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IAASB Public Consultation on Proposed Non-Authoritative Guidance: Extended External Reporting (EER) Assurance

Dear Mr. Botha

Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young organization, welcomes the opportunity to offer its views on the *Public Consultation on Proposed Non-Authoritative Guidance: Extended External Reporting (EER) Assurance* (EER Guidance) issued by the International Auditing and Assurance Standards Board (IAASB).

We support the IAASB's project to provide non-authoritative guidance to assist practitioners in dealing with challenges that are occurring in practice as described in the IAASB's previously issued Discussion Paper, *Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements* and in the 2019 Consultation Paper for Phase 1 of the EER Guidance.

As we noted in our responses to those Papers, we believe it is also important for the IAASB to continue its outreach activities to those developing or maintaining frameworks related to EER. By being proactive in providing input to these organizations, we believe the IAASB can assist in reducing practical challenges for practitioners that could be avoided through greater clarity in the frameworks. Nevertheless, we recognize that a certain level of challenge will continue to exist because these frameworks, and entities' reporting in accordance with them, are evolving and in varying states of maturity. In order for the EER Guidance to remain current as frameworks evolve and mature, and/or new elements are added to the reports containing EER over time, we also encourage the IAASB to continue to keep certain sections of this EER guidance under review, specifically the examples in Supplement B and the background guidance in Supplement A.

Maintaining a work effort consistent with expectations under ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

As further discussed in our response to Question 1, the EER Guidance contains a significant amount of content that goes beyond practitioner guidance related to the application of ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (hereinafter referred to as 'the Standard'), which we recognize is needed given that this is an evolving area. The current structure, with Supplements A and B, is helpful, as it separates the key concepts, background and detailed examples from the core EER Guidance. Not only will this benefit practitioners as they gain experience in performing engagements on EER, it will also help the IAASB maintain the separate elements of the EER Guidance effectively.

Although we support the EER Guidance addressing concepts and challenges that may arise in EER that are not specifically or fully addressed by the Standard, it is important that the EER Guidance sets forth an appropriate work effort consistent with that which would be expected under the Standard. We have noted some areas that we believe imply a greater work effort than is necessary in many circumstances and believe that the IAASB needs to make modifications to these areas prior to finalizing the EER Guidance to appropriately align the EER Guidance with the Standard. Refer to our response to Q1 (Subsection I) for further details and suggested modifications.

Our responses to the specific questions on which the IAASB is seeking feedback are set out below.

Q1. *Does the draft Guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

Yes, the EER Guidance comprehensively covers the areas identified within the scope of the draft Guidance and we believe that it does include useful guidance to address practical challenges. However, we do see some opportunities for enhancement in the following three categories, the first of which we view as most critical to address prior to the release of the EER Guidance:

- I. **Maintaining a work effort consistent with expectations under the Standard**
- II. **EER Guidance enhancement considerations**
- III. **Wording clarification and translation enhancements**

I. Maintaining a work effort consistent with expectations under the Standard:

The EER Guidance uses sufficient conditional language (e.g. the frequent use of “may” when suggesting procedures or actions) to reduce the risk that it could contradict or conflict with the Standard and we did not identify any additional requirements within the EER Guidance. However, the nature and volume of EER Guidance for certain topics, including some that are not addressed in the Standard, may infer a level of work effort to achieve the requirements in the Standard that we believe is inappropriate or unnecessary and therefore not necessarily aligned with the Standard. Specifically,

- ▶ EER Guidance Chapter 3 paragraph 72(g) states that one of the considerations for the practitioner in determining whether a proposed EER limited assurance engagement has a rational purpose is to consider whether “the intended users’ need for assurance may even be so great that a reasonable assurance engagement is needed to obtain a meaningful level of assurance”.

We do not believe that the “intended users’ need for assurance” is an appropriate consideration for the practitioner to focus on when determining whether meaningful assurance is obtained nor are there any existing guidelines to decide on “the intended users’ need for level of assurance”. In many cases these reports are not regulated and therefore the level of assurance is decided by the responsible party and the practitioner, such that it enhances the degree of confidence of the intended users in the subject matter. Our understanding of the Standard is that if an engagement has a rational purpose, it should be suitable for a limited or reasonable assurance engagement.

