-developed criteria be available to the intended users in one of the ways set out in paragraph A51 of the Standard (see also paragraph ~~81A-84~~ above and Chapter 5)?
- F. Do I expect to be able to obtain the evidence I need to support the ~~limited or reasonable~~ assurance conclusion, ~~as applicable~~ (see paragraphs A53-A55 of the Standard, paragraph 26(c) of ISQC 1, paragraph ~~81B-85~~ above and Chapter 8), or:

- has the preparer imposed a limitation the scope of my work (see paragraph A155 (c) of Standard) such that I may not be able to obtain the evidence I need?
- is ~~the~~ integrity of the preparer in question (see paragraph 26(c) of ISQC1)?

G. Is the assurance conclusion to be contained in a written report that includes the elements required by paragraph 69 of the Standard (see also paragraph ~~81C-86~~ above and Chapter 12)?

H. Does the engagement have a rational purpose (see paragraph A56 of the Standard and ~~paragraph 72-87~~ above)?

Chapter 4: Considering the Entity's Process to Identify Reporting Topics

Matters Addressed by the Guidance in this Chapter

125. [\[214\]](#) As discussed in Chapter 3, one of the preconditions for an assurance engagement is the need for the criteria ~~applied in the preparation of the subject matter information~~ to be suitable in the engagement circumstances. As discussed in the Introduction, EER reporting may address diverse (aspects of) underlying subject matter. Consequently, there is a need for criteria to provide clear direction as to what is to be reported, how it is to be measured or evaluated, and how it is to be disclosed and presented. This includes criteria for the reporting topics that should be addressed in the EER report.
126. [\[217\]](#) In the context of EER engagements:
- There may not be a framework for the preparer to follow, or
 - The EER framework(s) may not provide sufficiently detailed direction for a preparer to make reliable judgments about what reporting topics to address in an EER report.
127. [\[217A\]](#) In such circumstances, the entity will ordinarily need to establish a process to identify reporting topics, taking into account the information needs of intended users.-
128. [\[215\]](#) EER frameworks commonly refer to such a process as a 'materiality assessment' or 'materiality process'. However, the concepts of relevance and materiality are not the same, even though both refer to user decision-making. Relevance is considered in evaluating the suitability of criteria, whereas 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 is discussed in Chapter 9. In this Guidance, the process described in paragraph ~~217A-127~~ above is referred to as 'the entity's process to identify reporting topics' and is discussed further below.
129. [\[215A\]](#) While it is not a requirement of the Standard for the practitioner to consider the process the entity goes through to identify reporting topics, the practitioner is required to determine whether the criteria applied by the preparer are suitable for the engagement circumstances- [\(see Chapters 3 and 5\)](#). This includes the criteria applied by the preparer when ~~including identifying~~ reporting topics in its EER information. It may, therefore, be helpful to the practitioner, when determining the suitability of the criteria, to obtain an understanding of the entity's process to identify reporting topics. This Chapter provides guidance to the practitioner should they decide it would be helpful to obtain an understanding of that process.

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

130. [\[215B\]](#) While the guidance in this chapter discusses the process that a preparer might follow, recognizing the importance of the entity having prepared sufficiently before seeking independent assurance on its EER reporting, the chapter is intended to give guidance to practitioners when considering the entity's process. It is not intended as guidance for preparers, although they may also find it useful.
131. [\[215C\]](#) Paragraph 12(c) of the Standard defines criteria as 'the benchmarks used to measure or evaluate the underlying subject matter'; thus, the criteria establish:
- What is to be reported (the underlying subject matter, including the 'reporting topics')
 - How it is to be measured or evaluated
 - How it is to be disclosed and presented.

132. [\[215D\]](#) In the context of a financial statement audit, the criteria applied by the preparer are generally accepted accounting standards, such as IFRS, which provide the frame of reference, so that financial statements can be prepared on a consistent basis by different entities. In the same way, a frame of reference is needed if the practitioner is to obtain assurance on EER information; suitable criteria provide such a frame.
133. [\[215E\]](#) One aspect of EER reporting, which may be practically different from financial statement reporting, is that the preparer commonly needs to establish a process to decide how to make judgments about what to include in their EER information because, as noted in paragraph [247-126](#) above, EER frameworks do not always provide sufficiently detailed direction for a preparer to make reliable judgments about what reporting topics to address in their EER reporting.
134. [\[218\]](#) There may also be considerable opportunity for management bias in ~~determining-identifying~~ the reporting topics when the framework does not specify what topics are to be included in the EER information. In such circumstances [professional skepticism and](#) the exercise of professional judgment ~~and professional skepticism may be~~ particularly important in determining whether the criteria applied by the preparer in preparing the EER subject matter information are suitable (see Chapter 2 for guidance ~~on professional skepticism~~).

Considering the Entity's Process to Identify Reporting Topics

135. [\[220\]](#) As noted in paragraph [247-126](#) above, when an EER framework does not identify relevant reporting topics in sufficient detail, the criteria are unlikely to be considered suitable on their own. The criteria may lack relevance or completeness. The criteria may also 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 such circumstances, the entity may establish a process to identify reporting topics.

EXAMPLE

An entity is reporting under a particular EER framework, which requires the entity to include a description of the principal risks and uncertainties ~~it faces~~~~ing it~~, but does not specify the risks or uncertainties, or how to evaluate or disclose and present them. In most cases, EER frameworks cannot make this identification as it will vary from entity to entity.

The entity establishes a process to identify its principal risks and uncertainties (reporting topics), what information about them to report, and how to disclose and present that information. The output of that process would be expected to result in information about the principal risks and uncertainties that is complete, relevant, reliable, neutral and understandable (i.e., the criteria applied are suitable).

EXAMPLE

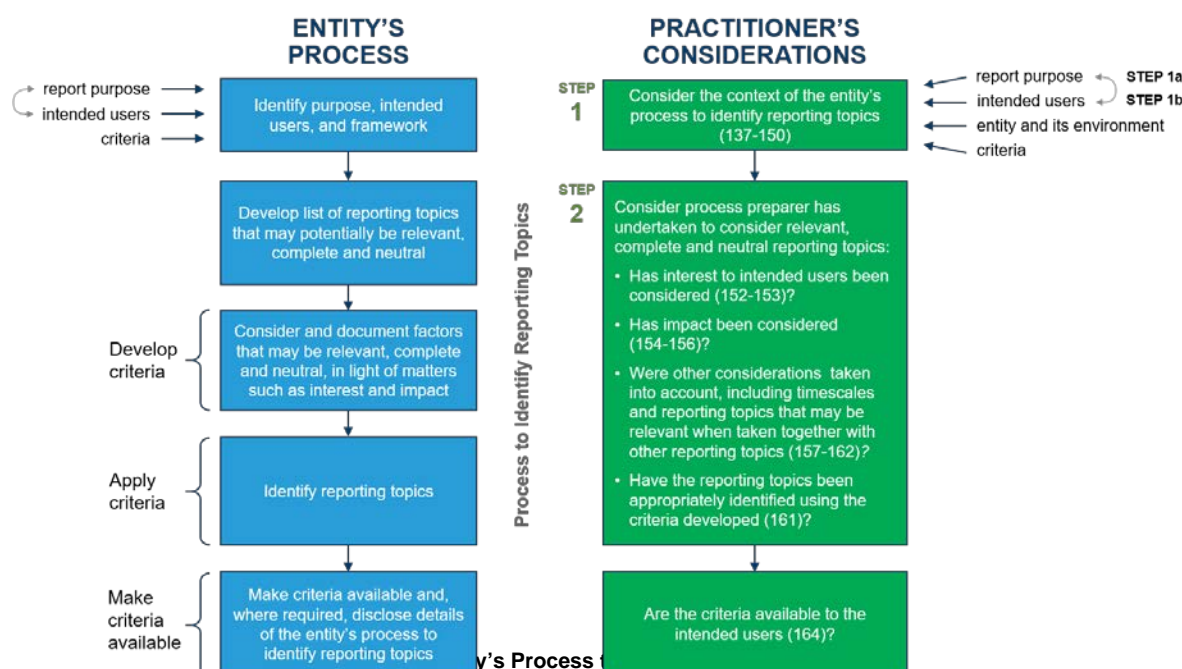
A different EER framework may require disclosure of specific indicators, such as the time spent by its employees on training during the period, measured in hours. Detailed instructions on (i) how to define ‘employees’, (ii) what constitutes ‘training’ and (iii) how to calculate the indicator are set out in the framework.

In this case the preparer may not need to undertake a process to identify reporting topics because the EER framework-setter has already made a judgment about what the intended users want to know and how the information is to be measured or evaluated. This is common in reporting to meet specific regulatory requirements, and some EER frameworks include direction on what indicators are likely to be relevant for specific industry sector, for example as in the Sustainability Accounting Standards Board (SASB) standards.

136. [224] When the preparer has undertaken a process to identify reporting topics and if the practitioner considers that it may be helpful to consider that process, the flowchart below may assist the practitioner in their considerations. The steps a preparer might be expected to follow are provided on the left-hand side for reference. These are explained to illustrate what the practitioner may expect when considering the entity’s process to identify reporting topics. Possible considerations for the practitioner are shown on the right-hand side of the diagram and are referenced to the guidance paragraphs below.

Step 1: Consider the Context of the Entity’s Process to Identify Reporting Topics

137. [225] The practitioner may begin by considering the context of the entity’s process to identify reporting topics, including aspects of the engagement circumstances, such as the:
- EER information purpose (step 1a);
 - Intended users (step 1b);
 - Entity and its environment; and
 - Choice of criteria (EER framework or entity-developed) (see Chapter 5)



138. [\[226\]](#) When a preparer has documented their process to identify reporting topics and the decisions they have made, the documentation may provide a useful starting point for the practitioner's consideration. In the absence of such documentation, the practitioner may be able to understand the entity's process through inquiry of the preparer. If the preparer has not undertaken an appropriate process to determine the content of its EER reporting, the practitioner may need to consider whether this suggests the preconditions for an assurance engagement are not all present. See paragraphs [117-122-118-123](#) in Chapter 3 for guidance when the preconditions are not present.
139. [\[227\]](#) Some EER frameworks may establish the EER reporting purpose and identify who the intended users are. Others may not specify this, leaving the preparer to make these determinations.
140. [\[228\]](#) When an EER framework is being used by a preparer, the practitioner may consider direction, if any, on the considerations to identify relevant reporting topics included in the EER framework.

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 is relevant as those matters that may create a financial risk to the entity, for example the SASB conceptual framework. Other EER frameworks focus considerations of what is relevant 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.

141. [\[229\]](#) The following paragraphs provide further guidance for how the practitioner may consider the EER reporting purpose (step 1a) and the intended users (step 1b). Further considerations relating to the practitioner's consideration of the criteria more generally, and the system of internal control are set out in Chapter 5 and Chapter 6, respectively.

Step 1a: Consider How the Preparer Has Identified the Purpose of the EER Information

142. [\[230\]](#) The preparer's purpose will be to report certain information about an underlying subject matter to a group(s) of intended users. Some examples of the purpose of EER information might include to report:
- The entity's impact on the natural environment
 - The entity's activities over a period and how they contribute to the entity's objectives
 - How the entity creates 'value'
 - What the entity plans to do in the future, or how it expects to perform.
143. [\[231\]](#) The practitioner may consider the purpose of reporting the EER information as context when considering the judgments made by the preparer.

Step 1b: Consider How the Preparer Has Identified the Intended Users of the EER Information

144. [232] The practitioner may consider whether the preparer has obtained and documented an understanding of the general nature of decisions the intended users are likely to take based on, or influenced by, the EER information.
145. [233] A distinction is made between intended users and stakeholders. A stakeholder in the entity may:
- Have a relationship and interactions with the entity
 - Be directly or indirectly affected by the entity's actions.

There may be circumstances when the stakeholders and intended users are not the same. When a stakeholder is not an intended user, their interests may be taken into account by other parties who are intended users. 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, or lobbyists (agents) campaigning against child labor and using their position to influence the company's customers.

146. [234] Users of EER information may be a single group or may comprise multiple groups of intended users, with potentially different information needs. EER information cannot focus on the needs of each individual intended user, however a preparer may need to consider where individuals within a group of intended users have common information needs.
147. [235] Paragraph A16 of the Standard 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'. This might be useful, subject to any particular requirements in the EER framework, when the EER information is published, without specifying the intended users, effectively for the benefit of society as a whole.
148. [236] Different intended user groups may have different information needs or attitudes; something that is relevant to one group of intended users may not be so to another.

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 it is clinically safe.
- Cancer patient, who has a self-interest about whether the hospital has the capabilities to treat the patient successfully.

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

149. [237] Merely reading the EER information is a valid use by intended users; the outcome may be that they decide 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 acting based on the reported information.

150. [238] 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 as a starting point for considering how the preparer identified the intended users of their EER information by considering the groups in the table and further considering entity-specific user groups.

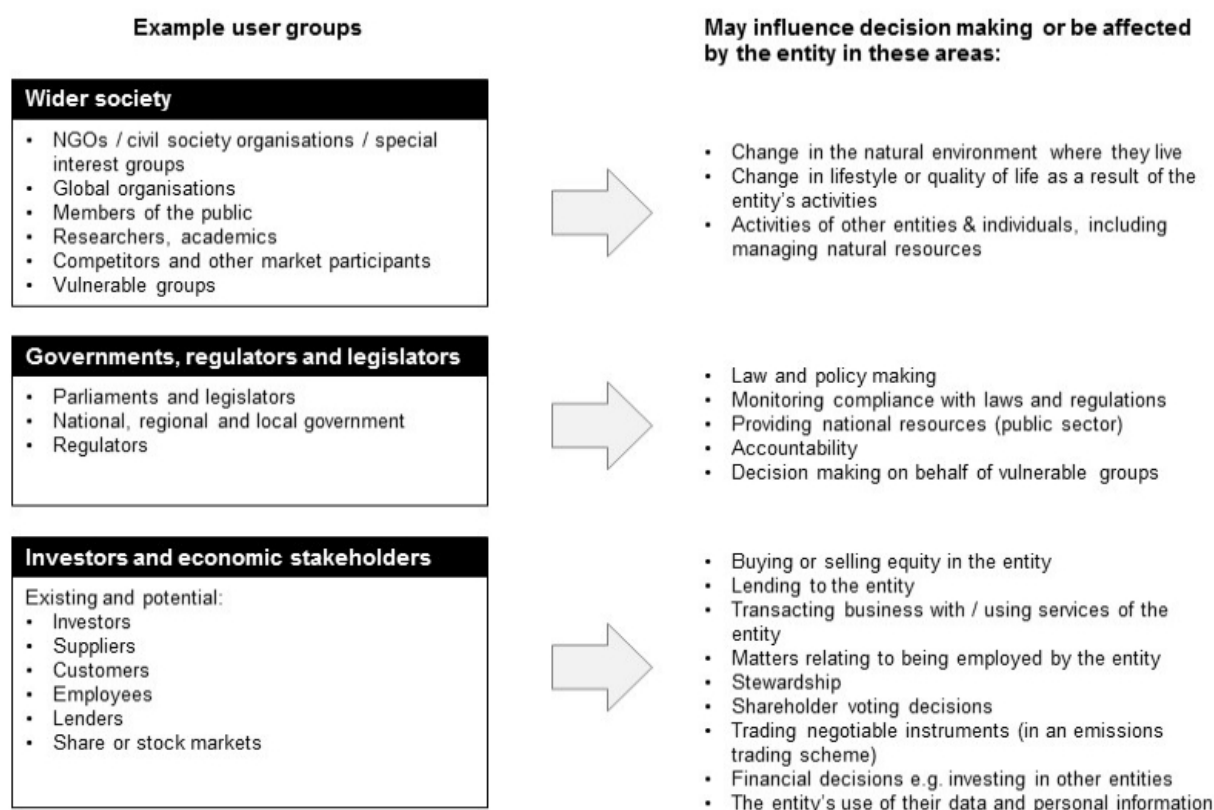


Diagram 8 – User Groups and Decision Needs

Step 2: Consider Selection of Reporting Topics to Include in the EER Information

151. [239] The practitioner may consider how the preparer identified relevant reporting topics. A preparer may have done so in multiple stages, taking into account the EER framework(s) used, the purpose of the EER reporting and the intended users, and filtering an initially longer list of potential reporting topics to end up with those that are relevant in the engagement circumstances.

Considering Interest to the Intended Users

152. [241] To consider whether something would be relevant, one approach is to consider directly whether it is of interest to the intended users.
153. [243] Examples of circumstances that might be of interest to intended users include matters that:
- Are likely to cause investors to buy or sell equity in the entity
 - Are likely to change the entity's share price or enterprise value
 - Have been the subject of media coverage, or might result in media interest (local, national or global) if disclosed

- Have been associated with a large number of complaints (for example from customers, suppliers or other stakeholders)
- Have been mentioned unprompted by several stakeholders
- Are subject to a high level of wider societal interest, or particularly high levels of public sensitivity

EXAMPLE

A few examples in some circumstances might include human rights issues, reported incidences of the entity's involvement in corruption, amounts of tax paid in jurisdictions of operation, and executive remuneration.

- Relate to matters that may be widely reported by peers and competitors in the entity's sector or industry
- Relate to (non-) compliance with laws, regulations, international agreements, or voluntary agreements with strategic significance to the organization and its stakeholders.

Considering 'Impact'

154. [244] When it is not possible to evaluate sufficiently what may be relevant by identifying directly what would be of interest to intended users, an alternative or supplementary approach may be to consider the significance of the potential reporting topics. Depending on the purpose of reporting the EER information, the significance of the potential reporting topics may be considered in the context of the entity's performance (in achieving its strategic objectives) or its impact on other entities. This approach is sometimes referred to as considering 'impact'.
155. [245] Impact on other entities could include impact on individuals, organizations, wider society or the environment as is appropriate in the context of the purpose of the EER information. 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. See also Chapter 9.

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.

156. [246] If considering the anticipated impact, examples of circumstances that might increase its relevance include:
- It has major risks or opportunities for the entity (including reputational, or affecting the entity's license to operate)
 - It has direct material financial implications (as determined by financial statement materiality thresholds)

- It has, or potentially will have, a major effect on the entity's operational performance
- It has, or potentially will have, a major effect on other entities' operations or activities
- It has resulted, or may result, in major direct damage to natural resources or the environment
- It relates to strategic opportunities for the entity to boost competitive position
- It relates to key organizational values, policies, strategies, operational management systems, goals and targets of the entity or its stakeholders.

Other Considerations

157. [247] Some preparers present on a scatterplot the results of their analysis of reporting topics that, in the context of the purpose of the EER reporting, would be of 'interest to intended users' and that would have an 'impact'. Such a scatterplot positions the reporting topics relative to two axes, which represent 'interest to intended users' and 'impact', for each reporting topic.
158. [248] The judgments made in positioning such reporting topics relative to each axis may be influenced by considering both the likelihood that each reporting topic exists or occurs and the magnitude of their significance, in terms of their 'interest to intended users' or 'impact', if they were to exist or occur. Consideration of the combined influence of their likelihood and magnitude of significance on their potential to be relevant, may be illustrated on a graph that plots reporting topics relative to separate axes for their likelihood and the magnitude of their significance:
- If something is virtually certain or factual, its likelihood of occurrence is at the maximum level and the magnitude of its significance is the only variable.
 - The likelihood assessment may consider whether a matter is inside or outside the control of the entity or management.
159. [249] The chosen timescale being considered in terms of impact or relevance is often also an important consideration.

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.

While there may not be any physical impact for the next five years, this information may be relevant, irrespective of whether users have a short-term interest in the entity (for example an investor expecting to invest for three years) or a longer term interest (for example, a bank 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 is appropriate and whether there is sufficient disclosure of this in the EER information.



160. [250] Stakeholder engagement activities can be an important part of a preparer identifying reporting topics. An open dialogue with stakeholders may give better results than passive interaction or asking them to comment on an existing list of reporting topics, 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.
161. [251] A practitioner might also consider some of the following sources in considering the entity's process to identify reporting topics, and whether the criteria for identifying reporting topics are

suitable and have been appropriately applied (i.e., result in EER information that is relevant, complete, reliable, neutral and understandable).

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
- Whistle blower reports
- Communications from in-house (or external) legal counsel

External sources (see also Chapter 6 and Chapter 8):

- Reporting by peers and competitors
- Survey results (of the entity, peers or the industry)
- Supplier/customer complaints
- Interviews with stakeholders, outreach activities, stakeholder engagement
- Web and social media searches
- Expert views on global megatrends
- The United Nations Sustainable Development Goals
- Regulatory reporting requirements.

Considering Reporting Topics Collectively

162. [254] It may be appropriate for the preparer to have considered, as part of the process to identify reporting topics, both reporting topics that are individually relevant, and- reporting topics that are relevant when taken together with other reporting topics, for example because one or more reporting topics are related

EXAMPLE

Information about members of staff leaving may not, on its own, be relevant, 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 be relevant in the context of those problems.



Disclosure of the Entity's Process to Identify Reporting Topics

163. [255] Intended users may find it helpful to understand the process the preparer has been through to identify reporting topics, even if disclosure of the process is not required by the EER framework. Accordingly, a practitioner may consider it appropriate to encourage a preparer to disclose details of their process to identify reporting topics (either in their report, or elsewhere such as on their website), giving details of what has been included in the EER information and what has been left out.

164. [256] Irrespective of whether the entity's process to identify reporting topics is disclosed, the criteria to identify reporting topics are required to be made available to the intended users, along with other applicable criteria (see also Chapter 5 and paragraph 484221).

Chapter 5: Determining the Suitability and Availability of Criteria

Matters Addressed by the Guidance in this Chapter

165. [119] This Chapter provides guidance to the practitioner that is relevant during the planning stage of an EER assurance engagement in determining whether the criteria are suitable for the engagement circumstances (see paragraphs 41 and 24(b)(ii) of the Standard). The guidance in this chapter may also assist the practitioner when considering the suitability and availability of criteria in determining whether the preconditions are present (see Chapter 3). 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 (see paragraph A49 of the Standard)
 - The framework sets out high-level principles, but those principles are not expressed at a sufficient level of detail to comprise suitable criteria in themselves.
166. [120] The practitioner may also 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 subjectivity or opportunity for management bias involved in the judgments made by management.
167. [121] In making this determination, the practitioner builds on their consideration of the suitability of the criteria during acceptance or continuance of the engagement, in determining whether the preconditions were present (see Chapter 3).
168. [122] This chapter also provides guidance to the practitioner in considering whether the criteria will be made available to the intended users of the EER information, when the criteria include entity-developed criteria or criteria selected from multiple available frameworks.

