



# EER Assurance

## Global Discussion Events

November 8, 2018 - Brussels

**IAASB**

International Auditing  
and Assurance  
Standards Board



# Welcome

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**IAASB**

International Auditing  
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Standards Board

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# Introduction

**Marek Grabowski**

IAASB member and Chair of EER Task Force

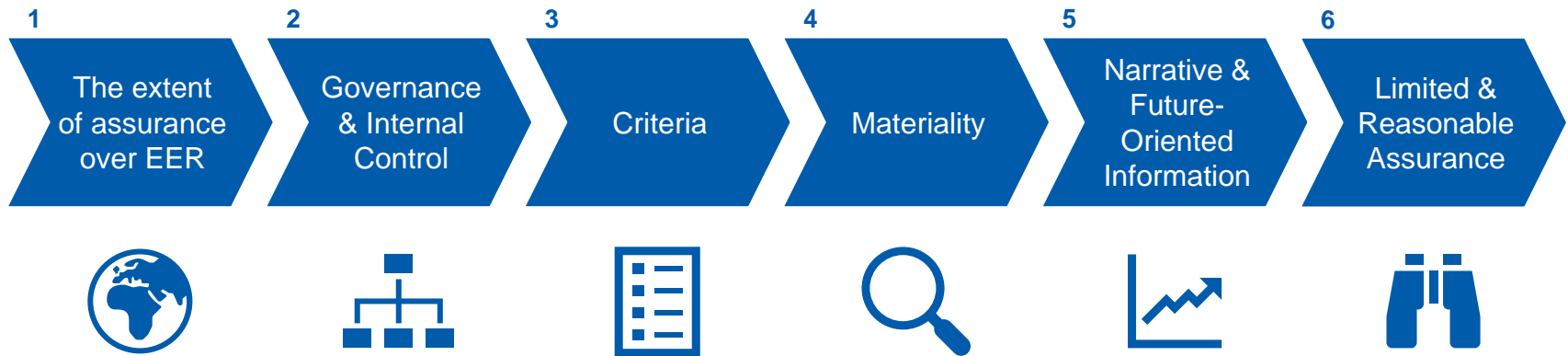


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# Today's programme



# The extent of assurance over EER



- Wide variation in EER around the world
  - Different types of entity: large listed companies to charities and public-sector entities
  - Different types of reporting
  - EER is
    - more diverse
    - more qualitative
    - less mature

than traditional financial reporting
  
- The extent of assurance also varies
  - Level of demand for assurance
  - Source of demand for assurance
  - Scope of assurance (specific metrics / part of a report / whole report)
  - Level of assurance (reasonable / limited)