When discussing the factors that are relevant in determining what constitutes meaningful assurance, ISAE 3000.A7 states that “the consequence to intended users of receiving an inappropriate conclusion may be so great that a reasonable assurance engagement is needed for the practitioner to obtain assurance that is meaningful in the circumstances”. We therefore suggest that the EER Guidance revert to the wording in the Standard and replace “the intended users’ need for assurance” with “the consequence to intended users of receiving an inappropriate conclusion.” This would be consistent with the Standard in determining whether the assurance obtained would be meaningful as part of its rational purpose assessment, and less likely to confuse readers of the EER Guidance.

- ▶ EER Guidance Chapter 3 paragraph 93 states “Although there may be some rational purpose to the entity continuing to obtain assurance on only some parts of its EER reporting, if the entity is falling behind market expectations for what is reported and assured ... call into question the entity’s reasons for reporting the subject matter information and whether the assurance engagement has a rational purpose.” There are no specific guidelines that exist on the market expectation of EER reporting since in many cases this is voluntary reporting. We do not believe it is necessary or practical for the practitioner to consider market expectations over EER reporting and therefore we suggest that this section of the paragraph either be removed or that the words “the entity is falling behind market expectations” are replaced with “the entity is not meeting users’ expectations.”
- ▶ We believe EER Guidance Chapter 3 paragraph 107 overstates the work effort required to assess whether the preconditions are present. The EER Guidance needs to provide a proper balance between the procedures that are relevant during the engagement acceptance stage and those during the performance of the assurance engagement. Related to evaluating whether the preconditions are present, ISAE 3000.24 provides the following important context to the work effort involved: “The practitioner shall, on the basis of a preliminary knowledge of the engagement circumstances and discussion with the appropriate party(ies), determine whether ...”. In our view (which is consistent with current practice), this determination should be able to be made through inquiries in most circumstances, because it is a preliminary determination and therefore we believe that the inference to “significant procedures” or separate engagements, that is described in paragraph 107 just for the purpose of meeting the pre-condition requirement in the standard, is overstated.
- ▶ EER Guidance Chapter 4 paragraph 170 states that in considering entity-developed criteria on a narrower scope engagement, in addition to understanding the entity-developed criteria for subject matter information within the proposed scope, the practitioner may need to extend his or her understanding to entity-developed criteria for the preparation of any other parts of the information included in the EER report that are not in the scope of the engagement and, similarly, the entity’s process to develop such criteria (“the wider process”). We believe that, on its own, paragraph 170 unnecessarily overstates the effort needed to assess the suitability of criteria and that, in many cases, this implied level of work would not be practical or necessary. Paragraph 172 does help to clarify that the work effort on the wider process is at a lower level of detail, and we therefore suggest that paragraphs 170 and 172 be combined, and edited to clarify that the lower work effort may pertain to both the wider process and the related criteria.

- ▶ EER Guidance Chapter 5 paragraphs 188, 193 and 194 appear to indicate that the practitioner considers the entity's reporting processes and internal controls before engagement acceptance, as well as during the engagement, for both a limited and reasonable assurance engagement. The Standard does not require the practitioner to consider the reporting processes and controls before engagement acceptance. We believe that the reader could misinterpret the EER Guidance as overstating the work effort during the client acceptance process. We therefore recommend that paragraphs 193 and 194 be deleted and that the words "is likely" in paragraph 188 be replaced with "may, in some cases" to help prevent misinterpretations around the required work effort prior to engagement acceptance.
- ▶ EER Guidance Chapter 5 paragraph 211 appears to be suggesting that the practitioner perform a walkthrough for a limited assurance engagement when the entity and subject matter are more complex. Since the Standard does not require a walkthrough for a limited assurance engagement and paragraph A107 of the Standard does not infer that a practitioner would do more than make inquiries, we suggest a different example be used, to avoid inferring a greater work effort than the expectations of the Standard.
- ▶ EER Guidance Chapter 5 paragraphs 337(e), 343(a) and the last sentence in the example to paragraph 345 appear to indicate the practitioner should consider whether the practitioner's report will convey sufficiently to the users of the information how the level of assurance "may affect the confidence that the user can have in the subject matter information." This appears to be unnecessary and exceeds the reporting requirements of the Standard, since ISAE 3000.69(c) only requires "*an identification or description of the level of assurance, the subject matter information and, when appropriate, the underlying subject matter*". We therefore recommend that each of the clauses referring to the degree of confidence a user can have in the subject matter information be removed from these paragraphs of the EER Guidance.
- ▶ EER Guidance Chapter 10 paragraph 345 indicates that a reasonable assurance engagement report only briefly describes the procedures and that a limited assurance engagement report contains an "informative summary" of the procedures performed, i.e., procedures are described more fully. We believe that this may send a conflicting message with ISAE 3000.69(k), which requires an "informative summary of the work performed" for all reports including both reasonable assurance and limited assurance reports. This guide paragraph should be better aligned with the Standard so that it is clear that both types of engagement reports require an informative summary, but that, as set out in paragraph A176 of the Standard, limited assurance reports contain more detail.
- ▶ Regarding EER Guidance Chapter 10 paragraph 346, the requirement for the Assurance Report to clearly identify the information not subject to assurance ("excluded information") appears to conflict with ISAE 3000.69(c) and ISAE 3000.A163, which only require the Assurance Report to identify information that is subject to assurance. Identifying excluded information may be very onerous for reporting on an Integrated Report, which tends to have a lot of information other than assured sustainability data points.