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

169. [124] The definition of criteria in paragraph 12(c) of the Standard refers to them as 'benchmarks'. As such, EER criteria may include, for example, direction on what is to be reported, definitions of metrics or other matters that are to be reported, the measurement or evaluation bases to be used and other reporting policies, ~~including such as~~ those for presentation and disclosure, which together establish the whole basis of preparation of the EER information.
170. [125] 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 (see paragraph A49 of the Standard). Criteria in financial reporting frameworks are typically established criteria, and the recognition, measurement, presentation and disclosure bases that they incorporate are the basis for the accounting policies applied by the entity. Compared with financial reporting frameworks, EER frameworks are often less prescriptive about the criteria to be used to identify what is to be reported, or how to measure or evaluate, and disclose what is to be reported (i.e., about applying the criteria to the underlying subject matter).
171. [126] Criteria used for a particular assurance engagement, referred to as the 'applicable criteria' in paragraph 12-(c) of the Standard, may be taken from an EER framework, or developed by the entity itself, or a combination of both. Established criteria (see paragraph A49 of the Standard) are more likely to be suitable when there is a transparent and comprehensive due process followed in their development, and 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. _____

172. [\[128\]](#) When applying an EER framework that lacks the necessary detail or is not sufficiently comprehensive to comprise suitable criteria on its own, an entity may also select criteria from one or more other available EER frameworks, or use their own entity-developed criteria.
173. [\[129\]](#) When an entity selects criteria from diverse options in multiple available frameworks, the criteria selected may not be sufficiently relevant if they lack comparability from period to period and between entities (although, in some cases lack of comparability in the short term may be less important than the entity reporting transparently about the EER information when it uses the EER information for its own decision-making). Moreover, the partial adoption of a framework, or the development of criteria by the entity may introduce preparer subjectivity or bias. Criteria may also be complex, especially when the underlying subject matter is complex. Such complexity may influence the practitioner's need for subject matter competence or to use the work of a practitioner's expert(s) (see also Chapter 1). Such subjectivity or complexity may also heighten the need for the practitioner to exercise professional judgment and professional skepticism in determining the suitability of such criteria in an EER assurance engagement (see Chapter 2) and may result in a more extensive or difficult determination by the practitioner.

Determining the Suitability and Availability of Criteria

Introduction

174. [\[132\]](#) Suitable criteria are required for reasonably consistent measurement or evaluation of an underlying subject matter within the context of professional judgment (see paragraph A10 of the Standard). Suitability is determined in the context of the engagement circumstances. Without suitable criteria, conclusions about the subject matter information may be open to individual interpretation, increasing the risk that the subject matter information may not be useful to, or may be misunderstood by, the intended users.
175. [\[133\]](#) The explanations of the five characteristics of suitable criteria (see paragraph A45 of the Standard) describe attributes of subject matter information that results from applying criteria that have those characteristics (see also paragraphs ~~1840-16200~~ below). 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.
176. [\[134\]](#) In addition to exhibiting the characteristics of suitable criteria, an overarching principle is that criteria developed by the entity would not be suitable if they result in subject matter information that is misleading to the intended users (see paragraph A50 of the Standard).

EXAMPLE	<p>It may be helpful to consider criteria in an everyday context, for example to think of criteria as being similar to the rules of a game. To be useful to intended players so that they know how to play the game, the rules need to be relevant to the game (are <u>relevant</u>), and not include superfluous information such as how to play a different game. The rules allow for repeatability (are <u>reliable</u>) so that different players play the game in a consistent way. They include all the rules needed (are <u>complete</u>) so that players are not left with questions about what to do. They are not subjective or changed arbitrarily (are <u>neutral</u>), and are clear and unambiguous (are <u>understandable</u>) so that they are able to be understood by the players and, if applicable, by the referee. In addition, the rules need to be made <u>available</u> so that users can access them so that they understand how the game ought to be played.</p>
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Considerations for the Practitioner

177. [135] The following diagram shows possible considerations for the practitioner in determining the suitability and availability of the criteria. References in parentheses in the diagram are to paragraphs of guidance in this chapter, unless otherwise indicated.

Qualitative Characteristics of EER Information Required by an EER Framework (See also Chapter 10)

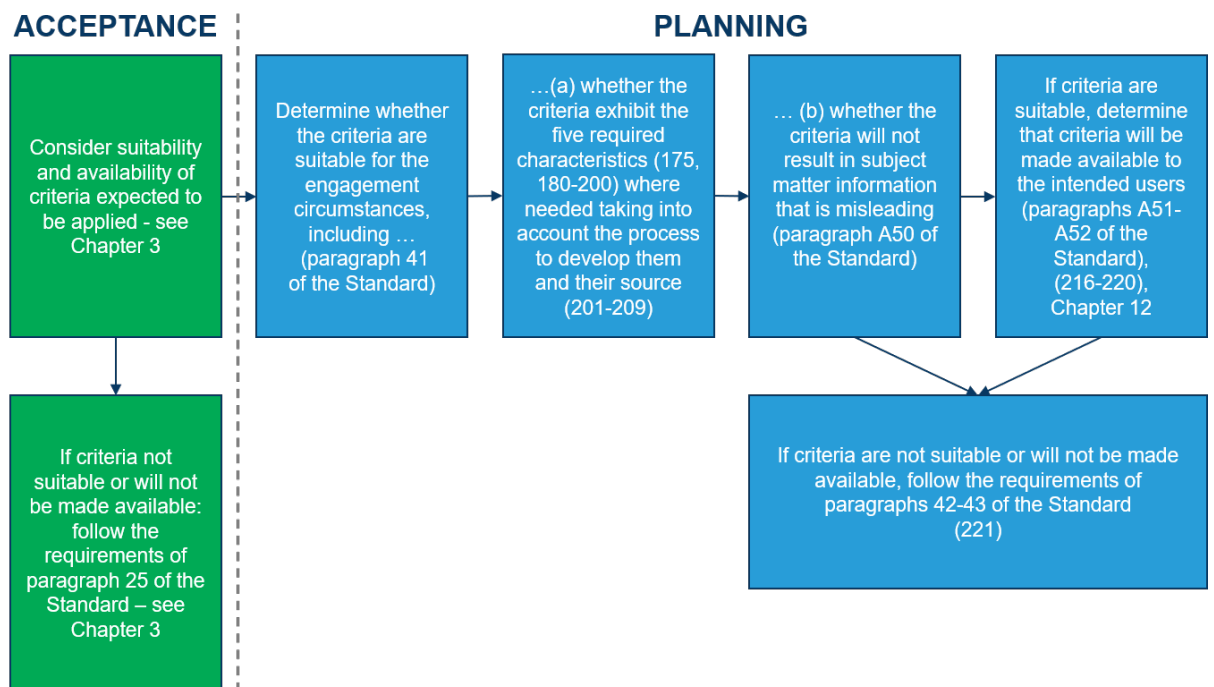


Diagram 9 – Considering Suitability and Availability of Criteria

178. [136] 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 expressed at a sufficient level of detail to comprise suitable criteria in themselves, the practitioner may find it

helpful to consider the extent to which those criteria include qualitative characteristics of the required EER information and, if so, how they compare with the characteristics of suitable criteria set out in paragraph A45 of the Standard.

179. [136A] An EER framework may implicitly or explicitly require different, or more specific, characteristics of the applicable criteria than the characteristics of suitable criteria required by the Standard. When 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. For instance, when an EER framework requires characteristics of EER information such as comparability and conciseness (see paragraphs 456-195 and 460-200 below), the criteria may be seen as requiring characteristics that are more specific aspects of relevance and understandability, respectively (i.e. they can be 'mapped' to the characteristics of suitable criteria as set out in paragraph A45 of the Standard), or may be noted as additional characteristics to the five characteristics set out in the Standard. The practitioner cannot substitute different characteristics of suitable criteria for those required by the Standard. —

Characteristics of Suitable Criteria

Relevance

180. [140] As relevance relates to ~~the users'~~ decision-making, the practitioner may wish to reflect on the intended users and their information needs (see also ~~paragraph 71B in~~ Chapter 3 and paragraphs 232-144-243-153 below) by, for example:
- (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 make based on the purpose of the EER information; and
 - (ii) Considered whether the applicable criteria for identifying, and for measuring or evaluating and providing disclosures about, the underlying subject matter(s) or aspects of the underlying subject matter(s) would result in subject matter information that assists intended users' decision-making in the context of the purpose of the EER information.
 - (b) If the preparer has considered the matters in (a) above, evaluating the conclusions of the preparer on those matters; or
 - (c) If the preparer has not considered the matters in (a), asking the preparer to do so, and if necessary, considering whether the practitioner has a reasonable expectation of being able to address the matters in (a) directly.

EXAMPLE

Historically, an entity reporting on HR matters to its shareholders may have been confined to reporting on those matters required by law or regulation, such as gender pay gap reporting.

When the intended users include trade unions or the entity's employees, the entity may consider that it is appropriate to use criteria that require reporting about matters such as gender diversity, training, and health and safety incidents, and how to measure or evaluate those matters, which, in addition to gender pay gap reporting, are likely to be of interest to trade unions and employees.

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

It ~~will be~~ is a matter of judgment whether the criteria are relevant in the particular circumstances of the engagement.



181. [\[142\]](#) When entities develop their own criteria and those entity-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 (see also Chapter 4).
182. [\[143\]](#) 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 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 the nature and extent of the uncertainty is clear in what is presented. Refer also to the discussion of ~~'accuracy' and 'precision'~~ in paragraph ~~152-191~~ below, and further consideration of measurement uncertainty in paragraphs ~~325-319-3227~~ of Chapter 9.

EXAMPLE

Information about a retailer's reputation among 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 is 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, for example the sample size as a percentage of the total customers, this may help make the criteria relevant.



183. [\[145\]](#) The practitioner may also consider the requirements of the criteria to disaggregate or aggregate information as they may affect both whether the criteria are relevant, and the context for materiality considerations for misstatements. EER frameworks do not always specify in detail

the required level of aggregation or disaggregation. They may, however, include principles for determining an appropriate level of aggregation or disaggregation in particular circumstances.

184. [\[146\]](#) Criteria may be more relevant -if they are consistent with those generally recognized to be ~~suitable~~ appropriate in the context of the entity's industry or sector. However, there may be good reasons not to use such criteria, for example when the entity can develop more relevant criteria that are also reliable and made available to the users by inclusion in the EER information.
185. [\[147\]](#) The practitioner may also consider any criteria that permit non-disclosure of information about EER subject matter information, on the basis that it is confidential or would potentially damage the entity's reputation. Such criteria may not be sufficiently relevant or complete, although they might be considered sufficiently relevant and complete in certain circumstances. For example, an established framework criterion may permit non-disclosure in extremely rare circumstances when the adverse consequences of disclosure would reasonably be expected to outweigh the public interest benefits of such communication. A further example may be when law or regulation precludes public disclosure of information, 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.
186. [\[148\]](#) If non-disclosure of confidential information is not permitted by the applicable criteria, such non-disclosure would ordinarily be treated as a misstatement, and the materiality of such a misstatement would be considered (see Chapter 9), together with the implications for the assurance report.

Completeness

187. [\[149\]](#) 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 (including reporting topics) that are material (see Chapter 9 for materiality considerations) in the context of the circumstances of the entity and the purpose of the EER report.
188. [\[149A\]](#) When the subject matter information is only part of a whole EER report, including when the EER assurance engagement increases in scope progressively from period to period, or, alternatively, is part of a rolling program of assurance (see Chapter 3), completeness is considered in relation to the underlying subject matter(s) or aspects of the underlying subject matter(s) within the scope for the specific assurance engagement.

EXAMPLE

In Year 1, an entity reports and asks for assurance on the proportion of 'green' energy consumed in manufacturing its own products. In Year 2, the entity expands its reporting to include the proportion of green energy used by its major suppliers in raw materials purchased by the entity and used in the entity's manufacturing of its own products. It requests assurance on the increased scope.

In Year 1, the criteria may be complete if they include, among other matters, which of the entity's own production facilities and products are to be included in the metric, the definition of 'green energy' and 'total energy', how the green energy consumed is to be measured, how total energy consumed is to be measured, and what unit of measure the metric is to be expressed in, together with criteria for presentation and disclosure.

In Year 2, the Year 1 criteria would no longer be complete as they would not address matters such as the definitions of 'major suppliers', 'raw materials purchased', or which facilities were to be included by those suppliers. In Year 2, the completeness of criteria would be determined in the context of the broader scope of the assurance engagement before accepting the engagement



189. [\[150\]](#) 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).

EXAMPLE

A large manufacturer of cellular network technologies reports annually and asks for assurance on its whole sustainability report. The report is intended primarily for the shareholders of the company, but also includes certain aspects for the information of other interested stakeholders. It uses a recognized framework as a basis for its reporting, but further develops the framework criteria so that they are suitable for its particular circumstances.

The company has recently suffered a major setback in its new-generation cellular networks as a result of serious concerns about the impact on human health. It has had to put further production and installation on hold, and has lost a number of major contracts. It currently has masts installed in a number of areas – mainly near major cities – with high population densities. The masts are operational, but their safety is under investigation. It has appropriately disclosed and accounted for the financial implications of these matters in its financial statements, but there is no mention of the matter in its sustainability report.

Criteria (whether framework criteria or entity-developed criteria) that do not require reporting of such information that clearly could have a material impact on the company, its suppliers, customers and local communities are unlikely to be complete in these circumstances.



190. [\[151\]](#) 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

191. **[152]** Reliable criteria are likely to result in ~~subject matter information that is capable of~~ reasonably consistent measurement or evaluation ~~of the underlying subject matter so as to result in reasonably consistent subject matter information~~. Measurement or evaluation is reasonably consistent when it can be undertaken with the necessary degree of precision to be relevant in the engagement circumstances (i.e., it allows for a reasonably consistent outcome when used in similar circumstances by different practitioners).

EXAMPLE

A company may choose to report their market share. Management uses a methodology they have developed to calculate the information using their own 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 needed to be relevant and therefore gives a fair indication of the company's market share, the practitioner may be able to conclude that the criteria are reliable. As the methodology would form part of the criteria, it would need to be disclosed as part of making the criteria available to the intended users.



192. **[153]** Reliable criteria may need to be based on definitions with little or no ambiguity so that it allows for if the resulting subject matter information is to be capable of reasonably consistent measurement or evaluation of the underlying subject matter, resulting in reasonably consistent subject matter information.
193. **[154]** 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 content of that the subject matter information.

Neutrality

194. **[155]** 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.



195. **[156]** 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 (an aspect of relevance).
196. **[156A]** When criteria do not address presentation and disclosure, there may be opportunity for bias in how such information is presented or disclosed.

EXAMPLE

The choice of gradations on the axes of a graph may ‘flatten’ the curve, with increases or decreases appearing less pronounced than they actually are.

While the criteria may not specify whether graphs are to be used, or what gradations to use, they may need to specify the principles of presentation sufficiently so that the resulting subject matter information is not misleading.



197. [\[157\]](#) A practitioner may need to be particularly careful to determine the neutrality of entity-developed criteria, and exercise professional skepticism due to the inherent risk of management bias.

Understandability

198. [\[158\]](#) 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.
199. [\[159\]](#) Understandable criteria ideally result in the EER report being coherent, easy to follow, clear and logical.
200. [\[160\]](#) 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 detail to assist decision-making by the intended users (relevance) while also being sufficiently concise to be understood by them ([understandability](#)).

Considering the Process to Develop the Criteria and Their Source

Considering How Criteria are Developed

201. [\[161\]](#) How criteria are developed may affect the work that the practitioner carries out to determine 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 determine the suitability of the criteria, it may be helpful for the practitioner to consider the process followed by the framework setter or the entity, for example the extent to which the process addresses matters such as the purpose of the EER report, whether the process is transparent, and whether it involves stakeholder engagement.

Established Criteria

202. [\[163\]](#) When indications exist that established criteria may not be suitable, the practitioner cannot presume that the criteria are suitable and may need to perform further work to consider whether the criteria are suitable, taking into account the implications of those indications.

EXAMPLE

A health regulator requires all hospitals to report their performance each year. The criteria, developed by the regulator, following transparent due process, are intended to meet the requirements of the Health Care Regulations in force at the time. They include criteria for the reporting, by each hospital, of a number of metrics, as well as qualitative narrative about ‘never’ events and the hospital’s plans for improvement. However, the definition of ‘never’ events is ambiguous, and the criteria for one of the metrics are: *The percentage of patients on the Follow-Up Care Program who received an appropriate care package within 7 days after discharge from inpatient care.*

Even though the regulator has followed a transparent due process, the criteria are not suitable as they stand. For example, the definition of ‘never’ events would need to be clarified, and the criteria for the metric do not specify what is meant by ‘appropriate’, what constitutes a ‘care package’, whether the 7 days are measured in days or 24 hour periods, what the trigger is for ‘discharge’, or what constitutes ‘inpatient care’. It also doesn’t specify the cut-off for the metric to be included in, or excluded from, the current year’s reporting (i.e., whether it is discharge date or date followed up that determines whether the information is included in the reporting period).



203. [\[164\]](#) 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.
204. [\[165\]](#) However, in some cases, such an organization’s process to develop criteria may not be fully developed or may result in an EER framework, which may be 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. Depending upon the extent of the lack of specificity, the preparer may choose to communicate aspects of the criteria (e.g., which energy index was selected from options in the framework) through disclosure in the EER information. However, if the framework is lacking in adequate specificity, it may indicate that the criteria in that framework, on their own, may not be suitable. As a result, there may also be a need for the entity to have additional entity developed criteria (or additional criteria selected from another framework), even though the established criteria may have been issued following a transparent due process.

Entity-developed Criteria and Criteria Selected from Multiple Frameworks

Considering the Entity’s Process to Develop or Select Criteria

205. [\[166\]](#) When an entity develops its own criteria or selects criteria from multiple available frameworks, the preparer applies 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 also Chapter 6, paragraph [499237](#)).
206. [\[167\]](#) When an entity has selected criteria from one framework, or developed its own criteria, to supplement criteria from a (another) framework, it may be helpful for the practitioner to consider how any high-level principles of the framework(s) were applied in the entity’s process.
207. [\[167A\]](#) When an entity asserts compliance with more than one framework, but there are inconsistencies or contradictions between the requirements of those frameworks, then the requirements of the different frameworks will not all be able to be applied appropriately. If the

inconsistencies result in a misapplication of one or other framework, that will result in a misstatement. In such a case, the practitioner would need to consider the materiality of such a misstatement and the implications for their assurance conclusion (see Chapter 9).

Considerations When the ~~Boundary Of The~~ Subject Matter Information Within the Scope of the EER Assurance Engagement is Not the Entire EER Report

208. [170] In considering entity-developed criteria, the practitioner may need to understand not only entity-developed criteria for the subject matter information within the proposed scope of the assurance engagement, but also 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 (see paragraph 286-278). In a narrower scope EER assurance engagement, practitioner consideration would normally 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.
209. [171] Doing so may enable the practitioner to consider matters such as:
- (a) Whether there may be omissions of relevant parts of the EER information from the ~~boundary of the~~ subject matter information within the scope of the EER assurance 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 reasonable to expect that the entity would be using that information in its own decision-making.
 - (ii) 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 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 EER assurance engagement or that present the entity in a positive way.

Indications that the Preconditions are Not Present

210. [173] 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, for example if the criteria are still in the process of being developed for that particular engagement. In those circumstances, the requirements in paragraphs 42-43 of the Standard may apply (see also Chapter 3).

Considering Changes to Criteria Over Time

211. [174] 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 process to prepare the EER information such that entity-developed criteria (potentially designed to supplement an EER framework) may change and evolve between reporting periods. Regardless of this, the practitioner exercises professional judgment to

determine whether the criteria are suitable each time EER information is subject to an EER assurance engagement.

212. [175] Changes to criteria and measurement methods year-on-year may be fairly common for EER when an entity's process to prepare its EER information is 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. When an entity's reporting is more established, the rationale for changes to criteria might need to be stronger, and the explanation more detailed.

EXAMPLE

An entity reports on the number of people reached by its community training programs on hygiene. 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 (recorded on enrolment forms) multiplied by (ii) the average sized family according to the latest census data. It disclosed its basis of preparation and the uncertainties involved in the estimates.

As it further 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.

While the criteria used for the initial reporting were judged to be suitable at the time, and the other preconditions for assurance were judged to be present, the additional information 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 and less uncertain estimate of the number of people reached.

The additional information applied improved the measurement method used by the entity. In such a case, it might be expected that the change in measurement basis would also be disclosed so that users were able to understand that the improved measurement may account for some differences in the information reported.



213. [176] When 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 from 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 exercises professional skepticism and professional judgment 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.
214. [177] The more mature the entity's process to prepare the EER information, or the EER framework 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 acknowledgement from the intended users that the entity-developed criteria are suitable for their purposes.

215. [\[178\]](#) Criteria may be relevant if they are consistent from one reporting period to the next to aid comparability. When criteria change, disclosure of the change with an explanation of the reasons for the change may be expected ~~for the criteria to be relevant reliable~~ in the year of the change. Information about the impact of the change, for example restating comparative information (when possible), may also be expected ~~for the criteria to be relevant reliable~~ 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. See also the example in paragraph [475-212](#) above.

Considering Whether the Criteria will be Made Available

216. [\[179\]](#) 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, 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 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.
217. [\[180\]](#) Paragraphs A51-A52 of the Standard describe ways in which criteria may be made available. A practitioner may consider whether the criteria will be made available publicly or in a clear manner, including, for example, whether the criteria will be disclosed in sufficient detail and sufficiently clearly for the intended users.
218. [\[181\]](#) Entity-developed criteria need to be available to intended users in the same way that any other criteria need to be. While there is no general requirement to disclose the process for developing such criteria, some frameworks may require such disclosure, at least for parts of the process, for example the Global Reporting Initiative (GRI) framework requires disclosure about the stakeholder engagement process. Even when frameworks do not require it, practitioners may consider it appropriate to encourage preparers to disclose details of their process for their entity-developed criteria, including their process to identify reporting topics (Chapter 4).
219. [\[182\]](#) 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 the EER report or to make them publicly available on its website, -referred to (as at a particular date) in the EER report.
220. [\[183\]](#) The more familiar intended users are with common measures, the less necessary it may be to make available detailed explanations of those measures, as these may be available by 'general understanding' to the intended users.

EXAMPLE

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.