# The extent of assurance over EER



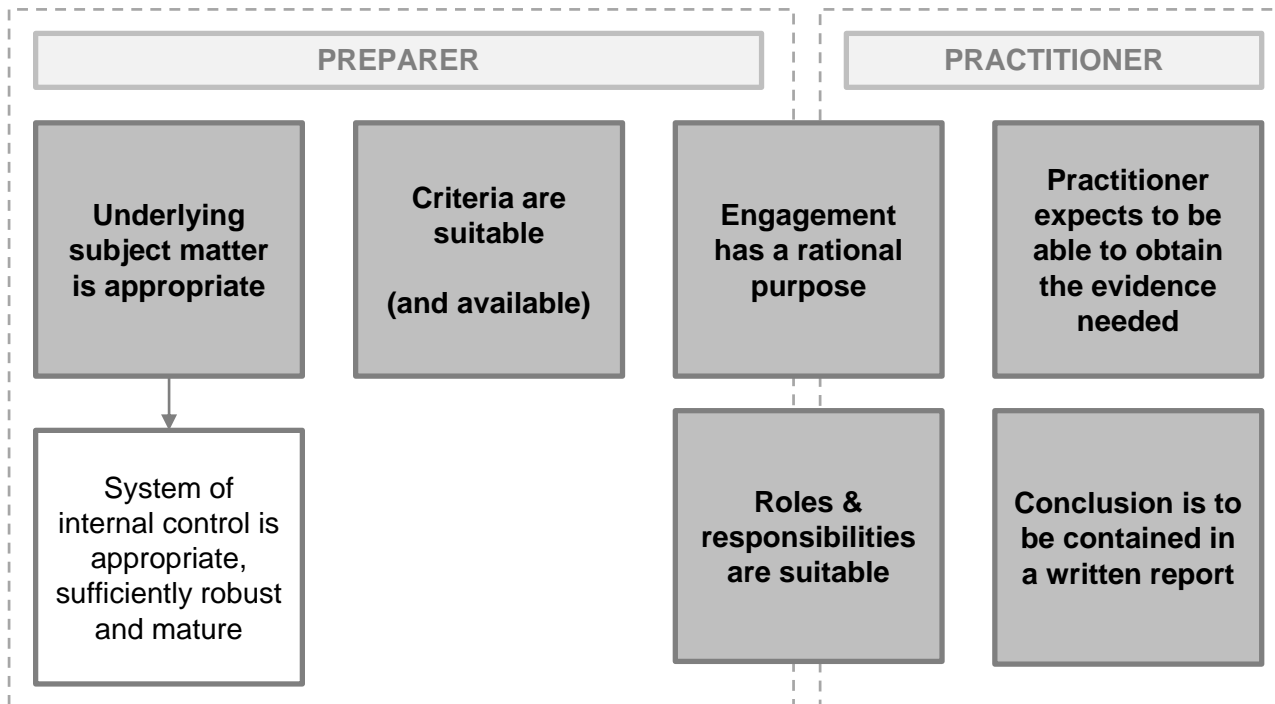
1. What is the extent of assurance over EER in your region?
  - a) What types of entity? What types of reporting?
  - b) What types of assurance engagement are undertaken?
2. How strong is the demand for assurance and where does this demand come from?

# Governance & Internal Control



ISAE 3000 (Revised) has a number of preconditions for assurance.

## Preconditions for assurance



# Governance & Internal Control



- Having a system of internal control (including appropriate governance & oversight) which is sufficiently robust and mature is important for preparing a credible report which meets users' information needs and is free from material misstatement.
- Our assumption is that often there is limited maturity in the levels of governance and internal control which apply to EER.



Preparers



Practitioners



Users



# Governance & Internal Control

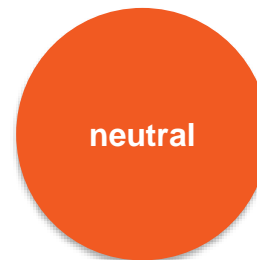
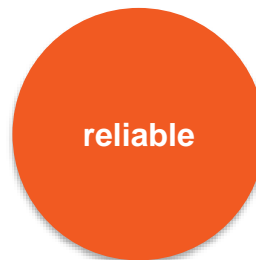


3. How mature are the systems of internal control and governance of entities producing EER reports in your experience?
4. How important to users of the reports is the entity having a good system of internal control?
5. How straightforward is it to understand and determine whether the pre-conditions for an assurance engagement are present?

# Criteria



- Criteria used in preparation of the report must be suitable.
- This is so that the report meets the needs of the intended users, containing information that is useful to users, for example because it is relevant and reliable.
- Many entities use criteria and metrics from the major frameworks and supplement these with their own entity-developed criteria.
- To be suitable, criteria must exhibit five characteristics:



# Criteria



6. How widespread is the use of the major frameworks such as those produced by GRI, SASB, IIRC etc or are entities developing their own criteria?
7. How do you prepare a report that has suitable criteria to align the report's content with the needs of users?
8. What are the things you see in reports resulting from criteria not being suitable which are an issue for undertaking assurance or using these reports? (e.g. information being not relevant, or not understandable, or not neutral).
9. Who should be responsible for making criteria suitable? Preparers? Pressure from investors/users/stakeholders? Assurance practitioners?