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

221. [184](#) If it is discovered after the engagement has been accepted that some or all of the applicable criteria are not suitable or available, the practitioner is required to follow the requirements of paragraph 42 of the Standard, which applies to all of the preconditions for acceptance. If, in such circumstances, the practitioner is not permitted to withdraw from the engagement under law or regulation but the criteria are not suitable or available, the practitioner would be required by paragraph 43 of the Standard to:

- Express a qualified or adverse conclusion, or disclaimer of conclusion, as appropriate in the circumstances (if the criteria are not suitable); or
- May need to include the criteria in the assurance report (if the criteria are suitable, but the preparer does not want to make the criteria available) – see also paragraph ~~351~~[412](#) in Chapter 12.

Chapter 6: Considering the Process Used to Prepare, or Internal Control Over the Preparation of, the Subject Matter Information

Matters Addressed by the Guidance in this Chapter

222. [\[185\]](#) This Chapter provides guidance to the practitioner in considering the process used to prepare the subject matter information, or in understanding internal control over the preparation of the subject matter information relevant ~~to for~~ the engagement. This guidance is particularly relevant when an entity's process used to prepare the subject matter information and related controls are still developing, or when that process involves obtaining data or information from external sources.
223. [\[186\]](#) The Standard requires the practitioner:
- (a) In a limited assurance engagement, to consider the entity's process to prepare the EER information (see paragraph 47L of the Standard), or
 - (b) In a reasonable assurance engagement, to obtain an understanding of internal control over the preparation of the subject matter information relevant to the engagement, including evaluating the design of the controls relevant to the engagement and determining whether they have been implemented (see paragraph 47R of the Standard).
224. [\[188\]](#) As discussed in Chapter 3, the nature of the entity's process to prepare the EER information may, in some cases, be an important consideration when determining if the preparer has a reasonable basis for that information. In planning and performing the engagement, paragraph 42 of the Standard 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. The practitioner may become aware of additional information, when fulfilling the requirements of paragraph 47L or paragraph 47R of the Standard, that indicates that the preparer may not have a reasonable basis for the subject matter information.
225. [\[194\]](#) While the guidance in this chapter addresses the application of paragraph 47L or paragraph 47R and paragraphs 42-43 of the Standard, it may also assist the practitioner when determining whether the preconditions are present (Chapter 3).

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

226. [\[189\]](#) Entities reporting EER information typically implement gradual changes to their system of internal control to support such reporting as it becomes more established and formal. An entity's process to prepare its EER information is part of the information system and communication component of the entity's system of internal control.
227. [\[190\]](#) As EER reporting becomes more established for the entity, changes may be introduced to make the entity's process related to preparing the EER information subject to specific control activities and greater governance and oversight, or to bring it more formally within the entity's risk assessment process and its process to monitor the system of internal control. Often these developments occur alongside each other.
228. [\[191\]](#) An entity may use information obtained from an external individual or organization (an 'external information source') in the preparation of its EER information. 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.
229. [\[192\]](#) 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 use automatic processing of routine transactions or events. The entity may also report its EER information in different forms that may be accessible by users on demand, through various communication channels.

230. [193] All the factors discussed in paragraphs 189-226-229-192 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.

Understanding the Entity's Process Used to Prepare, or Internal Control over the Preparation of, the Subject Matter Information

231. [195] An entity's system of internal control typically has five inter-related components³. In the guidance that follows the diagram below, the control environment, risk assessment process and the process to monitor the system of internal control are considered together under the heading 'Governance and Oversight of the Process to Prepare the EER Information'. Paragraph references in Diagram 10 are to paragraphs in this chapter.

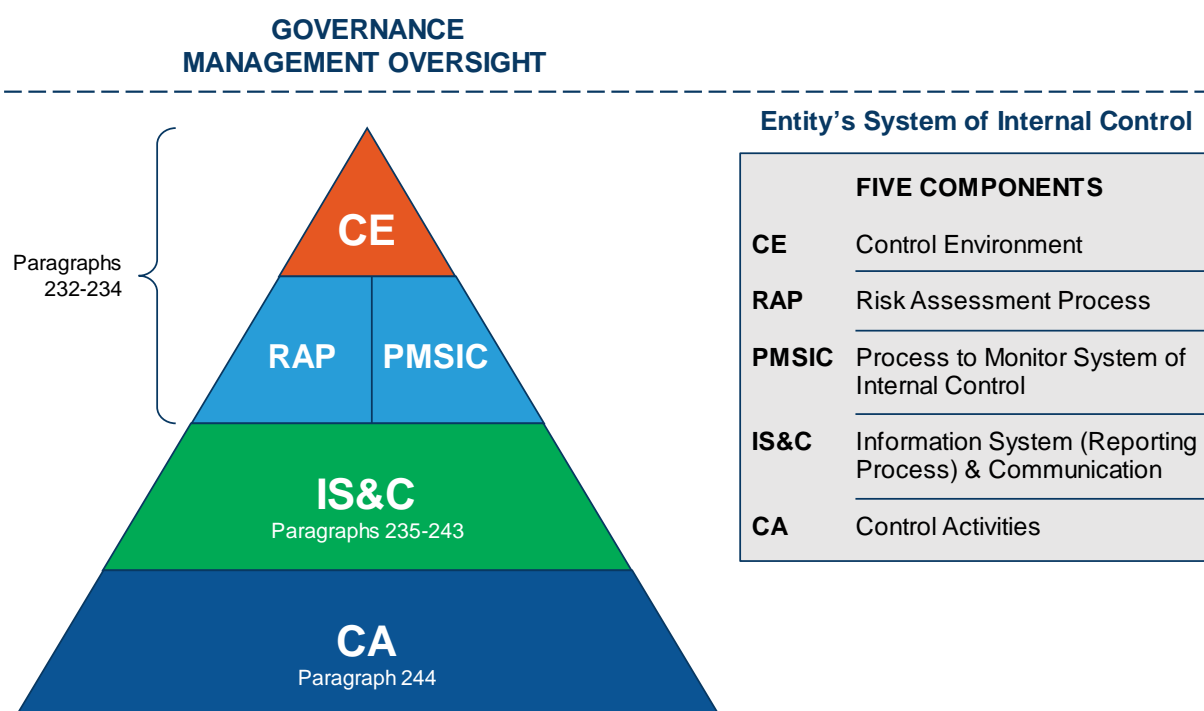


Diagram 10 – Components of System of Internal Control

Governance and Oversight of the Process to Prepare the EER Information

232. [208A] The Standard does not specifically address governance and oversight over the process to prepare the subject matter information, but it may be useful for the practitioner to consider the governance and oversight arrangements the entity has in place over the preparation of its EER information. An entity's governance arrangements over the management and reporting of its EER information may be less developed or less well 'embedded' into its operations than those in place

³ Based on ISA 315 (Revised 2019) paragraph 12(m))

for managing and reporting its financial performance, which may affect whether the preparer has a reasonable basis for the EER information, as well as the ability of the practitioner to obtain the evidence needed to support their conclusion.

233. [208B] The level of formality of the governance and oversight arrangements in place, including the entity's risk assessment process and process to monitor the system of internal control, may vary by size and complexity of the entity, and the nature and complexity of the EER underlying subject matter and criteria.
234. [208] If considering the entity's governance and oversight, the practitioner's considerations may include the following:

CONSIDERATIONS FOR THE PRACTITIONER	<p>(ad) Those charged with governance or senior management, as appropriate, setting an appropriate 'tone at the top' to encourage high quality and ethical practices in the management and reporting of EER matters used in the entity's business decision-making;</p> <p>(ba) —Involvement of those charged with governance and senior management at appropriate stages throughout the process to prepare the EER information, including their approval of the EER information, as appropriate;</p> <p>(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 information (for larger entities);</p> <p>(de) 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;</p> <p>(ef) Assignment of authority and responsibility for the process to prepare the EER information, and enforcement of accountability for meeting such responsibility;</p> <p>(fg) The process undertaken to identify, assess and address risks related to the process used to prepare the EER information; and</p> <p>(hg) 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.</p>
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Information System and Communication

235. [196] The level of sophistication of the information system and communication component (discussed under this heading) and the control activities component (see paragraph 207 below) of the system of internal control may also vary according to the size and complexity of the entity, and the nature and complexity of the underlying subject matter and criteria.
236. [197] Paragraph A39 of the Standard 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'. Equally, in other circumstances, extensive internal controls may not be needed.

237. [200] As noted in paragraph ~~489-226~~ above, the entity's EER process to prepare the subject matter information is part of the entity's information system. Examples of policies, processes and resources of the information system and communication component that the practitioner may consider in the context of an EER assurance engagement are included below. As discussed in paragraphs ~~196-235-197-236~~ above, for some entities a formal process with extensive internal controls may be necessary in order for the preparer to have a reasonable basis for the subject matter information. 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 appropriate to the engagement circumstances. Further guidance is given in Chapter 3 in the context of determining whether the preconditions are present. The considerations are not meant to be an exhaustive list of aspects that may be appropriate in the engagement circumstances:

CONSIDERATIONS FOR THE PRACTITIONER

- (a) Processes to select or develop criteria, including the entity's process to identify reporting topics, if applicable (see Chapter 4), to be addressed in the EER information;
- (b) Processes to select or develop criteria for the measurement or evaluation of reporting topics, including their presentation and disclosure, and for review of the disclosures made and whether they are appropriate and complete, and, where necessary, include disclosure of changes to the criteria since the previous reporting period;
- (c) Processes to capture, record, process, correct, and include in the EER information, data and information, including qualitative information, about the reporting topics; such processes may include internal verification processes whereby the data and information are checked by a reviewer for accuracy and completeness of information, and signed off to evidence that the review has taken place;
- (d) Processes to select, obtain, review and monitor data and information obtained from external information source(s);
- (e) Records and source documentation to support the preparation of the subject matter information relating to the reporting topics; these are ideally stored and accessible so that they can be used as evidence by the practitioner;
- (f) How the entity uses IT to support the above.

238. [201] The entity's information system and communication are- likely to involve the use of IT to collect or process 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 information may be an important part of the practitioner considering the process used to prepare the EER information required by paragraph 47L of the Standard, or in obtaining the understanding required by paragraph 47R of the Standard. When the entity uses complex IT systems, the practitioner may need to consider whether to use the work of an IT expert (practitioner's expert). For further guidance on the use of practitioner's experts, see Chapter 1.

Considerations When the Entity's Process to Prepare its EER Information is Developing

239. [202] Although having a highly sophisticated process or well-developed system of internal control is not a precondition for an assurance engagement, the entity's process to prepare the EER information needs to be adequate to provide the preparer with a reasonable basis for the subject matter information. Controls over that process may be informal or relatively simple when the engagement circumstances are simple. The greater the complexity of the underlying subject matter, the more complex the process to prepare the subject matter information and related controls may need to be. There is a difference between simple controls and inadequate controls. Simple controls may be adequate when the entity and the underlying subject matter and its measurement or evaluation are not complex.
240. [203] As an entity's experience with EER reporting develops, 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 Chapter 8, although the way in which the information is recorded and reported may change, the objectives of the entity's process to prepare the EER information and related controls that are necessary to provide a reasonable basis for the subject matter information, in the particular circumstances of an engagement, remain the same.

Considerations When an EER Reporting Process Obtains Data or Information from an External Source

241. [204] Particular practitioner considerations may be appropriate when the entity uses information obtained from an external information source to prepare its EER information. Examples of information from an external information source might include the results of an independent survey of customer satisfaction, climate scenario analysis tools developed by external sources and used by the entity to assess its climate-related risks, or the use of publicly available conversion factors, indices and benchmarking information.
242. [205] Key considerations for the practitioner may include the source of the external information, and, depending on the level of assurance, the processes and controls over the information obtained from that external source. When an external information source obtains information on behalf of the entity, the entity may, for example, have contractual rights of access to that information source and to how the information is gathered and processed. The entity may also have in place its own processes and controls to monitor information provided to, and received back from, the external information source.
243. [206] When an entity uses information from another type of 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 may have its own processes and controls in place 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 different available sources is aligned. Further consideration is given to external sources of information in Chapter 8.

Control Activities

244. [207] Types of controls in the control activities component that the practitioner may consider include, for example:

CONSIDERATIONS FOR THE PRACTITIONER

- (a) Controls requiring segregation of duties between individuals involved in the process to prepare the EER information, to the extent appropriate to the size of the entity, for example segregation between those preparing the information and those reviewing it;
- (b) Controls to prevent the preparer from inappropriately modifying underlying sources of data, information or documentation that the practitioner would use as evidence;
- (c) Controls to identify transactions, occurrences and events, and to record them completely, accurately, in a timely manner, and to classify them appropriately (see also Chapter 7 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;
- (e) IT controls to support 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;
- (f) Controls to address susceptibility to management bias that may occur in the process to develop or apply the measurement or evaluation bases and other reporting policies.

For further examples of considerations related to control activities, see Appendix 3 Limited and Reasonable Assurance Engagements – EER Illustrative Table.

Consideration of the Entity's Size, Complexity and Nature

245. [209] 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 for the preparer to meet its responsibility for establishing a reasonable basis for the subject matter information. However, a larger or more complex entity such as a multinational company may require more detailed and formalized EER reporting processes and related controls to meet this responsibility.
246. [210] The nature of the entity's processes, controls and records in the entity's system of internal control may vary 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, and in order for the preparer to have a reasonable basis for the information about employee diversity.



Limited Assurance and Reasonable Assurance

247. [211] In a limited assurance engagement, the practitioner is required to consider the process used to prepare the subject matter information. The nature and extent of the practitioner's consideration

may vary depending on the complexity of the EER assurance engagement and the nature and complexity of the underlying subject matter. For a relatively less complex, 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, 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 entity's process to prepare the subject matter information.

248. [212] In a reasonable assurance engagement, the practitioner, 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 (i.e., implemented).
249. [213] For examples of considerations relating to an entity's process to prepare the subject matter information, and the internal control over that preparation, see Appendix 3 ~~[x]~~ *Limited and Reasonable Assurance Engagements – EER Illustrative Table*.

Chapter 7 Using Assertions

Matters Addressed by the Guidance in this Chapter

250. [256] This Chapter provides guidance on what [assertions](#) are and how they may be used by a practitioner as a tool to:
- (a) consider the different types of potential misstatements that may occur in the subject matter information, and
 - (b) assist the practitioner in obtaining evidence about whether the subject matter information has been prepared in accordance with the criteria, or whether it is misstated.
251. [257] While the use of assertions is not required by the Standard, assertions are one way in which the practitioner may consider the potential types of misstatements that may occur. [For examples of illustrative procedures see Appendix 3 Limited and Reasonable Assurance Engagements – EER Illustrative Table.](#)

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

252. [258] In an EER engagement, the criteria used to measure or evaluate the underlying subject matter(s) may require different characteristics of the subject matter information than those required by either:
- (a) financial reporting frameworks that are applied to prepare financial statements, or
 - (b) the criteria used to measure greenhouse gas emissions.

Consequently, the question may arise as to whether the assertions, as described in IAASB International Standards on Auditing (ISA) and ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements* apply to EER subject matter information, or whether assertions that may be used by a practitioner in an EER assurance engagement may be different.

Using Assertions

The Meaning of Assertions

253. [259] The term ‘assertions’ is used in this Guidance consistent with the definitions of assertions in certain IAASB standards. They are conceptually different from the ‘written representations’ that may be obtained from the preparer in accordance with paragraphs 56-60 of the Standard.

Assertions are representations by the entity, explicit or otherwise, that are embodied in the subject matter information, as used by the practitioner to consider the different types of potential misstatements that may occur.⁴

254. [260] If assertions are used, they may be used in the context of:
- (a) Planning and performing the engagement, [including, for a limited assurance engagement, identifying areas where material misstatement is likely to arise, and, for a reasonable assurance engagement, identifying and assessing the risks of material misstatement;](#)
 - (b) ~~Designing and performing procedures to~~ respond to the identified risk [areas or assessed risks, as appropriate](#) (at the assertion level for a reasonable assurance engagement); and

⁴ [This definition is adapted from the definition in ISAE 3410, paragraph 14\(b\)](#)

(c) Considering whether misstatements are material.

255. [\[261\]](#) Although the practitioner is not required to use assertions under the Standard, a practitioner may find it helpful to use assertions to consider the different types of potential misstatements that may occur (see paragraph [2658](#) below) in both reasonable and limited assurance engagements. If so, the practitioner may begin by considering the assertions used in other IAASB standards.
256. [\[262\]](#) The table below sets out the categories of assertions that are included in ISA 315 (Revised 2019) and in ISAE 3410. Those in ISA 315 (Revised 2019) 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 assertions in ISAE 3410 all relate to emissions which occur over a ‘period’.

Table 1 – Assertions in IAASB Standards

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

257. [\[267\]](#) It may be helpful for the practitioner to consider the assertions at the level of detail at which aspects of the underlying subject matter are required to be measured or evaluated in accordance with the criteria.

EXAMPLE

Entity A has included the following statement in its subject matter information:

The increase in Scope 1 and 2 greenhouse gas emissions is due to the acquisition of a new production plant in Europe during the first quarter of the year. At all our operations, GHG emissions per unit of production have decreased significantly since the previous year due to improved management oversight.

The entity is explicitly asserting that there has been an increase in GHG emissions, that it has acquired a new production plant during the year, and that the acquisition of the new plant is the reason for the increased emissions. ~~It~~The entity is also explicitly asserting that that GHG emissions per unit of production have decreased at all of its sites due to management actions.

~~It~~The entity is implicitly asserting, among other matters, that:

- the reported GHG emissions have occurred
- the GHGs reported are those emitted by the facilities within the entity's defined organizational boundary (i.e., the entity is responsible for the GHGs emitted)
- the GHG emissions are accurately reported, including that they have been converted to CO₂ equivalents using appropriate conversion factors
- the GHG emissions are reported in the period in which they were emitted (cut-off)
- all GHGs within the ~~organi~~zational boundary have been measured and reported (i.e., they are complete)
- the GHGs have been appropriately classified as Scope 1 or 2 emissions, depending on their source (classification)
- the GHG emissions have been disclosed and presented appropriately and have been prepared on a basis consistent with the previous year.

Considering Types of Potential Misstatements in Designing Procedures

Types and Causes of Potential Misstatement

258. [268] The assertions allow the practitioner to consider the different types of potential misstatements that may occur because, when an assertion is not true in subject matter information, the information is misstated. Misstatements arise out of misuse of the criteria in one way or another, for example as a result of human error, process flaws, management bias or fraud. Some examples of different types of possible misstatement include:

- (a) False claims in information ('existence', 'occurrence' or 'responsibility' assertion – for example, an entity's reported community investment or environmental clean-up did not actually occur, or was made by another party, but with 'responsibility' being falsely claimed as the entity's own).
- (b) Recording information in the incorrect period ('cut-off' assertion – for example, recording an entity's water used in the period preceding or following the period in which the water was actually used).
- (b) Inaccuracies in information ('accuracy' assertion – for example, arising from inaccurately calibrated measuring devices, transposition or other errors in the recording of

measurements, or use of inappropriate conversion factors, such as use of a CO₂ conversion factor for nuclear energy when the entity has coal and oil fired facilities).

- (c) —Omission of information ('completeness' assertion – for example, a company reports on its land rehabilitation program for three of its mining sites, but remains silent about two sites where significant degradation has occurred and where there are no plans to rehabilitate the land).
 - (d) Incorrectly classified information ('classification' assertion – for example, the entity classifies (mainly female) seasonal contractors as permanent full-time employees, which results in erroneous reporting about gender representation on its permanent work force).
 - (e) —Misleading or unclear representation of information ('presentation and disclosure' assertion – for example, the preparer gives undue prominence to 'favorable' information by using large, bold or brightly-coloured text and images, or other ways to emphasize the presentation, but presents 'unfavorable' information less conspicuously), for example, by using small or light-coloured font, and less extensive text.
 - (f) Bias in information so that positive aspects of performance are focused on and negative aspects are omitted ('presentation and disclosure' assertion).
259. [269] If a practitioner identifies a misstatement when performing the planned procedures on the subject matter information, the practitioner is required to make a judgment as to whether the misstatement is material, which will then determine the appropriate action. Refer to Chapter 9 for more guidance.
260. [270] There may be other ways in which the practitioner 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 criteria may 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 treat assertions about disclosure and presentation that result from applying criteria that meet the principle of connectivity as 'connectivity' assertions or may treat them as subsumed in the category of presentation and disclosure assertions.
261. [257] If the practitioner does not use assertions, one alternative that the practitioner may use is to consider the potential types of misstatements that may occur by:
- (a) 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 (i.e., think about what can go wrong in preparing and presenting the subject matter information); and
 - (b) Considering the similarities and differences between such potential misstatements.

This approach may enable the practitioner to identify and categorize all the potential misstatements into types so that both their individual and aggregate effect can be evaluated.

Chapter 8: Obtaining Evidence

Matters Addressed by the Guidance in this Chapter

262. [271] This Chapter provides guidance on the requirements of paragraphs 48-49L/R- of the Standard to obtain evidence. It also sets out considerations for practitioners on what evidence may be needed 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

263. [272] As discussed in the Introduction, 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– information–~~ and non-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.
264. [273] 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 CO₂ 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.
265. [274] As discussed in Chapter 6, the entity's process to prepare the EER information and other components of the entity's internal control over the preparation of the subject matter information relevant to the engagement may often be less than fully developed, particularly when an entity first starts to prepare its EER information. In addition, there may not be the same rigor of control over qualitative information as over quantitative information.
266. [275] 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).
267. [276] 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.

Obtaining Sufficient Appropriate Evidence

268. [278] Paragraphs 48-49L/R set out requirements relating to risk considerations and responses to risks, differentiating between limited and reasonable assurance in some respects. When the Standard does not differentiate, the requirements are the same for both limited and reasonable assurance. See also Appendix ~~ix~~3 *Limited and Reasonable Assurance Engagements – EER Illustrative Table*.
269. [279] 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; and

- (b) The enhanced degree of confidence of intended users about the subject matter information is likely to vary with the level of assurance obtained, and conveyed in the assurance report.
270. [280] In both limited and reasonable assurance engagements, the practitioner aims to obtain evidence with enough collective persuasiveness to respond to risk considerations. For limited assurance, the procedures performed are limited compared with those necessary in a reasonable assurance engagement but are, nonetheless, planned to obtain a level of assurance that is meaningful. In some cases, the nature of procedures may be similar for limited and reasonable assurance, but the extent may differ across-between limited and reasonable assurance, as well as across the range of limited assurance engagements. What is meaningful assurance can vary from just above assurance that is likely to enhance intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential to just below reasonable assurance.
271. [281] Decisions about what procedures to perform and their timing and extent depend on the persuasiveness of the evidence obtained in reducing assurance engagement risk to the level that is acceptable (for a limited assurance engagement) or acceptably low (in a reasonable assurance engagement) in the specific circumstances of the engagement. Paragraphs A108-A112 of the Standard include guidance on the nature, timing and extent of procedures. Such decisions require the exercise of professional skepticism and professional judgment (see Chapter 2).
272. [282] The nature, types and sources of available evidence may be different in an EER assurance engagement from that available in a financial statement audit. However, the practitioner's considerations in designing and performing evidence-gathering procedures are likely to be common to any type of subject matter information, including EER information. The considerations 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, including for qualitative and future-oriented information, which are considered further in Chapter 10 and 11, respectively.
273. [284A] In practice, the evidence-gathering process is iterative, and the considerations below may be revisited as new information comes to light during the engagement.

CONSIDERATIONS FOR THE PRACTITIONER	<p>A. <i>Risk considerations, and considering what evidence is needed to respond to risks may include the following:</i></p> <ul style="list-style-type: none"> (a) In what way(s) could the underlying subject matter not be properly measured or evaluated, presented or disclosed in the EER information (the ‘type of misstatement’ or ‘what can go wrongs’)? See also Chapter 7 on using assertions. (b) What might cause a type of potential misstatement to occur – i.e., what could cause a risk of material misstatement of that type? (c) How does the entity manage and mitigate a risk of material misstatement in its EER information, taking into account the potential cause(s) for that type of misstatement? 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. Chapter 6 provides guidance on considering the process used to prepare, or internal control over the preparation of, the subject matter information. (d) 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 (see paragraph 45(b) of the Standard)? (e) Is management aware of any actual, suspected or alleged intentional misstatement or non-compliance with laws or regulations that may affect the identification of possible areas of misstatement or the assessment of risk? (f) 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 if the EER information is capable of precise measurement or evaluation, the evidence is likely to need to be more precise than if the EER information is subject to estimation and uncertainty. (g) Does the evidence needed relate to subject matter information about a single-location entity or to a multi-location organization or a supply chain (upstream, downstream or both)?
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274. [\[284B\]](#) Once the practitioner has determined what evidence they may need, they may consider the available sources of evidence and how the characteristics of the source affect the persuasiveness of the evidence, and nature of the assurance procedures that can be performed.

CONSIDERATIONS FOR THE PRACTITIONER

B. Considerations when determining what evidence is available may include the following:

- (a) Is the evidence in digital, written or oral form, related to a point in time or for a period, obtained from an external information source (see also paragraphs ~~284E~~ ~~277 -284F~~ below) or internally generated, 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?
- (b) If the evidence needed relates to subject matter information about a supply chain (upstream, downstream or both), how does that affect the ability to obtain sufficient appropriate evidence?
- (c) How relevant and reliable would the evidence need to be, and will the evidence from available sources provide that degree of relevance and reliability? If not, are there alternative sources of evidence, or additional procedures that can be performed?

275. ~~[284C]~~ The purpose of the particular procedure may also affect the nature, timing and extent of procedures performed by the practitioner.

CONSIDERATIONS FOR THE PRACTITIONER

C. Considerations when designing and performing procedures to obtain sufficient, appropriate evidence may include the following:

- (a) What will the procedure achieve? For example, will it provide evidence about ~~the~~ whether an event affecting the subject matter information has occurred or whether the subject matter information ~~it~~ is complete? The purpose of the procedure may affect the 'direction' of the procedure, for example whether it is performed from the reported EER information to another source (occurred), or from the other source to the reported EER information (is complete).
- (b) Is aggregation risk and performance materiality a relevant consideration in designing or performing the procedure (see- paragraphs ~~287~~~~279-298~~~~287~~ below)?
- (c) How much evidence would need to be obtained and from which of the available sources? For example, when the assessed 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 assessed risk of material misstatement is low, or may seek to obtain evidence from more than one available source.
- (d) What is the nature, timing and extent of the procedures, and how might that affect the resources needed on the engagement team, including any practitioner's experts (see also Chapter 1)?

276. ~~[284D]~~ Having performed their evidence-gathering procedures, the practitioner uses professional judgment and exercises professional skepticism in evaluating the quantity and quality of

evidence, and thus its sufficiency and appropriateness, to support the assurance conclusion.⁵ Paragraphs A146-A157 of the Standard provide further guidance.

CONSIDERATIONS FOR THE PRACTITIONER	<p>D. <i>Considerations when evaluating the sufficiency and appropriateness of evidence obtained may include the following:</i></p> <ul style="list-style-type: none"> (a) Was the planned evidence able to be obtained? (b) Has any new information come to attention that differs from that expected or that contradicts <u>or is inconsistent with</u> other evidence obtained? If so, has the appropriateness of the planned procedures been re-evaluated in light of the new information? (c) Has the evidence obtained from different sources been considered in an unbiased manner? (d) Is more evidence needed and how will that be obtained? (e) Have any difficult professional judgments been appropriately reviewed and has appropriate consultation on difficult or contentious matters taken place, if needed? (f) 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 9 and, in the context of qualitative and future-oriented information, also Chapter 10 and Chapter 11, respectively. (g) When evidence represents information that was not verifiable to a high degree of precision, is the range from which the reported information was selected appropriate? (h) Have events subsequent to the reporting period been considered, as well as their implications, if any, for the assurance engagement?
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External Information Sources

277. [284E] As noted in paragraph 273-264 above, EER reporting may include information obtained from sources external to the entity. This is a factor affecting the, ~~which may heighten the need to exercise of professional skepticism and professional judgment (see Chapter 2 for guidance on the exercise of professional skepticism and professional judgment).~~ Factors that may be important when considering the relevance and reliability of information obtained from an external information source include, among other matters:

- (a) the ability of the reporting entity to influence the EER information obtained through relationships between the entity and the external information source; for example an entity may be able to influence, through contractual arrangements, what information is to be reported along its supply chain;
- (b) whether the entity has in place controls to address the relevance and reliability of the information obtained and used in its EER reporting;

⁵ International Framework for Assurance Engagements, paragraph 66
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- (c) the competence and reputation of the external information source with respect to the EER information, including whether the information is routinely provided by a source with a track record of providing reliable information;
- (d) whether there is disclosure of the information used by the external information source as a basis, and the methods used in preparing the information; for example, a pricing agency may compile pricing data and report an external market price, but may not control how the information is prepared at its original source;
- (e) whether the information is suitable for use in the manner in which it is being used, was developed taking into account applicable frameworks or criteria, uses information that was prepared on a consistent basis by underlying entities; for example, ratings agencies may publish companies' ESG ratings, but may be using information that has not been prepared on a consistent basis between those companies, or may have used models in the absence of actual company information;
- (f) the nature and authority of the external information source; a central bank or government office with a legislative mandate to provide information to the public is likely to be an authority for certain types of information, for example the Intergovernmental Panel on Climate Change is generally regarded as an authoritative source on climate-related scenarios;
- (g) evidence of general market acceptance by users of the relevance and reliability of information from an external information source for a similar purpose to that for which the information has been used by management or the practitioner;
- (h) alternative information that may contradict the information used, for example there may be other, similar sources of the external information available; when similar sources report very different ranges of information, that may raise questions for the practitioner.

Other Information

278. [286] 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. 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 an EER report ~~that is not within the boundary of other than~~ 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 Chapter 10.

Addressing Aggregation Risk in an EER Assurance Engagement

Nature of Aggregation Risk and How it Arises in Designing and Performing Procedures

279. [287] In designing and performing procedures in an EER assurance engagement, there is a risk that the aggregate of uncorrected and undetected misstatements exceeds overall materiality or, when applicable, materiality at a disaggregated level.
280. [288] Aggregation risk arises because the subject matter information may be divided into separate pieces (disaggregated) by the preparer, for the purposes of applying the criteria, or by the practitioner, for the purpose of designing and performing assurance procedures.

EXAMPLE

An entity reports EER information for its four production sites. Management of the EER underlying subject matter, and of the process to report the EER information are devolved to site production managers, who report using the group EER reporting manual as criteria. Overall materiality for the entity's EER information has been set at 5,000 units, and at the site level as follows: Site A - 2,000 units; Site B - 400 units; Site C - 850 units; Site D - 1,750 units.

Misstatements of the EER information are identified at each of the sites as follows: Site A - 930 units; Site B - 385 units; Site C - 740 units; Site D - 2,960 units. Each of these misstatements is, individually, well below the 5,000 units. For sites A, B and C, the misstatements are also below the site materiality. However, when aggregated, the four sites' misstatements exceed the 5,000 units overall materiality for the entity, which would result in the EER information as a whole being materially misstated.



281. [289] When quantitative factors are applicable, planning the engagement solely to detect individually material misstatements overlooks the fact that the aggregate of uncorrected and undetected individually immaterial misstatements may cause the subject matter information to be misstated (see paragraph A98 of the Standard). In order to evaluate whether misstatements are material, when considered in combination with each other, it is necessary to consider the aggregate significance of detected misstatements
282. [289A] In some circumstances, the practitioner may consider aggregation risk to be low. For example, if an entity is reporting and asking for assurance on discrete metrics that have no relationship between them, there may be little or no aggregation risk between the different metrics. However, ~~performance materiality the practitioner may consider also makes allowance for~~ 'detection risk' – the risk that not all misstatements that exist in the subject matter information may be detected.

Mitigating Aggregation Risk in Designing and Performing Assurance Procedures

283. [292] Paragraph 51 of the Standard requires the practitioner to accumulate uncorrected misstatements identified that are not clearly trivial. Paragraph 65 of the Standard requires the practitioner to evaluate whether they are material individually or in the aggregate.
284. [293] Performance materiality is an approach that may be used by practitioners to reduce 'aggregation risk' in the design and performance of assurance procedures, when the subject matter information is disaggregated.
285. [295] Performance materiality is addressed in paragraph A98 the Standard even though the term 'performance materiality' is not used. It involves designing and performing procedures to identify misstatements the significance of which rises to a quantitative threshold that is less than quantitative materiality for the subject matter information as a whole. It is set to reduce aggregation risk to an appropriately low level.
286. [297] Using performance materiality to perform procedures increases the likelihood that the procedures will result in the identification of misstatements that are not individually material in quantitative terms.

287. [298] Performance materiality does not address misstatements that would be material solely or principally due to qualitative factors that affect their significance. ISA 320⁶ notes that it is not practicable to design audit procedures to detect all misstatements that could be material solely because of their nature. However, designing procedures to increase the likelihood that misstatements that are material solely or principally because of qualitative factors, to the extent it is possible to do so, may also assist the practitioner in reducing aggregation risk. Chapter 9 gives guidance on considering the materiality of misstatements.

⁶ ISA 320, *Materiality in Planning and Performing an Audit*, paragraph 6

Chapter 9: Considering the Materiality of Misstatements

Matters Addressed by the Guidance in this Chapter

288. [\[299A\]](#) This chapter provides guidance on addressing the requirements of paragraphs 44 and 51 of the Standard and, in particular on:
- (a) qualitative and quantitative considerations in identifying misstatements;
 - (b) the practitioner's responsibilities when misstatements are identified during the performance of the assurance engagement;
 - (c) how to accumulate misstatements, and
 - (d) potential 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.
289. [\[299B\]](#) This chapter does not address considerations when planning the assurance engagement, or the— concept of performance materiality; the latter is addressed in paragraphs [287279-298287](#) of Chapter 8. Chapter 10 provides further guidance on the consideration of qualitative misstatements, and Chapter 11 provides guidance on the consideration of misstatements in future-oriented information.

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

290. [\[302\]](#) The intended users of the EER report may be diverse, with different information needs, and different considerations that might affect their decision-making.
291. [\[301\]](#) The ~~boundary of the~~ subject matter information for an EER assurance engagement may be all or only part(s) of an EER report, such as specific indicators.
292. [\[300\]](#) 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 (see Introduction to this Guidance), and it may be able to be measured with precision or may be subject to varying degrees of measurement or evaluation uncertainties.
293. [\[303\]](#) These factors may present challenges to the practitioner in determining what may be material in the engagement circumstances, and in evaluating the effect of identified misstatements in relation to those parts of the EER report that are within the ~~boundary scope~~ of the ~~subject matter information-EER assurance engagement~~ when taken as a whole.

Identifying Misstatements

294. [\[304\]](#) If during the [EER](#) assurance engagement the practitioner identifies a misstatement within the EER information, the practitioner is required to make a judgment as to whether the misstatement is material.

Materiality is Considered from the User's Perspective

295. [\[304A\]](#) The practitioner's assurance conclusion is stated in terms of whether the subject matter information has been prepared 'in all material respects' in accordance with the applicable criteria. [Unless the EER Framework \(the applicable criteria\) defines or describes materiality, the Standard provides a frame of reference that m](#) Misstatements, including omissions, are considered to be

material if they, individually or in the aggregate, could reasonably be expected to influence the decisions of intended users taken on the basis of the subject matter information. Misstatements can be intentional or unintentional, qualitative or quantitative.

296. [304B] Paragraphs A92-A100 of the Standard give guidance on materiality considerations, including that, for the same intended users and purpose, materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users.
297. [304C] In EER engagements, the intended users and the types of decisions they make, based on the subject matter information, may vary widely. There may also be others who will read the assurance report, but who the practitioner may not be able to identify, particularly when a large number of people have access to it (see also Chapter 3). Paragraph A16 of the Standard gives guidance that, in such a case, intended users may be limited to major stakeholders with significant and common interests.
298. [304D] However, if the applicable criteria require the preparer to consider different information needs among ‘sub-groups’ of users, then those sub-groups are intended users. In practical terms, this means that, if one sub-group has a higher tolerance for misstatement than other sub-groups, but all of the sub-groups are interested in the same subject matter information, materiality may need to be considered at the threshold of the sub-group with the lowest tolerance for misstatement.

Quantitative Materiality Considerations

299. [306] For parts of subject matter information that are quantitative (for example a KPI expressed in numerical terms), the starting point for materiality decisions may be to establish materiality thresholds at the planning stage of the engagement. This may often be done by applying a percentage⁷ to the reported metric, or to a chosen benchmark related to the subject matter information. If the EER framework specifies a percentage threshold for materiality, this provides a frame of reference to the practitioner in determining materiality for the engagement.
300. [306A] If the subject matter information is a discrete indicator, without component aspects, the practitioner may apply a percentage directly to the reported indicator as a whole, for example a percentage of reported metered water ~~usage~~consumption, when the indicator is reported as ‘metered water ~~usage~~consumption. When the subject matter information comprises a number of different indicators, with little in common to provide a basis for considering them together, materiality may be considered separately in relation to each indicator, for example x% of investment in community projects (in hours or \$), y% of energy consumed (in kWh), or z% of land rehabilitated (in hectares).

Qualitative Materiality Considerations

301. [306C] Materiality involves qualitative as well as quantitative considerations. A quantitative materiality threshold is useful for making a preliminary decision about whether an item is likely to be material⁷. Misstatements of amounts smaller than the quantitative threshold may have a material effect on the reported subject matter information. For example, if an error were to prevent an entity from achieving regulatory requirements, this may be considered material, even if the quantitative error is smaller than the quantitative threshold.

⁷ There are instances where this would not be appropriate, perhaps where the number is often very small (for example, number of fatalities).

302. [\[306D\]](#) Not all aspects of the subject matter information involve the same materiality considerations. For different aspects of subject matter information, the same intended users may have different information needs, and a different tolerance for misstatement. Considering qualitative factors may help the practitioner to identify aspects of the subject matter information that may be more significant to the intended users.
303. [\[306E\]](#) The practitioner's consideration of materiality is a matter of professional judgment and is affected by the practitioner's perception of the common information needs of intended users as a group (see paragraph A94 of the Standard). For example, intended users may place more importance on information about food or drug safety than they do on information about the recycling of non-hazardous waste because the consequences of poor safety standards in food or drug production are likely to be more serious to human health than those for not recycling non-hazardous waste. They may, therefore, have a lower tolerance for misstatement of information about food or drug safety than about recycling of non-hazardous waste.
304. [\[306F\]](#) Considering qualitative factors may also be important for the way in which the subject matter information is presented. For example, when the preparer presents the subject matter information in the form of graphs, diagrams or images, materiality judgments may include considerations such as whether using different scales for the x- and y-axes of a graph may result in materially misstated or misleading information. Further guidance on qualitative materiality considerations is included in Chapter 10. See also paragraph [2568](#) (e) and (f) of Chapter 7.
305. [\[309\]](#) If the preparer does not correct some or all of the identified misstatements, the practitioner may need to undertake a consideration of whether the accumulated misstatements are material, individually or in combination with others, and may take into account the considerations below. The practitioner may obtain an understanding of the preparer's reasons for not making the corrections and 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. The flow diagram under 'Practitioner Responsibilities' below illustrates practitioner considerations and responsibilities. The references in parentheses in the flow diagram are to paragraphs in this chapter, unless otherwise indicated.

Practitioner Responsibilities

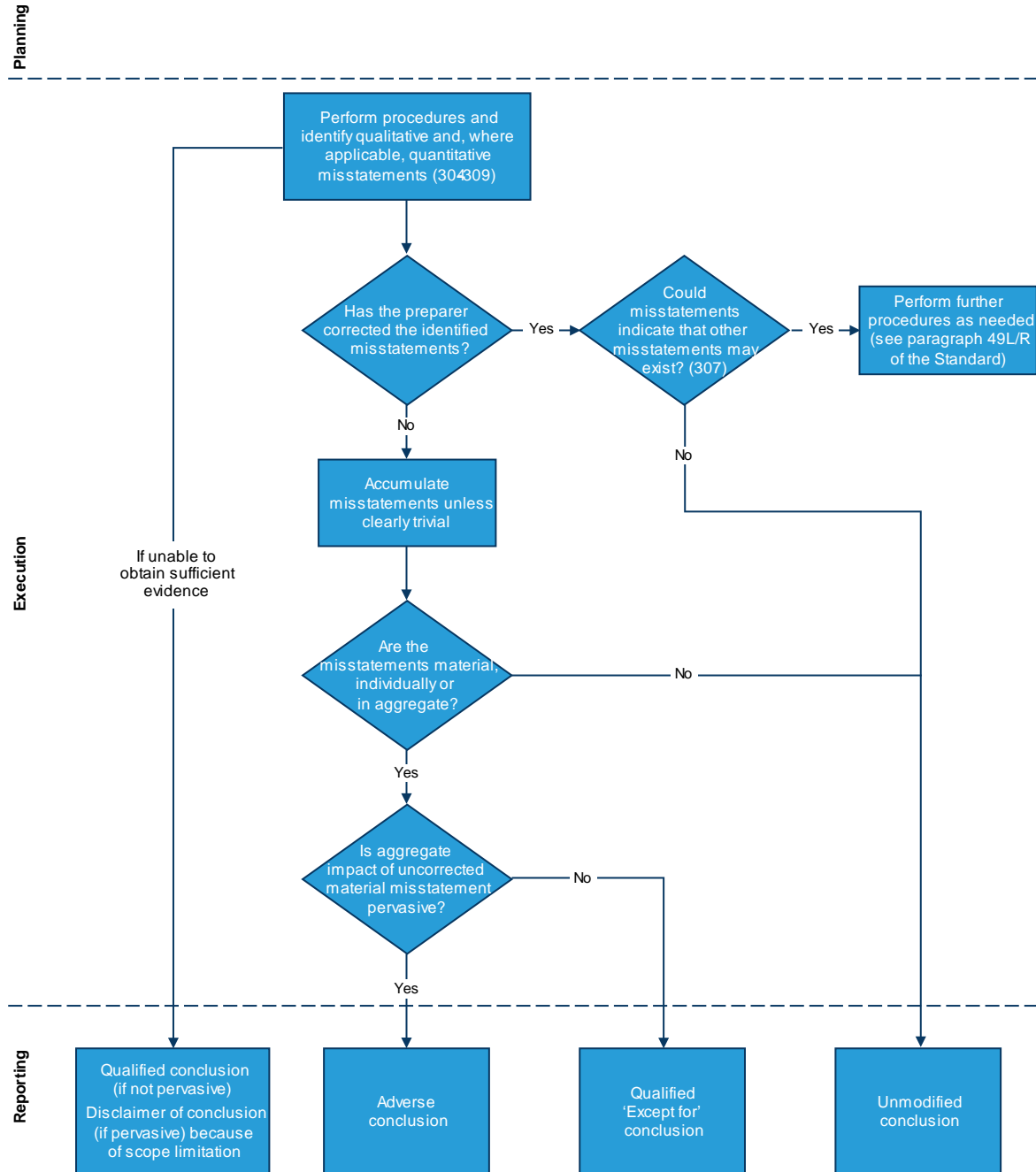


Diagram 11 – Practitioner Responsibilities in Relation to Identified Misstatements

306. [307] Having evaluated identified misstatements individually, the practitioner is required by paragraph 51 of the Standard to accumulate uncorrected misstatements other than those that are clearly trivial (see also example below) (see also paragraphs ~~310~~307-316 below). The practitioner may also consider whether the nature and cause(s) of misstatements identified

indicate that other misstatements may exist in other parts of the EER information (see also paragraphs 31~~17~~-31~~420~~ below).

EXAMPLE

A misstatement so small that, even if it were to occur in all of the measurements, would not affect the 'rounding' of the quantitative subject matter information, might be considered to be 'clearly trivial' under certain circumstances, for example if it would not change reporting of 100 units to 101 units, or 3.15 units to 3.16 units.

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. When there is any uncertainty about whether one or more items are clearly trivial, the misstatement is considered not to be clearly trivial.



Accumulating Misstatements

307. [310] The practitioner is required to accumulate uncorrected misstatements so that those misstatements can be considered in combination with others uncorrected misstatements.
308. [311] When the scope of the EER assurance 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 (aspect of the subject matter information) 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 (see also paragraphs ~~306299~~-30~~06A~~ above).

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.



309. [315] 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.
310. [316] Paragraph 65 of the Standard requires the practitioner to form a conclusion about whether the subject matter information is free from material misstatement, 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 paragraphs 74-77 of the Standard.