# Materiality

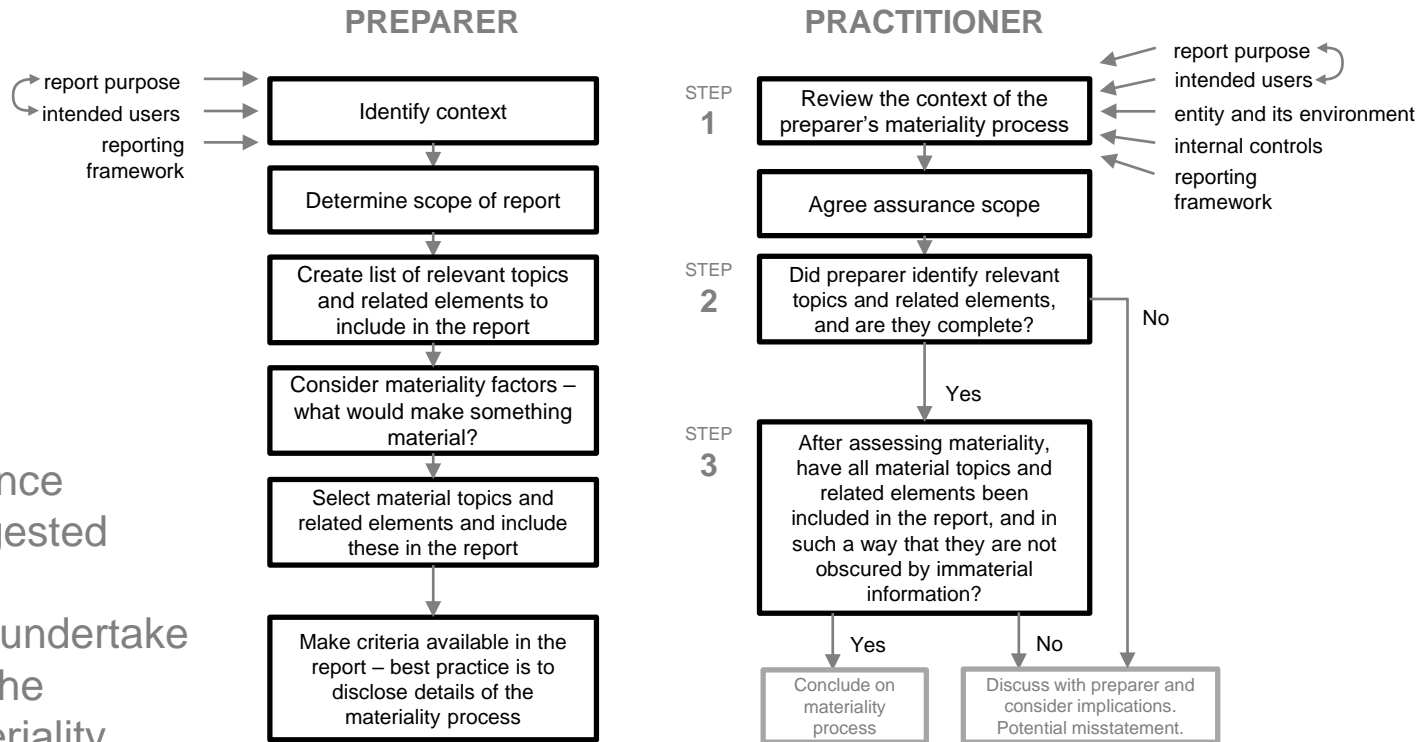


- Most challenging aspect of an assurance engagement involving materiality judgments is evaluating what should be included in the report.
- Users expect that all relevant material issues (including those with negative impacts) are disclosed.
- Some frameworks provide principles about how to make materiality judgments. Otherwise an entity must develop their own criteria to address materiality.