Considering Implications of Identified Misstatements

Implications of Misstatements Due to Fraud

311. [\[317\]](#) When the reporting of EER information has not been developed by an entity to the same level as for other more mature areas of reporting such as financial reporting, controls may be relatively less mature, governance may be more limited, and available criteria may be less comprehensive. Such factors may increase the risk of fraud, particularly when there are pressures to conform to publicly announced goals.
312. [\[318\]](#) Misstatements due to fraud in EER reports may relate to matters such as:
- (a) EER information relating to penalties or fines, potentially aggressive or over-optimistic internal or external goals, product or corporate public statements or claims
 - (b) EER information relating to performance or compensation incentives.
 - (c) Paying officials to facilitate approvals or secure rights in developing countries, or to minimize fines or avoid negative publicity.
313. [\[319\]](#) The practitioner may:
- ~~wish to~~ consider the extent to which the risk of material misstatement due to fraud is relevant to the engagement (See paragraph A86 of the Standard),
 - remain alert, throughout the engagement including when considering accumulated misstatements, to the possibility that misstatements due to fraud may occur, and
 - respond appropriately if there are indicators that there may be material misstatements of the subject matter information due to fraud.

Implications for Practitioner's Understanding on Entity's System of Internal Control

314. [\[320\]](#) For reasonable assurance engagements, the practitioner may also wish to consider whether accumulated misstatements may be related to control deficiencies. Specifically, the practitioner may consider whether the nature or extent of the accumulated misstatements cause the practitioner to change their understanding of the entity's system of internal control relevant to the preparation of the subject matter information (S.47R). See also Appendix [3 ~~fx~~ Limited and Reasonable Assurance - EER Illustrative Table](#).

Other Materiality Considerations

315. [\[321\]](#) Paragraphs [322](#)[316-324](#)[318](#) below set out practitioner considerations that may be appropriate when considering materiality. They provide examples of matters that could assist a practitioner in considering whether a misstatement is material. 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. [\[322\]](#) Materiality is considered in the context of qualitative and, where applicable, quantitative factors. Qualitative factors that may indicate that a misstatement is more likely to be material, include:

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.

External factors

- (b) The misstated information relates to non-compliance with a law or regulation, particularly when 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) 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, nonetheless, 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.

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;
 - (j) The preparer may contend that a misstatement is immaterial, and the practitioner disagrees.
317. [\[323\]](#) Many of the considerations listed as examples in paragraph [322-316](#) above 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 Chapter 8 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. [\[324\]](#) 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

319. [\[325\]](#) 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.
320. [\[326\]](#) Subject matter information with inherent variability may be sufficiently accurate if it is as precise as 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. An example of inherent measurement uncertainty is set out below.

EXAMPLE

An entity reports that it has emitted X tonnes of CO₂e and that it has offset those emissions through a carbon trading scheme that sequesters CO₂e, and provides the entity with a unique tradable certificate. Inherent in the reported emissions is measurement uncertainty of ±5% and, in the sequestered CO₂e, a measurement uncertainty of ±12%.

Although the measurement uncertainty is different for the two aspects of the subject matter information, the entity's statement may nevertheless be sufficiently precise to meet the needs of intended users, provided the associated uncertainties ~~were~~are appropriately disclosed.



321. [\[326A\]](#) Similarly, there may be inherent evaluation uncertainty in preparing and reporting the subject matter information.

EXAMPLE

An entity states that it takes its employee health and safety seriously. It monitors and reports, among other matters, employee work-related illnesses resulting from exposure to harmful gases at its sites. There may be numerous inherent uncertainties in evaluating the underlying subject matter. For example:

- existing underlying health conditions or lifestyle characteristics of employees- may make them more susceptible to illness resulting from exposure, but the extent to which that may be the case may be uncertain or unknown
- concentrations of harmful gases measured at monitoring sites may be assumed to be equivalent to exposure
- the relationship may be assumed to be linear, but there may be concentration thresholds below which there is negligible impact

Without disclosure of such evaluation uncertainties, the intended users of the information may draw inappropriate conclusions.



322. [\[327\]](#) When the uncertainty is not inherent (i.e., when it results from lack of knowledge or lack of appropriate application of the criteria) 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 is needed to be relevant.

EXAMPLE

The criteria may specify that actual 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, instead of using actual distances flown, the company estimates this by categorizing flights as either long-haul or short haul (whether on commercial or private aircraft) and applying different average distances to the number of flights in each category. The uncertainty is not inherent. Rather it results from using an estimate to apply the criterion. To the extent the estimation method does not properly apply the criterion, this may result in an estimation error, which is a misstatement.



Chapter 10: Addressing Qualitative EER Information

Matters Addressed by the Guidance in this Chapter

323. [376] This Chapter provides guidance on the nature of qualitative EER information, and on specific considerations in the context of qualitative EER information:
- (a) In determining suitability of criteria;
 - (b) In obtaining evidence;
 - (c) In evaluating misstatements;
 - (d) When presented alongside other information; and
 - (e) When communicating in the assurance report.
324. [376A] While future-oriented information is considered separately in Chapter 11, qualitative and future-oriented information are not mutually exclusive. For example, qualitative information may be future-oriented or historically-oriented, and future-oriented information may be expressed in either qualitative or quantitative terms. The practitioner may find it helpful to consider the guidance in this chapter together with the guidance in Chapter 11.

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

325. [377] This chapter may be of assistance to practitioner's when assuring qualitative EER information. While EER frameworks and criteria may include direction on how to measure quantitative EER information, they may not include the same level of direction on how qualitative information is to be evaluated. As a result, such qualitative information may be more susceptible to being more reflective of, and more variable with, the views of those reporting it than may be the case for quantitative EER information.
326. [380] A number of challenges may also arise in the context of obtaining evidence for qualitative subject matter information because it may be difficult for the entity's process to prepare the EER information to capture data and information about the subject matter information.
327. [381] Although the process to prepare the subject matter information and, where applicable, the related controls, may be sufficient to provide the preparer with a reasonable basis for the subject matter information, it may not be sufficient to provide the practitioner with the evidence needed to support the practitioner's conclusion. This may have implications for the practitioner's planned procedures, their ability to obtain the evidence needed about the qualitative subject matter information, and for their assurance conclusion ~~for either a limited assurance engagement or a reasonable assurance engagement~~.
328. [382] The way in which qualitative information is sometimes presented may also give rise to challenges in delineating the ~~boundary between~~ subject matter information and from the 'other information'.

The Nature of Qualitative EER Information

329. [383] Qualitative EER information is subject matter information expressed in qualitative terms rather than in quantitative terms (numbers). Such non-numerical information may, for example, be narrative information, descriptions, categorizations or ratings. The subject matter information for some aspects of the underlying subject matter may be expressed primarily in qualitative terms, rather than in quantified terms. 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, although there may also be some supporting quantitative disclosures.

330. [\[384\]](#) Qualitative information is often expressed predominantly using written words, although it may be presented in an EER report in other forms, such as an 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. Irrespective of whether that information is quantitative information or qualitative information, the preparer is required to have a reasonable basis for the information included within ~~the boundary of~~ the EER information subject to the EER assurance engagement. The application of the criteria that are relevant, complete, reliable, neutral and understandable ought to result in qualitative information that reflects these suitable characteristics of criteria~~Qualitative information subject to assurance still needs to be relevant, complete, reliable, neutral and understandable.~~

331. [\[385\]](#) However, EER information may include information that is:

- (a) factual (directly observable or is otherwise able to be subjected to evidence-gathering procedures); or
- (b) inherently subjective (not directly observable and variable with the views of those reporting it).

The first may or may not result from the application of suitable criteria; the latter does not.

EXAMPLE

Examples of factual 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 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 information are vague and unable to be substantiated, as the underlined claims may be interpreted in different ways by different people. As such, it is unlikely that the criteria would be suitable, and those claims would not constitute subject matter information. Further development of the criteria by the preparer would be needed so that the application of those criteria result in ~~information that could be reasonably consistently measure~~ments or evaluationtioned of the underlying ~~-(i.e., would result in-subject matter, resulting in reasonably consistent subject matter information).~~

For the first example of subjective EER information above, ‘healthy food for children’ could, for example, be defined for the purpose of reporting as ‘food containing less than x g of salt and less than x g of sugar per 100g portion. 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). The practitioner may also consider whether the entity's definition of ‘healthy’ could be misleading, for example, if the definition is inconsistent with internationally accepted norms.



Specific Considerations for Determining the Suitability of Criteria for Qualitative Information

332. [\[386\]](#) Subject matter information expressed in words may result from criteria representing different aspects of the underlying subject matter compared to numerical subject matter information, however the requirements for criteria to be suitable remain the same.
333. [\[387\]](#) Reliable criteria for 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 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.



334. [\[388\]](#) It is particularly important for qualitative information that the criteria result in subject matter information that is understandable (including being unambiguous as to its intended meaning) and neutral, as words and images can be inherently ambiguous in their meaning, or may be presented out of context. Most importantly, as discussed in paragraph A50 of the Standard, the criteria cannot result in subject matter information that is misleading to the intended users.
335. [\[389\]](#) When the criteria are not suitable and the resulting EER information is subjective and therefore not capable of being assured, paragraph 25 of the Standard requires the practitioner to discuss this with the preparer so that the preparer has the opportunity to make changes to the criteria. As discussed further in Chapter 3 and Chapter 5, if the criteria are not suitable (i.e., do not display the five characteristics of suitable criteria required by the Standard), then the preconditions will not have been met and the engagement cannot be accepted as an assurance engagement. See also paragraphs [390-391-394-397](#) below,
336. [\[390\]](#) If the preparer is unwilling to change the qualitative information that does not result from applying suitable criteria (i.e., is not subject matter information), the practitioner may request the preparer to remove such information from 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 carefully what that means for the assurance conclusion. Where the preparer identifies it as 'other information', the practitioner still reads it for consistency and the other information should not obscure the understandability of what is the actual subject matter information.

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 Obtaining Evidence about Qualitative Information

337. [\[391\]](#) A number of challenges may arise in the context of obtaining evidence for qualitative subject matter information, including:

- (a) The effectiveness or otherwise of an entity’s EER process to prepare the EER information (see Chapter 6). Substantive testing alone may be insufficient to obtain evidence about qualitative information, as it may not provide evidence as to the occurrence, completeness or balance-neutrality of the subject matter information. The practitioner may therefore consider whether they are able to obtain evidence through performing tests of controls. In accepting an engagement, the practitioner determines that the preparer has a reasonable basis for the subject matter information. Accordingly, the preparer’s EER reporting process 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 engagement circumstances are not complex, there may be relatively informal or simple controls; the greater the complexity the more complex the EER reporting process and related controls may be.

EXAMPLE

A hospital A&E department's reception desk may enter patient details directly onto a computerized system, together with the patient's time of arrival in A&E. The time that the patient is first seen by a consultant is also entered directly into the system by the consultant along with the severity of the patient's condition, categorized from 'minor' through to 'life-threatening'. Among other matters reported in the hospital's EER report is the percentage of A&E patients seen by a consultant within three hours of arrival in A&E (quantitative), categorized according to the severity of their condition (qualitative).

In such a case, the practitioner may consider testing controls such as physical and logical access controls to the computerized system because inquiry or substantive testing, alone, may not be sufficient if it is based on a report that is extracted from the same system. Data entry or categorization errors could go undetected, or there may be an ability for personnel to make unauthorized changes to the computerized records at a later stage.

Similar considerations may apply when patients are able to enter their patient feedback directly into a computer terminal on leaving a hospital department. In such a case, there may not be an ability to test controls or to obtain substantive evidence for EER information on reported 'patient satisfaction' because physical and logical access to the computer terminal may not be well-controlled. In such a case, a scope limitation may exist.



- (b) 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 may need to consider what evidence can be obtained to support the information being recorded or gathered in this way as these sources, alone, may not be sufficient. For example, when 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. When information is gathered through informal communications, the preparer's underlying books and records 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 subject matter information. Such an email may not provide sufficient evidence to support the subject matter information in the EER report. The practitioner 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 confirms that levels of hazardous chemicals after the clean-up were within safe limits.



- (c) The timeliness with which 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 report early in the engagement. Obtaining the report early allows for 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. Whether the scope of the EER 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.
338. [392] Assertions (claims) embodied in the qualitative information may be explicit or implicit. Different categories of assertions may be used for qualitative information from those used for numerical subject matter information, but this will depend on the criteria being used. Even in situations where the same assertions are applicable (see Chapter 7), there may be more focus on assertions such as understandability and comparability for qualitative information, as well as consistency with other information presented by the entity in the same document.
339. [393] When testing and documenting the practitioner's work in relation to qualitative information, it may be helpful to the practitioner to break up long pieces of text and consider sections, paragraphs or sentences separately when these address different things. It is likely that different assertions will be applicable to each. ~~When the scope of the assurance engagement is the entire EER report, then~~ Qualitative information 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.
340. [394] 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 qualitative subject matter information (not all of which might be as significant). In other circumstances paragraphs of text comprising related qualitative and quantitative subject matter information may need to be considered together.
341. [395] Practical methods of doing this may include highlighting the text in different colors or by drawing boxes around sentences or sections of significant qualitative information in the practitioner's documentation of the work done and evidence obtained. The practitioner can

perform procedures on each one, and ultimately the assurance working papers can be referenced to the related parts of the text in the subject matter information.

Specific Considerations for Evaluating Misstatements in Qualitative Information

342. [396] Paragraph A96 of the Standard sets out various qualitative factors that may be considered when evaluating the materiality of misstatements. When evaluating a misstatement in qualitative subject matter information, similar considerations to those discussed in paragraphs ~~304A~~295-304F~~298~~ of Chapter 9 may be helpful in considering whether the misstatement is material, focusing on whether the misstatement could reasonably be expected to influence decision-making by the intended users. Misstatements in 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;
- (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;
- (c) The omission of information required by the criteria, for example, information relating to a significant subsequent event that would be likely to change the decisions of users but has not been adequately disclosed;
- (e) Ambiguous statements or statements the meaning of which is unclear;
- (f) Presenting in vague terms information that is capable of being determined precisely;
- (g) Changes since the previous reporting period to disclosures or presentation without reasonable justification for doing so or without disclosure of the reasons for doing so; or
- (h) The manner in which 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
 - Using superlatives and adjectives that may paint a more positive picture than factual reporting.
- (i) Inappropriately drawing sweeping conclusions, based on selective information, for example through statements such as the following:
 - ‘A large number of companies worldwide’, based on information for only a hundred companies; although a hundred may be ‘large’, it is not large compared to the number of companies in the world

‘The numbers have doubled since last year’ may be factual, but a small base giving rise to this doubling may not be disclosed.

343. [397] When misstatements are identified in qualitative (i.e., non-quantifiable) information, and are not corrected by the preparer, the practitioner may accumulate them by listing them or by marking up or highlighting them in a copy of the subject matter information. Irrespective of how misstatements are accumulated during the engagement, when evaluating the 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. However, when the subject matter information is not quantifiably measurable, it is not possible to simply add the misstatements together to determine their effect in aggregate.

344. [398] When the 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.
345. [399] When the subject matter information is an entire EER report covering a wide range of aspects of the underlying subject matter, it may be more challenging to find a way of evaluating the combined effect of uncorrected qualitative misstatements on the EER report 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.
346. [400] The practitioner's understanding of who the intended users are and what aspects of the subject matter information are likely to be important may be relevant to the practitioner's ability to exercise professional judgment about which misstatements are material (see also Chapter 3 and Chapter 9).
347. [401] 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. For example, in an entity's ESG report, there may be one or more individually immaterial misstatements in the 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.
348. [402] 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.
349. [403] 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.
350. [404] 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.
351. [405] Understanding the underlying cause of identified misstatements may also help the practitioner to evaluate their materiality to the subject matter information. For example, 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.

352. [406] As with any other misstatements, the practitioner may ask the preparer to correct them. In the case of 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 Qualitative Information is Presented Alongside Other Information

353. [407] 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 is 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.
354. [408] 'Other information' in an EER report may also include images or other visual enhancements to the report.

EXAMPLE

'We engage a third party to conduct quarterly surveys among local community residents to obtain feedback about our services and our staff. In the last x surveys, our services and frontline staff have been consistently rated as 'excellent' by x% of respondents.'

'Watch our chairman and CEO talk about our commitment to best practice in recruiting, developing and training our people, so that we can bring service excellence to our community.'



In this example, the video may contain subjective commentary that neither results from applying the criteria, nor is able to be subjected to evidence-gathering procedures. It may be considered to be 'other information'. However, the practitioner would need to (i) make it clear in their assurance report that such videos have not been subjected to assurance procedures (see illustrative report in Chapter 12 for how this might be done) and (ii) watch the video to identify material inconsistencies, if any, with the subject matter information or the assurance report as required by paragraph 62 of the Standard.



355. [409] The practitioner may need to consider whether such 'other information' is consistent 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 inconsistent 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.
356. [410] When 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 narrative related to those financial statements. The practitioner 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 EER report can understand the reasons for the differences.

Specific Considerations for Communicating in Assurance Report on Qualitative Information

357. [\[411\]](#) As discussed further in Chapter 12, 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.
358. [\[412\]](#) 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, along with which information has been subjected to assurance procedures and which has not. For further guidance see Chapter 12.

Chapter 11: Addressing Future-Oriented EER Information

Matters Addressed by the Guidance in this Chapter

359. [\[413\]](#) This Chapter provides guidance for the practitioner on specific considerations in the context of future-oriented EER information in:
- (a) Determining suitability of criteria;
 - (b) Obtaining evidence
 - (c) Evaluating misstatements; and
 - (d) Communicating in assurance report.
360. [\[414\]](#) The focus of the Guidance is future-oriented subject matter information that is subject to estimation or occurrence uncertainty.
361. [\[415\]](#) While qualitative information is considered separately in Chapter 10, qualitative and future-oriented information are not mutually exclusive. For example, qualitative information may be future-oriented or historically-oriented, and future-oriented information may be expressed in either qualitative or quantitative terms. The practitioner may find it helpful to consider the guidance in this chapter together with the guidance in Chapter 10.

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

362. [\[416\]](#) EER reports may contain different forms of future-oriented subject matter information, such as:
- (a) Information about future conditions or outcomes. This may include forecasts, projections, and information about future risks and opportunities, for example, those associated with the transition to a low-carbon economy.
 - (b) Information regarding the entity’s intentions or future strategy.

363. [417] While future-oriented information results from applying criteria to the underlying 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.
364. [418] 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.
365. [419] 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.
366. [420] 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. 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.

The Nature of Future-Oriented EER Information

367. [421] 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.
368. [422] Future-oriented subject matter information may describe:
- (a) Events or actions that will be subsequently observable; or
 - (b) Hypothetical events or actions that may not materialize.
369. [423] 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, 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 3400⁸, 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.

Specific Considerations for Determining the Suitability of Criteria for Future-Oriented Information

370. [\[424\]](#) The criteria may require, or be designed to obtain, different information about the underlying subject matter from that obtained in relation to historical information, for example, a description of the future state or condition of an aspect of the underlying subject matter, or a future change in state or condition over time.
371. [\[425\]](#) 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 5.
372. [\[426\]](#) The practitioner may conclude that, in order for the criteria to be suitable, disclosure criteria are needed for the assumptions made, and the nature, sources and extent of uncertainty. It may still be possible to obtain assurance on 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 Obtaining Evidence about Future-Oriented Information

373. [\[427\]](#) Considerations for future-oriented subject matter information are likely to be similar to historical subject matter information with inherent measurement, evaluation or occurrence uncertainty, and therefore the guidance in Chapter 7 and the considerations for the practitioner set out in Chapter 8 are broadly applicable. When future-oriented information is more subjectively determined by the preparer, considerations relating to neutrality, presentation and understandability may become relatively more important when designing procedures, due to the risk of management bias.
374. [\[428\]](#) When criteria require a statement of intended future strategy, a target, or other intentions of an entity (an explicit assertion),- the practitioner is not likely to be able to obtain evidence about whether the strategy, target or intention will be achieved, or to come to -a conclusion to that effect. The practitioner may, nevertheless, design procedures to evaluate whether:
 - (a) management or those charged with governance have an intention to follow that strategy;
 - (b) the target or intention exists;
 - (c) the assumptions underlying the intended strategy or target is feasibleare reasonable,

⁸ International Standard on Assurance Engagements (ISAE) 3400 (Revised), *The Examination of Prospective Financial Information*

——so that the practitioner is not associated with subject matter information that might be misleading.

375. [\[428A\]](#) Appropriate evidence might, for example, be obtained about whether the reported strategy or other intentions are consistent with the entity's actual internal strategy or intentions, in the form of documentation of meetings of those charged with governance or actions that management have already taken to work towards adopting the strategy or agreeing the target.
376. [\[429\]](#) 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.

EXAMPLE

An entity has reported on its newly launched strategy, and has asked for assurance on the whole report. The practitioner is considering how they might obtain evidence for the statements made by the entity in the following paragraph of its report.

At the start of this year, we announced our commitment to becoming a net zero company by 2050. To deliver on our commitment, our [new strategy](#) aims to change our business from extracting and refining oil to being a leader in a clean and secure energy future. To date, we have developed capacity to generate 0.5 GW of renewable energy and, over the next eight years, we aim to increase this tenfold. By increasing our investment in low carbon technologies by over \$1 billion a year – four times our current investment – we aim to scale up our share of the hydrogen market to 5% by 2030.

The practitioner has made ~~some the following~~ notes about what evidence they might look for. The notes include, among other matters, the following:-

- Copy of strategy announcement or media search: check announcement was published, and that linked strategy is the same as entity's actual documented strategy that it uses to run its business
- Construction reports for current capacity of 0.5GW – are facilities commissioned and in use and, if so, what evidence for renewable energy currently generated?
- Are assumptions reasonable, given what we know of the business and industry (practitioner's expert to help with whether there is a reasonable basis for the stated tenfold increase in hydrogen-renewable energy-to-be-produced-is-feasible, given assumed facilities and inputs)
- Evidence of plans to construct further facilities over the next eight years, e.g., minutes of meetings, contracts entered into, plans drawn up, finance committed. Is eight years realistic, given how long it took to establish the capacity to date?
- Where does the company plan to obtain the \$1 billion per year over the next eight years, e.g., evidence of committed bank loans?
- What information has been used as the baseline, including for the current investment in clean energy?



377. [\[430\]](#) Similarly, when criteria require information about future risks and opportunities to be reported, the 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 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 Chapter 6 for further guidance on considering the entity's process to prepare the subject matter information, and related systems of internal control.
378. [\[431\]](#) 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 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.

379. [\[432\]](#) Subject matter information about 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. It is not possible for the practitioner to determine whether the results or outcomes forecasted, or projected will be achieved or realized. The practitioner may instead focus on whether:
- (a) In the case of forecasts, -the assumptions on which the subject matter information is based are reasonable (see example in paragraph [430-377](#) above); or
 - (b) In the case of hypothetical assumptions, such assumptions are consistent with the purpose of the information; and
 - (c) The future-oriented subject matter information has been prepared in accordance with the applicable criteria on the basis of the assumptions.
380. [\[432A\]](#) However, the practitioner may need to bear in mind that such evidence 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.
381. [\[433\]](#) When considering subject matter information about future conditions or outcomes, the same thought process as was considered in Chapter 8 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.
382. [\[434\]](#) 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 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 (see Chapter 6);
 - (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 forecasts;
 - (f) The accuracy of previous forecasts made by the preparer and the reasons for significant differences between the forecast outcome and the actual outcome. If the preparer has a history of making reliable forecasts, and the underlying subject matter is not inherently volatile or subject to change, that would likely be more persuasive than if the preparer had not made reliable forecasts in the past, or if the preparer did not take into account volatility in the underlying subject matter when making forecasts;

- (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;
 - (k) The extent to which the preparer has made progress in achieving the stated outcome, or whether there are plans and resources in place to enable achievement of the outcome;
 - (l) The disclosures included in the EER information about assumptions, calculation methods, and baselines used;
 - (m) Whether there is a need for subject matter or other expertise on the engagement team and, if so, the sources of that expertise.
383. [\[435\]](#) 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 8 and, when future-oriented information is presented in narrative form, also to the considerations set out in Chapter 10.
384. [\[436\]](#) 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 over time.
385. [\[437\]](#) As future-oriented information is subject to greater uncertainty than historical information, it may also be acceptable to evaluate whether the outcome is within a reasonable range of possible outcomes.
386. [\[438\]](#) 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.

Specific Considerations for Evaluating Misstatements in Future-Oriented Information

387. [\[440\]](#) As discussed in paragraph [417-363](#) above, future-oriented information is generally subject to greater measurement, estimation and evaluation uncertainty than historical information. As a result, there may be a broad range of possible measurement or evaluation outcomes, and it can be difficult to identify situations in which the assumptions are:
- (a) not reasonable (for a forecast); or
 - (b) unrealistic and not in line with the purpose of the information (for projections).
388. [\[441\]](#) It may be helpful for the practitioner to consider ways in which misstatements might arise, or 'what could go wrong', for example:
- (a) Data or other information used as a basis to which assumptions are applied may not be relevant, complete or reliable;
 - (b) Assumptions may include information that is not relevant, may omit important considerations, or may be given inappropriate weighting;
 - (c) Assumptions used may not be consistent with the decisions they are intended to inform;
 - (d) There may be unintentional or deliberate misapplication of the assumptions to the base data or information, or in calculations of quantifiable information.
389. [\[442\]](#) In some cases, misstatement could arise as a result of a combination of these circumstances, making separate identification difficult.
390. [\[443\]](#) 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 assurance 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
 - (c) selected significant assumptions that favor management's objectives, or that may indicate a pattern or trend.
391. [\[444\]](#) 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 on Future-Oriented Information

392. [445] As discussed in Chapter 10 and Chapter 12, 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.
393. [446] 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 paragraph 69(e) of the Standard).

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.

Chapter 12: Communicating Effectively in the Assurance Report

Matters Addressed by the Guidance in this Chapter

394. [\[328\]](#) This Chapter provides guidance on how the practitioner may communicate effectively, in the written assurance report that complies with the requirements of paragraph 69 of the Standard, and their assurance conclusion about the subject matter information, so that users are able to understand:
- (a) Who the assurance report is intended for, and for what purpose;
 - (b) What has been subject to the assurance engagement;
 - (b) How the underlying subject matter has been measured or evaluated;
 - (c) How the assurance engagement has been performed; and
 - (d) The assurance conclusion.

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

395. [\[328A\]](#) The guidance in this Chapter is designed to assist the practitioner when preparing the EER assurance report.
396. [\[328B\]](#) Paragraph 69 of the Standard specifies certain basic elements, which an assurance report is required to include. However, the Standard does not require a standardized format for reporting (see paragraph A160 of the Standard), and allows for additional information to be included. The guidance in this Chapter may assist practitioners in communicating effectively to aid intended users' understanding, and addresses:
- (a) how the required elements of the assurance report may be presented;
 - (b) additional information the practitioner may consider including in the EER assurance report, over and above the basic elements required by the Standard; and
 - (c) how that additional information may be presented in the assurance report.

Communicating Effectively in the Assurance Report

397. [\[333\]](#) An assurance engagement is one in which the practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the confidence of intended users about the subject matter information [\(see paragraph 12\(a\) of the Standard\)](#).
398. [\[332\]](#) The assurance report conveys the assurance conclusion and describes the basis for the conclusion. It is the means by which the practitioner communicates the outcome of the assurance engagement to the intended users. Clear communication helps the intended users to understand the assurance conclusion.
399. [\[335\]](#) An assurance conclusion expressed in a binary manner (e.g., concludes that the subject matter information either has, or has not, been prepared in accordance with the applicable criteria) may not be able to communicate sufficiently the complexities that may be present in an EER assurance engagement (see paragraph [330–406](#) below), without additional contextual information to aid the intended users' understanding.
400. [\[334\]](#) As noted in paragraph [328B–396](#) above, the Standard allows assurance reports to be further tailored to the specific engagement circumstances to include information in addition to the basic elements required by the Standard, to:

- (a) explain the basis, or
(b) provide appropriate context,
for the assurance conclusion.
401. [\[334A\]](#) Whether to include additional information involves the exercise of professional judgment including whether to issue a short-form or long-form style of assurance report as described in paragraph A166~~1~~ of the Standard. A short form report ordinarily includes only the basic elements required by paragraph 69 of the Standard, perhaps with a few additional elements. A long-form report may include a wide range of additional information that is not intended to affect the practitioner's conclusion, or may be more discursive about the additional information or the required elements.
402. [\[336A\]](#) As required by paragraph 68 of the Standard, when additional information is included, it is clearly separated from the practitioner's conclusion, and phrased in a manner that makes it clear that it is not intended to detract from that conclusion.
403. [\[329\]](#) As discussed in the Introduction to this Guidance, an EER report may be prepared for diverse groups of users, and may cover aspects of underlying subject matter that are diverse in nature, ranging from a single aspect, such as greenhouse gases emitted by the entity during a period, through to an entity's strategy, business model and performance, comprising both:
- financial and non-financial information, and
 - historical and future-oriented information.
404. [\[329A\]](#) Even when the aspects of the underlying subject matter are relatively homogeneous:
- (a) They may be complex to measure or evaluate, or be subject to measurement or evaluation uncertainties, which the intended users may not be aware of;
 - (b) The criteria used to measure or evaluate them may be set out in an established framework, may be developed by the entity, or may be selected from various frameworks, with or without further development by the entity, making it difficult for a user to understand how the subject information has been prepared;
 - (c) The subject matter information may be presented in the form of a traditional standalone report, or may be spread across various pages on a website with hyperlinks between pages, or to external websites. It may also be presented partially in narrative and partially through the use of graphs, images, embedded videos or similar representations. ~~The presentation, which could impede the users' understanding of what has is, and what has-is not, been assured~~ subject to the assurance engagement.
405. [\[337\]](#) Based on paragraph 69 of the Standard, a key consideration for the practitioner is whether the assurance report will convey clearly to the intended users:
- (a) Who the assurance report is intended for, and for what purpose so that intended users understand ~~who the report is for and~~ the context of the assurance conclusion;
 - (b) What information is subject to the assurance engagement and what is not, especially when the scope of the assurance is not the whole EER report, so that intended users do not make inappropriate assumptions about what information has been subject to the assurance engagement;
 - (c) The applicable criteria against which the underlying subject matter was measured or evaluated, ~~by reference to which the assurance has been obtained~~ so that the intended

users understand ~~how the underlying subject matter has been measured or evaluated~~the basis for the practitioner's conclusion;

- (d) Inherent limitations associated with the measurement or evaluation of the underlying subject matter, so that the intended users are able to understand these limitations;
- (e) The nature and extent of the procedures performed during the engagement, so that users can understand the context for the assurance conclusion;
- (f) The level of assurance that has been obtained (i.e., limited or reasonable assurance) and how that may affect the confidence that intended users can have in the subject matter information.

406. [330] In deciding whether to include information additional to the required (or basic) elements in the assurance report, it is useful to consider whether doing so would enhance the intended users' understanding of the required elements in the particular circumstances of the engagement. The following are examples of additional information that a practitioner may consider including depending on the circumstances of the engagement:

- (a) The intended users of the assurance report and the purpose for which it has been prepared ~~(see illustrative assurance reports below)~~;
- (b) The range of competencies that were needed to perform the engagement and how they have been deployed on the engagement (see illustrative assurance reports I and II at the end of this chapter);
- (c) The practitioner's considerations of materiality, and whether those considerations are in respect of qualitative or quantitative subject matter information (see paragraph 375-423 below);
- (d) Explanation of why, in an attestation engagement, the practitioner cannot become involved in the preparation of the subject matter information because such an engagement is designed to give a conclusion by an independent practitioner over the subject matter information (see illustrative assurance reports I and II at the end of this chapter);
- (e) —Emphasis of a matter presented or disclosed in the subject matter information that, in the practitioner's judgment, is of such importance that it is fundamental to a user's understanding of the subject matter information (see illustrative assurance reports I and II at the end of this chapter and paragraph 359B-415 below); and
- (f) —Inclusion of an 'Other matter' paragraph, to communicate a matter, other than those that are presented or disclosed in the subject matter information that, in the practitioner's judgment, is relevant to intended users' understanding of the engagement, the practitioner's responsibilities or the assurance report (see paragraph 359C-416 below).

Assurance Report Content

407. [339] The illustrative assurance reports I and II at the end of this chapter set out:

- (a) the required elements (in bright blue boxes with references included to the relevant subparagraphs of paragraph 69 of the Standard) of a reasonable assurance report, and a limited assurance report, respectively, and
- (b) examples of additional information (in grey-blue boxes) that the practitioner may consider useful to the intended users' understanding.

408. [339A] When further explanation is given in the text of this chapter for matters illustrated in the illustrative reports, the relevant paragraph numbers of the guidance below are referred to from the bright blue or grey-blue boxes in the illustrative reports. The illustrative reports and examples are not intended to indicate the only approach that a practitioner may take.

Identification of the Applicable Criteria

409. [348] As discussed in Chapter 3 and Chapter 5, it is a precondition for assurance that the criteria are available to intended users so that they 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.
410. [360] 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 is required by paragraph 69(f) of the Standard.
411. [350] If the preparer does not want to make the criteria available and, if this is discovered after acceptance, the matter is required to be addressed in accordance with paragraphs 42-43 of the Standard. 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.
412. [351] When the criteria are not included, or if publicly available, referred to, in the subject matter information or not otherwise made available in a suitable manner by the preparer (see Chapter 5), 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. As it is the preparer's responsibility to make the criteria available to the intended users, including them in the assurance report is not ideal. However, if it is necessary for the practitioner to include the criteria in the assurance report, such inclusion may need to be in the same detail as if the criteria had been made publicly available or made available within the preparer's report. Including, in the assurance report, only a brief summary of the criteria may not enable the intended users to understand the basis of preparation of the subject matter information.-
413. [354] 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 separately, rather than being summarized or combined. The practitioner can then separately identify the criteria in the assurance conclusion in their assurance report.

The Difference between Inherent Limitations, Emphases of Matter and 'Other Matter' paragraphs

414. [359A] Describing inherent limitations is different from including an Emphasis of Matter paragraph in the assurance report. Inherent limitations are present in the measurement or evaluation of the underlying subject matter, irrespective of whether they have been disclosed by the preparer. However, it may be useful for the preparer to disclose such inherent limitations in greater detail within the subject matter information. For example, there are inherent uncertainties about whether climate change scenarios will materialize and what their impact might be. In some cases, the inherent measurement or evaluation uncertainties may be fundamental to the users'

understanding of the subject matter information. In this case, these would then need to be described within the subject matter information (see discussion on the emphasis of matter below).

415. **[359B]** An Emphasis of Matter draws users' attention to a matter that is presented or disclosed in the subject matter information that, in the practitioner's judgment is of such importance that it is fundamental to intended users' understanding of the subject matter information. The matter must be presented or disclosed by the preparer in the subject matter information in order for the practitioner to be able to draw attention to it by including an emphasis of matter (see paragraph 73 of the Standard). For the avoidance of doubt, an Emphasis of Matter cannot be used in place of a modified assurance conclusion.
416. **[359C]** If the practitioner considers it necessary to communicate a matter other than those that are presented or disclosed in the subject matter information that, in the practitioner's judgment is relevant to intended users' understanding of the engagement, the practitioner may include an Other Matter paragraph (see paragraph 73 of the Standard). An Other Matter paragraph also cannot be used in place of a modified assurance conclusion.

Professional Standards Applied

417. **[365]** Practitioner's statements that contain imprecise or limiting language (for example 'the engagement was performed by reference to (or based on) ISAE 3000') may mislead users of assurance reports (see paragraph A171 of the Standard). Users are not likely to be able to differentiate between an assurance engagement carried out 'in accordance with' the Standard and an assurance engagement carried out 'by reference to' or 'based on' the Standard. While the former meets all the requirements of the Standard; the latter may apply only to 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 is permitted to be made in the assurance report (see paragraph 15 of the Standard).

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' issued by the International Auditing and Assurance Standards Board.

Statements such as the following are not in line with the requirements of the Standard:

'We performed our work having regard to ISAE 3000 (Revised)' or 'Our assurance engagement was performed on the basis of ISAE 3000 (Revised)'

418. **[366]** If the practitioner has been engaged under two different standards, for example, both ISAE 3000 (Revised) and AccountAbility AA1000 AS, 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 paragraph ~~373~~ **421** below), 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.

An Informative Summary of the Work Performed as the Basis for the Practitioner's Conclusion (See Paragraph 69 of the Standard)

419. [369] An informative summary of the work performed 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 unambiguously. Paragraph A177 of the Standard sets out factors to consider in determining the level of detail to be provided in the summary of work.
420. [371] The procedures for limited assurance may appear to a user to be more comprehensive than the procedures described for a reasonable assurance engagement so it may be helpful for the practitioner to explain why this is the case, by including in the assurance report an indication of the differences between limited assurance and reasonable assurance to aid user understanding, especially when both reasonable and limited assurance are in the same assurance report.

EXAMPLE

'Limited assurance can cover a range of assurance from low (i.e., just above assurance that is likely to enhance intended user's confidence about what has been assured to a degree that is clearly more than inconsequential) to just below reasonable assurance. Because the level of assurance in a limited assurance engagement varies in this way, we give more detail about the procedures performed ~~for a limited assurance engagement than we would for a reasonable assurance engagement~~, so that intended users can understand the nature, timing and extent of procedures we performed as context for our limited assurance conclusion.'

The Practitioner's Conclusion

421. [373] The expression of an 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 'negative form' of wording used in the Standard to express a limited assurance conclusion. It may, therefore, be helpful for the practitioner to explain that the '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 identified everything 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...'
 - (b) Paragraph 69(l) of the Standard requires the conclusion to be expressed as a reasonable or limited assurance conclusion. 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.
 - (c) Some practitioners may want to include recommendations and other observations within the assurance report. While this is permitted under the Standard, the practitioner may wish

to consider how useful those recommendations and observations are to intended users or whether they detract from the assurance conclusion.

- (f) Including observations of ‘good practice’ may be misunderstood by users to be part of the assurance conclusion. Including the practitioner’s recommendations on matters may imply that those matters 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.⁹

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 ‘Summary of the work we performed’ section of this report, and the evidence we have obtained, nothing has come to our attention that causes us to believe that the 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.

422. [374] 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 subject to reasonable assurance, clear identification of the subject matter information subjected to each different level of assurance will be needed. The practitioner may also delineate 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 distinguished for the intended users.

⁹ ISAE 3410 paragraph A151

EXAMPLE

The preparer may identify the subject matter information subject to limited assurance with one identifying mark, or in one column or table titled ‘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 titled ‘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 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 Opinion

In our opinion, the selected sustainability information set out in the table ‘Subject Matter Information subject to reasonable assurance’ in the Subject Matter Information paragraph of this report for the year ended [x] is prepared, in all material respects, in accordance with the reporting criteria.

Including Additional Information in a Long Form Report

423. [375] The practitioner may also consider it appropriate to include additional 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 subject matter information as follows:

Scope 1 greenhouse gas emissions: x% of ABC PLC’s reported Scope 1 greenhouse gas emissions.

This threshold means that a misstatement of x tonnes of CO₂ equivalents (CO₂e) 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 in accordance with the stated criteria.

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

Illustration I: Unmodified Reasonable Assurance Report

Reasonable assurance engagement on Sustainability Information included within the Annual Report

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances.

INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT ON ABC'S SUSTAINABILITY INFORMATION

A title (69-(a))

To the Directors of ABC

Addressee (69-(b)) -
ordinarily the engaging
party

We have undertaken a reasonable assurance engagement on ABC's Sustainability Information in the sections [Societal Impact](#) and [Sustainability Metrics](#) on pages [x] to [y] of the Annual Report for the year ended December 31, 20X1. Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Annual Report 20X1 or linked to from the Sustainability Information or from the Annual Report 20X1, including any images, audio files or embedded videos.

Reasonable assurance
opinion (69(l)). See
also paragraph [373-421](#)
[below above](#)

Our Reasonable Assurance Opinion

In our opinion, ABC's Sustainability Information in the sections Societal Impact and Sustainability Metrics on pages [x] to [y] of the Annual Report for the year ended December 31, 20X1 is prepared, in all material respects, in accordance with the Reporting Framework Version x.1 used, and the basis of preparation set out in notes [x] to [xx] in the section of the Annual Report titled Approach to our Sustainability Reporting 20X1 (see also below under '*Understanding how ABC has prepared the Sustainability Information*').

Identification of
applicable criteria
(69(d)). See also
paragraphs [348-409](#)-
[354-413](#) [below above](#)

We do not express an assurance conclusion on information in respect of earlier periods or on any other information included in the Annual Report 20X1 or linked to from the Sustainability Information or from the Annual Report 20X1, including any images, audio files or embedded videos.

Emphasis of Matter

We draw attention to Note X to the Sustainability Information which describes the uncertainty related to potential longer-term ~~impacts~~ of the hazardous spillage at production site Y, and consequent actions that may be taken against ABC. Our opinion is not modified in respect of this matter.

Emphasis of Matter
paragraph ~~to~~ draw
attention to a matter
presented or disclosed
in the subject matter
information that is, in
the practitioner's
judgment, of such
importance that it is
fundamental to
intended users'
understanding. See
also paragraph [359B](#)
[415](#) [below above](#)

Understanding how ABC has Prepared the Sustainability Information

The absence of a commonly used generally accepted reporting framework, or a significant body of established practice on which to draw to evaluate and measure sustainability information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time.

Consequently, the Sustainability Information needs to be read and understood together with the [Reporting Framework Version x.1](#) used, and the basis of preparation set out in notes [x] to [xx] in the section of the Annual Report titled [Approach to our Sustainability Reporting 20X1](#) (together ‘the Criteria’), which ABC has used to prepare the Sustainability Information.

Explanation that intended users need to understand the subject matter information in the context of the particular criteria used. See also paragraph A163 of the Standard

Inherent Limitations in Preparing the Sustainability Information

As discussed in note Y to the Sustainability Information, the Sustainability Information includes information based on climate-related scenarios that is subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing or effect of possible future physical and transitional climate-related impacts.

Inherent limitations (69(e)). See also paragraph ~~359A-414~~ below above

ABC’s Responsibilities

Management of ABC is responsible for:

- selecting or establishing suitable criteria for preparing the Sustainability Information, taking into account applicable law and regulations related to reporting the Sustainability Information;
- the preparation of the Sustainability Information in accordance with the criteria (the Reporting Framework Version x.1 used, and the basis of preparation set out in notes [x] to [xx] in the section of the Annual Report titled Approach to our Sustainability Reporting 20X1)
- designing, implementing and maintaining internal control over information relevant to the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error; and

Respective responsibilities (69(g))

Our Responsibilities

We are responsible for:

- planning and performing the engagement to obtain reasonable assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error;
- forming an independent opinion, based on the evidence we have obtained; and
- reporting our opinion to the management of ABC.

As we are engaged to form an independent opinion on the Sustainability Information as prepared by management, we are not permitted to be involved in the preparation of the Sustainability Information as doing so may compromise our independence.

Additional wording to help clarify the boundaries of the respective roles, and to avoid the perception that assurance may be there to ‘fill the gaps’, by explaining why the practitioner cannot become involved in preparing the subject matter information in an attestation engagement

A statement that the engagement was performed in accordance with ISAE 3000 (Revised) or a subject-matter specific standard (69(h)). See also paragraph ~~365~~ 417 below above

Professional Standards Applied

We performed a reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and, in respect of greenhouse gas emissions included in the Sustainability Information, in accordance with International Standard on Assurance Engagements 3410 *Assurance engagements on greenhouse gas emissions*, issued by the International Auditing and Assurance Standards Board.

A statement that the practitioner complies with the independence and other ethical requirements of the IESBA Code or other requirements that are at least as demanding (69(j))

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

A statement that the firm of which the practitioner is a member applies ISQC 1 or other requirements that are at least as demanding

Our work was carried out by an independent and multidisciplinary team including assurance practitioners, engineers, and environmental scientists. We used the work of environmental scientists, in particular, to assist with determining the reasonableness of ABC's climate related scenarios. We remain solely responsible for our assurance opinion.

Summary of the Work we Performed as the Basis for our Assurance Opinion

A reasonable assurance engagement involves performing procedures to obtain evidence about the Sustainability Information. The nature, timing and extent of procedures selected depend on professional judgment, including the assessment of risks of material misstatement, whether due to fraud or error, in the Sustainability Information. In making those risk assessments, we considered internal control relevant to ABC's preparation of the Sustainability Information. A reasonable assurance engagement also includes:

Reference to use of practitioner's experts without suggesting a division of responsibility

- evaluating the suitability in the circumstances of ABC's use of the criteria, as the basis for preparing the Sustainability Information
- evaluating the appropriateness of measurement and evaluation methods, reporting policies used and the reasonableness of estimates made by ABC, and
- evaluating the disclosures in, and overall presentation of, the Sustainability Information

An informative summary of procedures performed as the basis for the practitioner's conclusion (69(k))

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements (applicable for some engagements only)

[Form and content of this section of the assurance report will vary depending on the nature of the practitioner's other reporting responsibilities.]