# Materiality



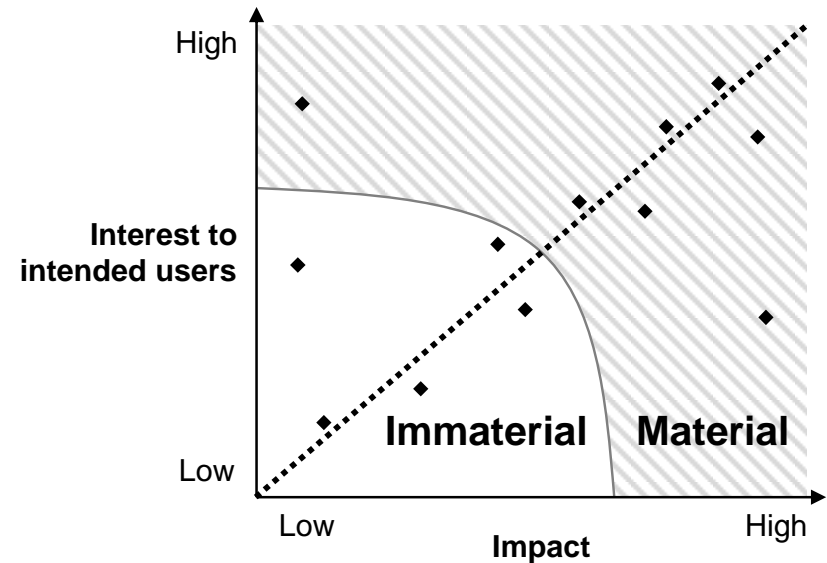
The draft guidance includes a suggested framework for practitioners to undertake their review of the preparer's materiality process.



# Materiality



- The guidance then suggests that whether something is material or not can be assessed by considering its ‘impact’ and ‘interest to intended users’.
- Many EER reports also contain immaterial and unnecessary information. Can potentially be ignored where not misleading or obscuring material information?



‘Impact’ here is intended to mean actual or expected impact on the entity or on other entities (including individuals / wider society / the natural environment) as appropriate according to the report’s purpose and intended users.

# Materiality



10. How does the materiality process for preparers and practitioners in the guidance compare with your experience?
11. To what extent would the model of considering 'impact' and 'interest to intended users' be consistent with your experience or the principles used in reporting frameworks to consider materiality?
12. Can it be assumed that users will ignore irrelevant and immaterial information which a preparer still chooses to include in their report?

# Narrative & Future-Oriented Information



- Narrative information may contain higher inherent subjectivity and therefore be more susceptible to management bias.
- Future-oriented information also generally has greater measurement or evaluation uncertainty.
  - However this is similar to uncertainty in historically-oriented information, and in making accounting estimates in financial reporting.



# Narrative & Future-Oriented Information



ReportCo follows two international agreements to set its long-term emission goals. The first is a set of three industry-wide goals, from which ReportCo has adopted the following GHG reduction targets:

- (1) a 1.3% average annual improvement in fuel efficiency from 2015 to 2025;
- (2) carbon-neutral growth from 2025 and
- (3) a 60% absolute reduction in carbon emissions by 2040. Our emission targets cover 100% percent of the Scope 1 and Scope 2 emissions from sources on which the company has financial control.

The second agreement is the [...].

The start year of the reduction activity as well as the base year is 2015 with a target year of 2025. Since 2015 ReportCo has reduced its GHG emissions by 3.9%.

As evidence of our integration of climate change into our business strategy and dedication to meeting our CO<sub>2</sub> reduction target the company has set three goals:

- Save over 460,000 gallons of fuel per year through enhanced technology. Additional emissions savings will be possible if the government complements our investment with infrastructure improvements.
- Integrate biofuel into all operations.
- Transition our equipment to electric equipment where feasible for our operations.

In order to achieve these goals, ReportCo has launched the following long-term projects:

**Extract from  
example EER  
report**

## Narrative & Future-Oriented Information



13. What assertions in narrative and future-oriented information would an assurance practitioner need to address?
14. How would you expect a practitioner to approach assuring this type of information?

# Limited & Reasonable Assurance



15. To what extent are the similarities and differences between reasonable and limited assurance understood by preparers, users and investors?



# Concluding Remarks

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