[Practitioner's signature]

The practitioner's
signature 69(m)

[Date of the assurance report]

The date of the
assurance report
(69(n))

[Practitioner's address]

The location in the
jurisdiction where the
practitioner practices
(69(o))

Illustration II: Unmodified Limited Assurance Report

Limited assurance engagement on Sustainability Information included within the Annual Report

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances.

A title (69-(a))

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON ABC'S SUSTAINABILITY INFORMATION

Addressee (69-(b)) - ordinarily the engaging party

To the Directors of ABC

We have undertaken a limited assurance engagement on ABC's Sustainability Information in the sections [Societal Impact](#) and [Sustainability Metrics](#) on pages [x] to [y] of the Annual Report for the year ended December 31, 20X1.

Level of assurance subject matter information and, when appropriate, underlying subject matter - (69(c))

Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Annual Report 20X1 or linked to from the Sustainability Information or from the Annual Report 20X1, including any images, audio files or embedded videos.

Our Limited Assurance Conclusion

Limited assurance conclusion- (69(l)). See also paragraphs ~~373~~ ~~421 below~~ ~~above~~

Based on the procedures we have performed as described under the 'Summary of the work we performed ~~as the basis for our assurance conclusion~~' and the evidence we have obtained, nothing has come to our attention that causes us to believe that ABC's Sustainability Information in the sections Societal Impact and Sustainability Metrics on pages [x] to [y] of the Annual Report and Accounts for the year ended December 31, 20X1 is not prepared, in all material respects, in accordance with the Reporting Framework Version x.1 and the basis of preparation set out in notes [x] to [xx] in the section of the annual report titled Approach to our Sustainability Reporting- (see below under 'Understanding how ABC has prepared the Sustainability Information' for the definition of the Criteria).

Identification of applicable criteria (69(d)). See also paragraphs ~~348~~ ~~409-354-413 below~~ ~~above~~

We do not express an assurance conclusion on information in respect of earlier periods or on any other information included in the Annual Report 20X1 or linked to from the Sustainability Information or from the Annual Report 20X1, including any images, audio files or embedded videos.

Emphasis of Matter paragraph- to draw attention to a matter presented or disclosed in the subject matter information that is, in the practitioner's judgment, of such importance that it is fundamental to intended users' understanding. See also paragraph ~~359B~~ ~~415 below~~ ~~above~~

Emphasis of Matter

We draw attention to Note X to the Sustainability Information which describes the uncertainty related to potential longer-term ~~impacts of the hazardous spillage at production site Y, and consequent actions that may be taken against ABC.~~ Our conclusion is not qualified in respect of this matter.

Understanding how ABC has Prepared the Sustainability Information

The absence of a commonly used generally accepted reporting framework or a significant body of established practice on which to draw to evaluate and measure sustainability information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time.

Consequently, the Sustainability Information needs to be read and understood together with the [Reporting Framework Version x.1](#) and the basis of preparation set out in notes [x] to [xx] in the section of the annual report titled [Approach to our Sustainability Reporting](#) (together ‘the Criteria’), which ABC has used to prepare the Sustainability Information.

Explanation that intended users need to understand the subject matter information in the context of the particular criteria used. See also paragraph A163 of the Standard

Inherent Limitations in Preparing the Sustainability Information

The Sustainability Information includes information based on climate-related scenarios that is subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing or effect of possible future physical and transitional climate-related impacts.

Inherent limitations (69(e)). See also paragraph [359A-414 belowabove](#)

ABC’s Responsibilities

Management of ABC are responsible for:

- selecting or establishing suitable criteria for preparing the Sustainability Information;
- the preparation of the Sustainability Information in accordance with the criteria (the Reporting Framework Version x.1 used, and the basis of preparation set out in notes [x] to [xx] in the section of the Annual Report titled Approach to our Sustainability Reporting 20X1)
- designing, implementing and maintaining internal control over information relevant to the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

Respective responsibilities- (69(g))

Our Responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the management of ABC.

As we are engaged to form an independent conclusion on the Sustainability Information as prepared by management, we are not permitted to be involved in the preparation of the Sustainability Information as doing so may compromise our independence.

Additional wording to help clarify the boundaries of the respective roles, and to avoid the perception that assurance may be there to ‘fill the gaps’ by explaining why the practitioner cannot become involved in preparing the subject matter information (in an attestation engagement)

Professional Standards Applied

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and, in respect of greenhouse gas emissions included in the Sustainability Information, in accordance with International Standard on Assurance Engagements 3410 *Assurance Engagements on Greenhouse Gas Emissions Statements*, issued by the International Auditing and Assurance Standards Board.

A statement that the engagement was performed in accordance with ISAE 3000 (Revised) or a subject-matter specific standard (69(h)). See also paragraph 365 417 below above

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

A statement that the practitioner complies with the independence and other ethical requirements of the IESBA Code or other requirements that are at least as demanding (69(j))

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our work was carried out by an independent and multidisciplinary team including assurance practitioners, engineers and environmental scientists. We used the work of environmental scientists, in particular, to assist with determining the reasonableness of ABC's climate-related scenarios. We remain solely responsible for our assurance conclusion.

A statement that the firm of which the practitioner is a member applies ISQC 1 or other requirements that are at least as demanding (69(i))

Summary of the Work we Performed as the Basis for our Assurance Conclusion

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the Sustainability Information is likely to arise. The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement on the Sustainability Information, we:

Reference to use of practitioner's experts without suggesting a division of responsibility

- evaluated the suitability in the circumstances of ABC's use of the criteria, as the basis for preparing the Sustainability Information
- through inquiries, obtained an understanding of ABC's control environment, processes and information systems relevant to the preparation of the Sustainability Information, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;
- evaluated whether ABC's methods for developing estimates are appropriate and had been consistently applied, but our procedures did not include testing the data on which the estimates are based or

An informative summary of procedures performed as the basis for the practitioner's conclusion (69(k)) – see also paragraph 371 420 below above

separately developing our own estimates against which to evaluate ABC's estimates;

- undertook site visits at four of ABC's twenty manufacturing sites; we selected these sites based on the contribution of the site sustainability information to the group Sustainability Information, unexpected fluctuations in the site sustainability information since the prior period, and sites not visited in the prior period;
- tested, at each site visited, a limited number of items to or from supporting records, as appropriate;
- performed analytical procedures by comparing the expected GHGs emitted, based on the calorific value of fuel combusted during the period, to actual GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified;
- considered the presentation and disclosure of the Sustainability Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Report on Other Legal and Regulatory Requirements (applicable for some engagements only)

[Form and content of this section of the assurance report will vary depending on the nature of the practitioner's other reporting responsibilities.]

[Practitioner's signature]

The practitioner's
signature 69(m))

[Date of the assurance report]

The date of the
assurance report
(69(n))

[Practitioner's address]

The location in the
jurisdiction where the
practitioner practices
(69(o))

Appendix 1

Terms Used in this Guidance

Terms used	How described in the Guidance (the reference in parentheses in each case is to the paragraph in the EER Guidance where the term is first used)
Aggregation risk	The risk that the aggregate of uncorrected and undetected misstatements exceeds overall materiality or, when applicable, materiality at a disaggregated level (287 279)
Assertions	Representations by the entity, explicit or otherwise, that are embodied in the subject matter information, as used by the practitioner to consider the different types of potential misstatements that may occur (259 253)
Assurance competence	The competence needed to perform an assurance engagement, including competence in both assurance skills and techniques (24 25)
Boundary of the subject matter information	Subject matter information for the engagement that is only part(s) of entity's EER report (65).
EER	Extended external reporting (1)
EER assurance engagement	An assurance engagement on EER (23)
EER information	Information about the financial and non-financial consequences of an entity's activities including future-oriented information relating to these matters (56)
EER report	EER information presented as an entire report (78)
Entity developed criteria	Criteria developed by the entity (89)
External information source	An external (external to the preparer) individual or organization that provides data or information that is used by the preparer in the preparation of an EER report (191 228)

Terms used	How described in the Guidance (the reference in parentheses in each case is to the paragraph in the EER Guidance where the term is first used)
Historical Financial information	Information expressed in financial terms in relation to a particular engagement, derived primarily from the entity's accounting system, about economic events occurring in the past time period, or about economic conditions or circumstances at points in time in the past an entity's economic resources or obligations, or changes therein, as a consequence of the entity's transactions and other events and conditions (67)
Framework criteria	Criteria in EER frameworks, standards or guidance established by law or regulation, by international or national standard setters, or by other bodies (89)
Performance materiality	A quantitative threshold that is less than quantitative materiality for the subject matter information as a whole that is set to reduce aggregation risk to an appropriately low level (296285)
Preparer	A responsible party who is also the measurer or evaluator.
Reporting topics	Relevant (aspects of) underlying subject matter (124169)
Subject matter competence	Competence in the underlying subject matter of the engagement and in its measurement or evaluation (254)
Subject matter experts	Experts in the underlying subject matter and its measurement or evaluation (3045)
Substantive procedure testing	Assurance procedures other than testing of controls (33784)

Appendix 2

Table 2: Types of Reporting, Example Frameworks Used and Whether Covered by this EER Guidance

Subject	Example of Available Reporting Frameworks or Standards	IAASB Standard(s)	Covered by the EER Guidance?
Greenhouse Gas Emissions	<ul style="list-style-type: none"> WBCSD/WRI GHG Protocol 	<ul style="list-style-type: none"> ISAE 3410 (requires compliance with ISAE 3000 (Revised)) 	Yes
Integrated Reporting	<ul style="list-style-type: none"> IIRC Integrated Reporting Framework 	<ul style="list-style-type: none"> ISAE 3000 (Revised) 	Yes
Intellectual Capital	<ul style="list-style-type: none"> WICI Intangibles Reporting Framework 	<ul style="list-style-type: none"> ISAE 3000 (Revised) 	Yes
Management Commentary related to Financial Statements prepared under IFRS	<ul style="list-style-type: none"> IASB Management Commentary Practice Statement 	<ul style="list-style-type: none"> ISAE 3000 (Revised) 	Yes
Public Sector Service Performance or Value for Money Statements	<ul style="list-style-type: none"> Law, Regulation or Standards 	<ul style="list-style-type: none"> ISAE 3000 (Revised) 	Yes
Sustainability (Environment, Social, Governance)	<ul style="list-style-type: none"> CDSB Framework GSSB GRI Standards SASB Standards TCFD Framework 	<ul style="list-style-type: none"> ISAE 3000 (Revised) 	Yes
Country-by-Country Taxes	<ul style="list-style-type: none"> Law or Regulation GSSB Standard: Tax and Payments to Governments 	<ul style="list-style-type: none"> ISAE 3000 (Revised) ISA 800/805 	Yes No
Compliance	<ul style="list-style-type: none"> Law or Regulation Contractual Terms 	<ul style="list-style-type: none"> ISAE 3000 (Revised) 	No
Historical Financial Statements	<ul style="list-style-type: none"> IASB International Financial Reporting Standards (IFRS) 	<ul style="list-style-type: none"> ISAs ISRE 2400 (Revised) or ISRE 2410 	No
Internal Controls at a Service Organization	<ul style="list-style-type: none"> COSO Internal Control - Integrated Framework AICPA SOC 2 Trust Services Criteria 	<ul style="list-style-type: none"> ISAE 3402 (requires compliance with ISAE 3000 (Revised)) ISAE 3000 (Revised) 	No

Appendix 3: Limited and Reasonable Assurance – EER Illustrative Table

ISAE 3000 (Revised) ('the Standard') contemplates two levels of assurance: limited assurance and reasonable assurance. It may be challenging to understand what is different in practical terms between the two. Further, while the work effort for a reasonable assurance engagement may be better understood as it is generally thought of as being akin to a financial statement audit level of assurance, limited assurance can cover a wide range of assurance from:

- Just above assurance that is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential (lower end of the range of limited assurance); to
- Just below reasonable assurance (upper end of the range of limited assurance).

The table below has been developed to give examples and illustrative procedures of the ways in which reasonable and limited assurance may differ, and how limited assurance at the lower end of the range may differ from limited assurance at the upper end of the range. It is important to note that these are examples only; they are not intended to suggest that the illustrative procedures are sufficient, or the only way in which the requirements of the Standard might be approached. In practice, the nature, timing and extent of the practitioner's procedures will be a matter of judgment, in light of the particular engagement circumstances.

In the table, the far left-hand column sets out certain of the requirements of an EER assurance engagement from pre-acceptance to reporting that are covered by the Guidance. The adjacent ~~two~~-columns sets out the source of the requirement in the Standard, and the chapter in the EER Guidance where further guidance is included, respectively. The next ~~three~~-two columns set out example procedures and considerations, for each of limited assurance and reasonable assurance. In the limited assurance column, arrows include illustrative procedures as follows:

- The pale left-hand arrow includes example procedures that the practitioner may perform at the lower end of the range of limited assurance, (grey column);
- The middle arrow includes incremental example procedures that may be performed, in addition to those in the left-hand arrow, as limited assurance moves towards the middle of the range.
- The dark right-hand arrow includes incremental example procedures that may be performed in addition to the procedures included in the other two arrows, as limited assurance moves towards the upper end of the range of limited assurance, (blue column); and

It is important to note that the procedures performed for limited assurance:

- May lie anywhere along the continuum from the lower end of the range to beyond the third arrow - but below reasonable assurance - at the upper end of the range (i.e., there are not fixed points for low, mid, and upper ends of the range), and
- May vary for different aspects of the subject matter information, depending on risk considerations.

The nature, timing and extent of procedures is a matter of professional judgment in the engagement circumstances.

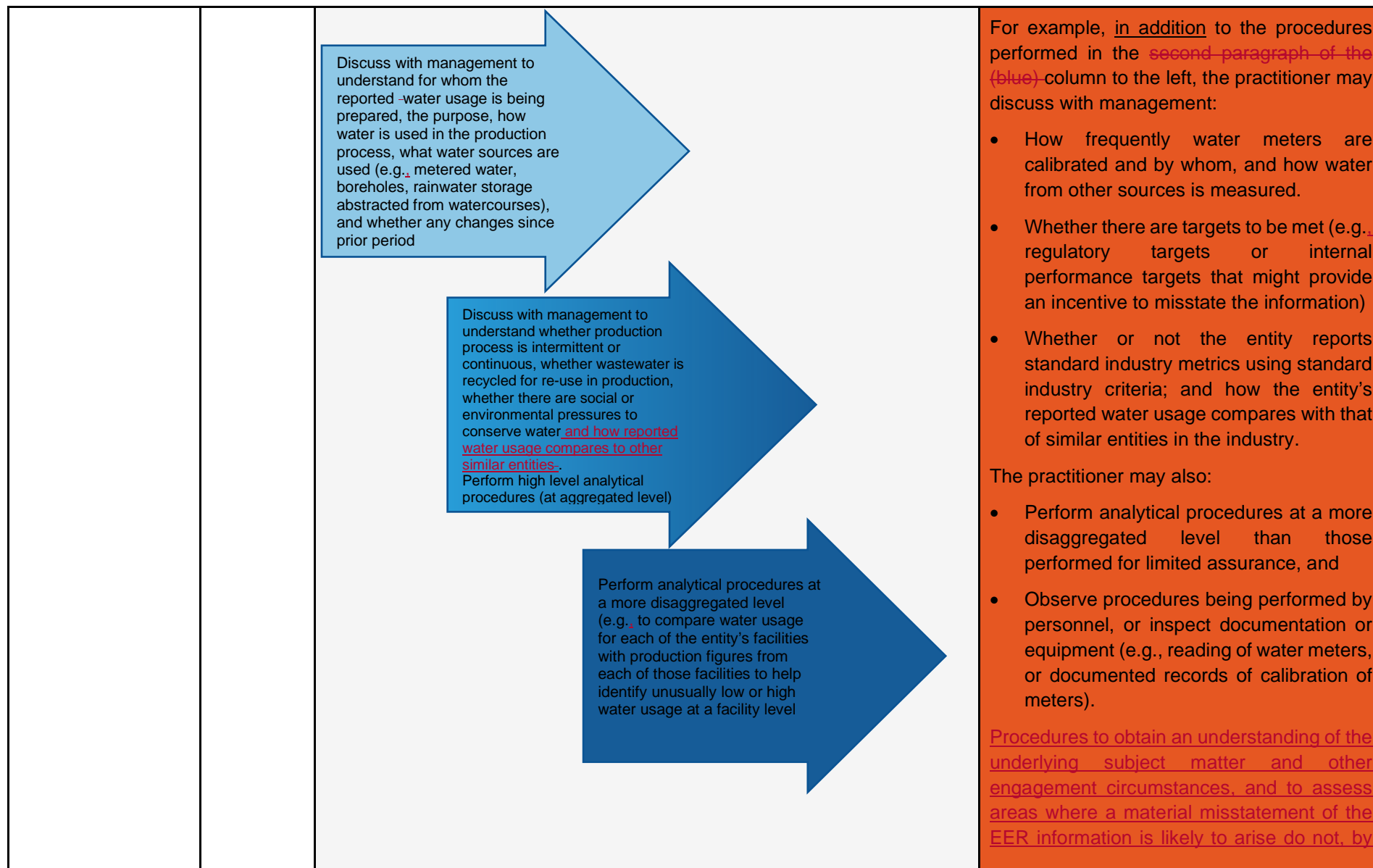
Reasonable assurance example procedures are set out in the far-right hand column (yellow-orange column).

The green rows are included to indicate that the requirements of the Standard are the same for limited assurance (across the range of limited assurance) and reasonable assurance.

	Reference	Guidance, illustrative considerations and example procedures	
		<i>To achieve limited assurance (a lower level of assurance than reasonable assurance but, nonetheless, a meaningful level of assurance), the practitioner performs procedures to obtain assurance that may vary across a wide range. The left-hand (grey) column below sets out example procedures that may fall at the lower end of the range; the middle (blue) column sets out example procedures that may be at the upper end of the range of limited assurance</i>	<i>To achieve reasonable assurance (a higher level of assurance than limited assurance), the practitioner conducts extensive procedures</i>
		<p>Limited Assurance</p> <p><i>The left-hand (pale shaded arrow) includes illustrative procedures at the lower end of the range of limited assurance (i.e., just above assurance that is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential</i></p> <p><i>As the shading in the arrows becomes darker, incremental illustrative procedures have been added; the right-hand, darker arrow includes incremental illustrative procedures that may be performed as assurance approaches the upper end of the range of limited assurance towards 'just below reasonable assurance'.</i></p>	Reasonable Assurance
Preconditions	ISAE 3000 (Revised) 24(a),(b) <u>Chapter 3</u>	<p>Procedures to determine the presence of preconditions are based on:</p> <ul style="list-style-type: none"> • A preliminary knowledge of the engagement circumstances, and • Discussion with the preparer. <p>If the criteria are not suitable for reasonable assurance, then they are not suitable for limited assurance, and vice versa.</p>	

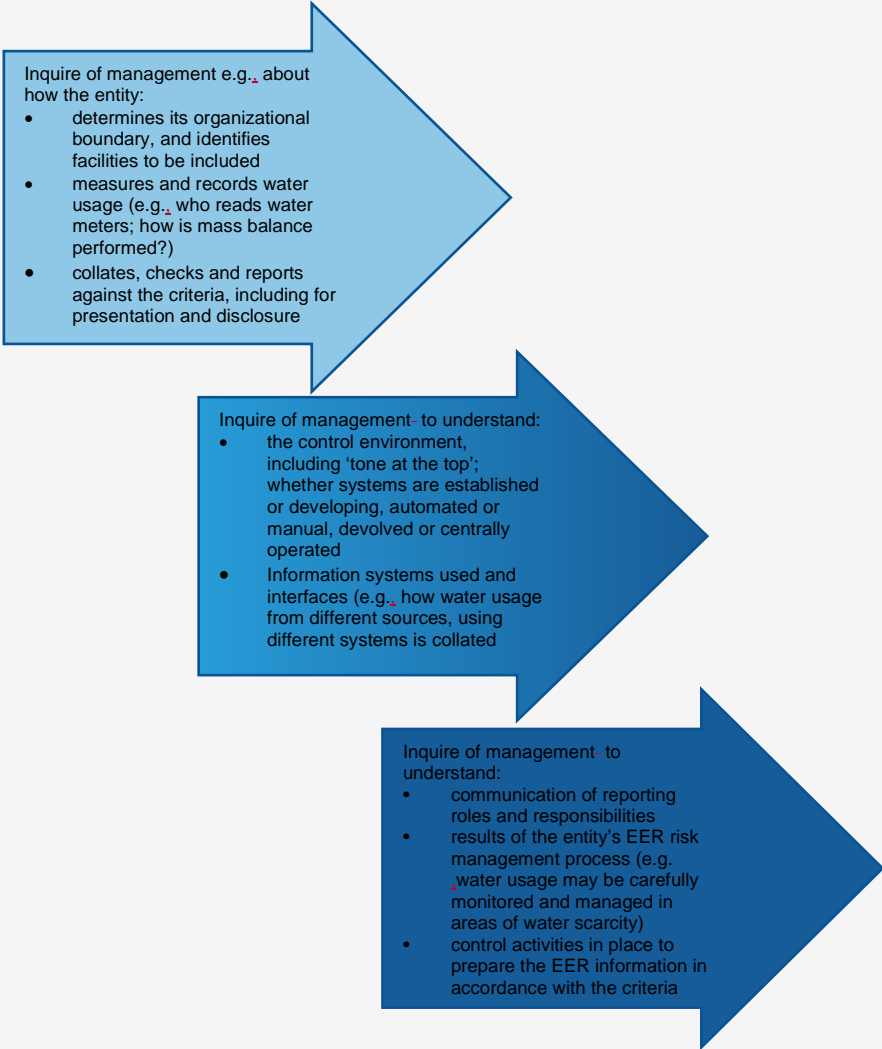
	Reference	Guidance, illustrative considerations and example procedures
Competence and capabilities	ISAE 3000 (Revised) 31(b), (c), 32 Chapter 1	The engagement partner is required to have sufficient assurance skills, knowledge and experience to accept responsibility for the assurance conclusion, and to be satisfied that the engagement team and any practitioner's external experts collectively have the necessary professional competencies to perform the assurance engagement. Such competencies are not determined by the level of assurance but, for example, by the complexity of the EER subject matter and its measurement or evaluation.
Professional skepticism, professional judgment, and assurance skills and techniques	ISAE 3000 (Revised) 37-39 Chapter 2	The need to apply professional skepticism and professional judgment, and to apply assurance skills and techniques as part of an iterative, systematic engagement process is the same for limited and reasonable assurance.
Suitability of the criteria at the planning stage	ISAE 3000 (Revised) 41-43 Chapters 4 and 5	As part of planning the engagement, the practitioner determines whether the criteria are suitable for the engagement. The work effort to do so may be driven, for example, by the complexity and diversity of the EER subject matter, or the complexity and extent of the organizational boundary. Considerations about the suitability of criteria may include, among others: the method for determining the entity's organizational boundary, the underlying subject matter to be accounted for, acceptable quantification or evaluation methods, and criteria for presentation and disclosure.
Materiality	ISAE 3000 (Revised) 44 Chapter 9	Materiality considerations are the same for limited and reasonable assurance as they are based on the information needs of the intended users (i.e., what 'matters' to, or would change, the decisions of intended users), rather than on the nature or extent of procedures that the practitioner performs to address assurance risk. Materiality is considered in the context of quantitative and qualitative factors.

	Reference	Guidance, illustrative considerations and example procedures	
Understanding the underlying subject matter and other engagement circumstances	ISAE 3000 (Revised) 45 Chapters 3,4,5,6,7	<p><i>What to understand</i></p> <p>The practitioner is required to make inquiries about:</p> <ul style="list-style-type: none"> Whether the preparer has any knowledge of actual, suspected or alleged intentional misstatement or non-compliance with laws and regulations affecting the subject matter information. The preparer's internal audit function (if any), and its activities and main findings with respect to the subject matter information. Whether the preparer has used any experts in preparing the subject matter information. <p>The practitioner also obtains an understanding of the underlying subject matter and other engagement circumstances as a basis for designing and performing their procedures. This may include obtaining an understanding of, among other matters, the nature of the entity, its industry, regulatory and other external factors relevant to the EER engagement (e.g. the entity's suppliers, customers, service organizations, competitors, and the political, geographical, social and economic environment in which the entity operates), changes from the prior period or, in some cases, expected changes in future period(s).</p>	
	ISAE 3000 (Revised) 46L/R Chapters 3, 4, 5, 6, 7	<p><i>Extent of understanding</i></p> <p>Sufficient to be able to identify areas where a material misstatement of the EER information is likely to arise i.e., at the level of the EER subject matter information as a whole, and for material aspects of the EER information.</p> <p>Procedures to obtain an understanding of the underlying subject matter and other engagement circumstances, and to assess areas where a material misstatement of the EER information is likely to arise do not, by themselves, provide evidence on which to base the assurance conclusion.</p>	<p><i>Extent of understanding</i></p> <p>Sufficient to be able to identify and assess the risks of material misstatement (at the level of the types of misstatement that may arise) in the EER information:</p> <ul style="list-style-type: none"> At the level of the EER subject information as a whole. At the level of the type of misstatement that might arise for material aspects of the EER information (it may be useful to use assertions to consider the type of misstatement that might arise).



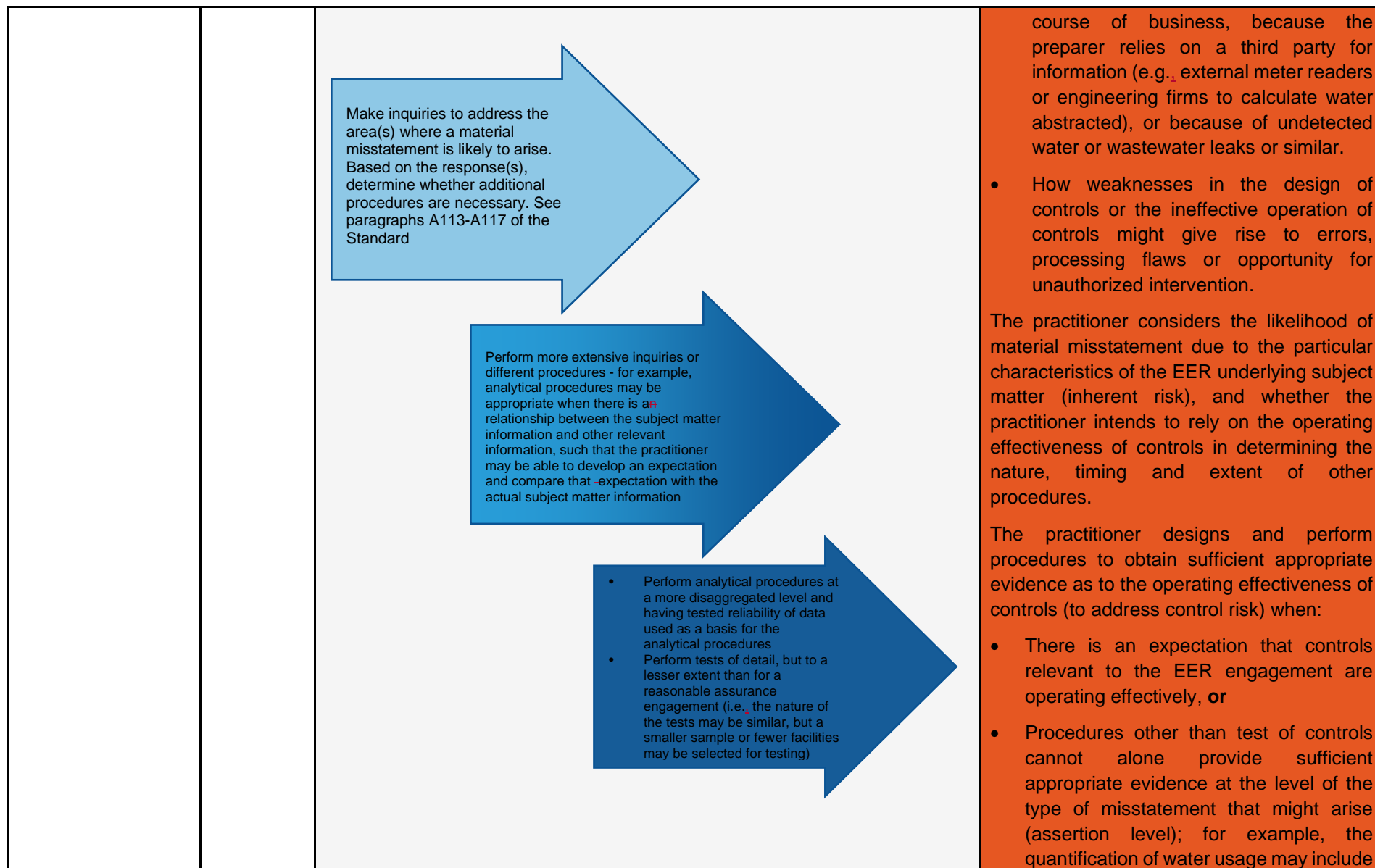
	Reference	Guidance, illustrative considerations and example procedures
		<div> <div></div> <div> <p><u>themselves, provide evidence on which to base the assurance conclusion.</u></p> </div> </div>
<p>Considering whether to use the work of internal audit, a practitioner's expert or another practitioner</p>	<p>ISAE 3000 (Revised) 32(a),(b), 45(b),(c)</p> <p>Chapter 1</p>	<p>Considerations about whether to use the work of internal audit, practitioner's expert or another practitioner are the same for limited and reasonable assurance.</p>
<p>Assessing the objectivity and competence when the work of such a party (see row above) is to be used</p>	<p>ISAE 3000 (Revised) 52 (a),(b), 53, 55(a),(b)</p> <p>Chapter 1</p>	<p>In assessing their competence, capabilities and objectivity, it may be useful to consider, for example:</p> <ul style="list-style-type: none"> • Who they report to (e.g., Internal Audit may report to the Board of Directors or Audit committee), • Professional body membership requirements, such as those to do with ethics and independence, continuing professional education, or license to practice, • Published papers written by the expert, or the expert's membership of industry or other bodies, • Whether another practitioner is from within the same network or firm or outside of the practitioner's own organization and what quality control procedures that organization has in place, • Personal or professional relationships with the preparer entity, • Whether the other practitioner operates in a regulatory environment that actively oversees the practitioner, and • The extent of involvement the practitioner expects to be able to have in the work of these other parties.

	Reference	Guidance, illustrative considerations and example procedures	
Obtaining an understanding of processes and, where relevant, internal control	ISAE 3000 (Revised) 47 L/R Chapters 4, 6	<p>Obtaining an understanding of the process used to prepare the subject matter information may include making inquiries about aspects of the process that are relevant to the engagement. <u>While, in some limited assurance engagements, the practitioner may obtain an understanding of internal control over the preparation of the subject matter information, this is often not the case.</u></p> <p>The practitioner is <u>also</u> not required to evaluate the design of controls and determine whether they have been implemented for limited assurance.</p>	<p><u>In addition</u> to the matters set out in the bulleted points in the column to the left, the practitioner obtains an understanding of, for example:</p> <ul style="list-style-type: none"> Control activities relevant to the engagement that are judged necessary to understand in order to assess the risks of material misstatement (e.g., at the assertion level). The entity's monitoring of controls. <p>In obtaining an understanding of the above, the practitioner is required to evaluate the design of controls relevant to the engagement and determine whether they have been implemented by performing procedures <u>in addition</u> to inquiry of personnel responsible for the EER information. The practitioner may, for example:</p> <ul style="list-style-type: none"> Hold discussions with management and others to understand the entity's risk assessment process (i.e., <i>how</i> the entity identifies risks related to managing and reporting its water usage), inspect documentation of that process, or minutes of meetings of the risk committee, and documentation of follow-up actions taken by the entity to mitigate identified risks,

		<p><u>See the arrows below for illustrative procedures across a range of limited assurance.</u></p>  <p>Arrow 1:</p> <p>Inquire of management e.g., about how the entity:</p> <ul style="list-style-type: none"> determines its organizational boundary, and identifies facilities to be included measures and records water usage (e.g., who reads water meters; how is mass balance performed?) collates, checks and reports against the criteria, including for presentation and disclosure <p>Arrow 2:</p> <p>Inquire of management to understand:</p> <ul style="list-style-type: none"> the control environment, including 'tone at the top'; whether systems are established or developing, automated or manual, devolved or centrally operated Information systems used and interfaces (e.g., how water usage from different sources, using different systems is collated) <p>Arrow 3:</p> <p>Inquire of management to understand:</p> <ul style="list-style-type: none"> communication of reporting roles and responsibilities results of the entity's EER risk management process (e.g., water usage may be carefully monitored and managed in areas of water scarcity) control activities in place to prepare the EER information in accordance with the criteria 	<ul style="list-style-type: none"> Inspect procedures manuals for a description of how relevant controls are designed to operate (e.g., the manual may state: <i>'to record measured usage, the authorized production personnel enters data directly into the computerized system; the system has pre-populated fields with the name and location of each facility, and units of measure; progression to the next screen is not enabled until all fields are completed and the entries are within the predetermined permitted range for each field'</i>), Inspect documentation of user acceptance testing (UAT) and remediation of design weaknesses identified during UAT, Inspect evidence of training of personnel in how to operate controls, Perform a walkthrough to confirm the understanding of the process and related controls in place, or Observe controls being performed (e.g., the practitioner may ask the production personnel to show the practitioner how water usage is read from the meters, and how the data is entered into the computerized system, enabling the practitioner to observe whether there are predetermined fields that are required to be completed (as stated in the design), and what happens if the measurements
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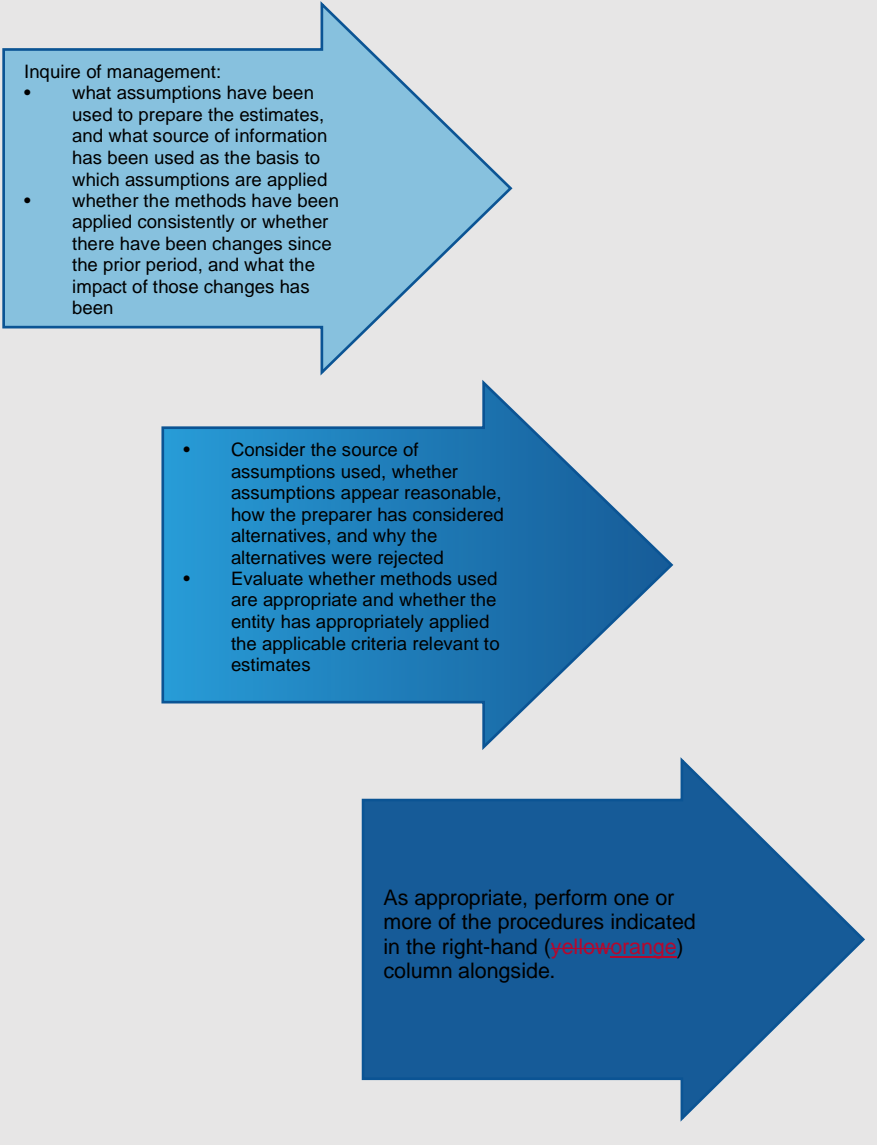
	Reference	Guidance, illustrative considerations and example procedures	
			attempted to be entered fall outside the predefined range).

	Reference	Guidance, illustrative considerations and example procedures	
Designing and performing procedures to obtain evidence	ISAE 3000 (Revised) 48L/R – 49L/R Chapters 8, 11	<p>The practitioner may consider the reasons for the area(s) being identified as where a material misstatement is likely to arise. For example, among other reasons, it may be because of:</p> <ul style="list-style-type: none"> the inherent nature of the underlying subject matter; the uncertainty or judgment in its measurement, evaluation or disclosure; or because aspects of it may be easily missed - for example, a material misstatement may be more likely to arise in information where mass balance calculations are involved than when water usage is read directly from a meter the complexity of the organization, its ownership and control arrangements, or its geographical spread systems and processes that are less automated or still developing, such that there may be a greater likelihood of human error, processing flaws or opportunity for unauthorized intervention incentives to misstate; for example, if a particular target performance has to be met to retain a license to operate or to avoid fines. <p>The higher the identified likelihood of material misstatement, the more persuasive the evidence the practitioner may<u>needs to</u> look for.</p> <p>See the arrows below for illustrative procedures across a range of limited assurance.</p>	<p>In designing and performing further procedures to respond to the assessed risks of material misstatement, the practitioner may consider the reasons for the assessment of such risks. While high level reasons may be similar to those set out in the (grey) column to the left, the reasons may be considered at a more detailed level (e.g., at the assertion level), so are likely to include consideration of reasons such as:</p> <ul style="list-style-type: none"> Inherent limitations in the capabilities of measuring devices (e.g., water meters) or insufficient frequency of their calibration. Errors or inappropriate judgments made in measuring, evaluating or disclosing the subject matter information, including in the assumptions used in making estimates, the use of inaccurate or incomplete base data on which estimates are based, or in circumstances when complex calculations are involved (e.g., when a mass balance approach is used to calculate water abstracted). The risk that unidentified aspects of the underlying subject matter may be missed, for example because of events or transactions outside of the normal



	Reference	Guidance, illustrative considerations and example procedures	
			<p>processes that are highly automated with little or no manual intervention, such as when relevant information is recorded, processed and reported only in electronic form, or when the processing of activity data is integrated with an information technology-based operational or financial reporting system. In such cases, evidence may be available only in electronic form, with its sufficiency and appropriateness dependent on the effectiveness of controls.</p> <p>If deviations from controls on which reliance is intended are detected, the practitioner may make specific inquiries to understand the matter(s) and potential consequences, and to determine whether:</p> <ul style="list-style-type: none"> • The tests of controls performed provide an appropriate basis for reliance on the relevant controls, • Additional tests of controls are necessary, or • The potential risks of material misstatement need to be addressed by other procedures because reliance on the operating effectiveness of relevant controls is not warranted. <p>Irrespective of the assessed risks of material misstatement, the practitioner may design</p>

	Reference	Guidance, illustrative considerations and example procedures
		<p>and perform tests of details or analytical procedures <u>in addition</u> to tests of relevant controls (if any), for material aspects of the EER subject matter information. For example, the practitioner may consider whether external confirmation procedures are to be performed (for example, when water usage is determined by a third-party firm of engineers on behalf of the entity). If confirmation procedures are to be performed, they are usually performed under the practitioner's direct control, from initiation of the confirmation request to the receipt of the confirmation response, bypassing any involvement by the preparer of the EER subject matter information.</p> <p>The higher the identified likelihood of material misstatement, the more persuasive the evidence the practitioner may <u>needs to</u> look for.</p>

<p>Procedures regarding estimates, including for future-oriented information</p>	<p>ISAE 3000 (Revised) 48 L/R – 49L/R</p>	 <p>Inquire of management:</p> <ul style="list-style-type: none"> • what assumptions have been used to prepare the estimates, and what source of information has been used as the basis to which assumptions are applied whether the methods have been applied consistently or whether there have been changes since the prior period, and what the impact of those changes has been <p>• Consider the source of assumptions used, whether assumptions appear reasonable, how the preparer has considered alternatives, and why the alternatives were rejected</p> <p>• Evaluate whether methods used are appropriate and whether the entity has appropriately applied the applicable criteria relevant to estimates</p> <p>As appropriate, perform one or more of the procedures indicated in the right-hand (yellow/orange) column alongside.</p>	<p>Based on the assessed risks of material misstatement, procedures may include, for example, evaluation of whether:</p> <ul style="list-style-type: none"> • The entity has appropriately applied the requirements of the applicable criteria relevant to estimates. • The methods for making estimates are appropriate and have been applied consistently or whether changes, if any, are appropriate in the circumstances. <p>Taking account of the nature of the estimate, one or more of the following may be undertaken:</p> <ul style="list-style-type: none"> • Testing how the entity made the estimate and the data on which it is based, evaluating: <ul style="list-style-type: none"> – the appropriateness of the method of quantification, and – the reasonableness of assumptions used. • Testing operating effectiveness of the controls over how the entity made the estimate together. • Developing a point estimate or a range to evaluate the entity's estimate; for this purpose: <ul style="list-style-type: none"> – if assumptions or methods are used that differ from those used by the preparer's, obtain an
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	Reference	Guidance, illustrative considerations and example procedures	
			<p>understanding of the preparer's assumptions or methods sufficient to establish that the point estimate or range being developed takes into account relevant variables and to evaluate any significant differences from the entity's point estimate.</p> <ul style="list-style-type: none"> – if it is concluded that a range is appropriate - for example, when considering uncertain future-oriented information with a long-term time horizon – narrow the range, based on evidence available, until all outcomes are within the range considered reasonable.
Accumulation and evaluation of quantitative misstatements	ISAE 3000 (Revised) 51 Chapter 9	Accumulate uncorrected quantitative misstatements (other than those that are clearly trivial and determine whether uncorrected misstatements are material, individually or in the aggregate, considering the size, nature and circumstances of the occurrence of the misstatements).	
Accumulation and evaluation of qualitative misstatements	ISAE 3000 (Revised) 51 Chapter 9	Accumulate uncorrected qualitative misstatements (for example, by listing where in the qualitative information they are located, their context, and the reason why considered a misstatement). Consider the effect of uncorrected qualitative misstatements on the aspect of the EER subject matter information to which they relate, as well as to the EER information as a whole. Determine whether uncorrected misstatements are material, individually or when considered together with other uncorrected misstatements, considering the nature and circumstance of the occurrence of the misstatements.	

	Reference	Guidance, illustrative considerations and example procedures	
Other information	ISAE 3000 (Revised) 62 Chapters 8, 10, 11, 12	When documents containing the subject matter information and the assurance report include other information, the practitioner is required to read that other information to identify material consistencies, if any, with the subject matter information or assurance report.	
Forming the assurance conclusion	ISAE 3000 (Revised) 64-66 Chapters 8, 9, 10, 11	<p>If there is insufficient evidence to support the practitioner's conclusion, a scope limitation exists, and a modification of the assurance conclusion or withdrawal is necessary.</p> <p>The practitioner cannot agree to a change in the terms of the engagement (for example, to a request by the preparer to leave out some sources of water used, for which there is insufficient evidence) where there is no reasonable justification for doing so.</p> <p>If there is insufficient evidence to support the practitioner's conclusion, a scope limitation exists, and a modification of the assurance conclusion or withdrawal is necessary.</p> <p>The practitioner cannot agree to a change in the terms of the engagement (for example, to a request by the preparer to leave out some sources of water used, for which there is insufficient evidence) where there is no reasonable justification for doing so.</p>	<p>If there is insufficient evidence to support the practitioner's conclusion, a scope limitation exists, and a modification of the assurance conclusion or withdrawal is necessary.</p> <p>The practitioner cannot agree to a change in the terms of the engagement when there is no reasonable justification for doing so. An inability to obtain sufficient appropriate evidence to form a reasonable conclusion is not an acceptable reason to change from a reasonable assurance engagement to a limited assurance engagement.</p>
Reporting	ISAE 3000 (Revised) 67-71	See Chapter 12 and illustrative limited assurance report.	See Chapter 12 and illustrative reasonable assurance report.

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