II. EER Guidance enhancement considerations:

Although the EER Guidance comprehensively covers the areas identified within its scope, we have identified the following areas in which the EER Guidance could be enhanced by including the following additional topics and details:

- ▶ The EER Guidance does not address the challenges for practitioners on multi-location or multi-site engagements. We believe that it would be helpful to add EER Guidance in this area, either to each chapter, or perhaps, in order not to delay issuing this much-needed EER Guidance, as a separate addendum or chapter in due course. Guidance would be particularly helpful in helping teams determine whether they have sufficient appropriate evidence when performing their engagement across multiple locations or sites.
- ▶ Considering the increasing use of IT systems in non-financial reporting, Chapter 5 paragraph 213 might also put more focus on the importance of IT controls, especially for reasonable assurance engagements, including the need to involve an IT expert in the assurance engagement when appropriate.
- ▶ In EER Guidance Chapter 9 paragraphs 322(h) and 322(i), the preparer behaviors do not recognize that (i) a preparer may contend that a misstatement is immaterial even when they have other reasons why they are reluctant to correct the misstatement, because this seems to them a way to conceal the real reason and (ii) the preparer may contend that a misstatement is immaterial, and the practitioner disagrees. We suggest that the wording of these bullets be amended to recognize these situations.
- ▶ Regarding EER Guidance Chapter 11 paragraph 196(a)-(h), we believe that it would be helpful to include the following additional details in which misstatements in qualitative subject matter can also arise:
 - The style in which the narrative is presented, (e.g., the use of superlatives and adjectives may help to paint a more positive picture than more factual reporting)
 - Using statistics based on small samples to extrapolate a more sweeping qualitative conclusion, for example:
 - "a large number of companies worldwide", which, from the source is actually 100 companies - although 100 may be "large", it is a very small number of the total number of companies worldwide
 - the use of terms such as "increasingly", which may be used to imply a larger uptake of something than is reality or
 - "the numbers have doubled since last year," a fact that is based off a small base, which is not disclosed
- ▶ Regarding Supplement A, paragraphs 99 and 101 appeared to be the only place in the EER Guidance that includes information on execution procedures. We believe that practitioners would benefit from additional practical examples of inquiry, analytics and substantive testing within Supplement A.

III. **Wording clarification and translation enhancements:** We have identified several areas where the EER Guidance would benefit from clarification in the wording to help the practitioner to better and more clearly understand what was meant to be communicated. For example:

- ▶ EER Guidance Introduction Section paragraph 7 contains the clause that an EER report contains EER information “that may be made available by the preparer in real time.” It is unclear what this means. Does it mean that the information is dynamic? If so, the practitioner may not be able to perform an assurance engagement, as the assured subject matter can change at any time. We recommend that this clause be clarified and include additional details around what effect this would have on the practitioner’s report.
- ▶ EER Guidance Chapter 1 paragraph 31(d) indicates “the level of assurance to be obtained” as a factor in determining the extent to which the practitioner uses the work of experts. We do not believe that the level of assurance being provided is a relevant factor in determining the expertise within the practitioner’s team, including the use of experts. We suggest that this bullet be removed since the use of an expert would normally be considered based on the nature of the subject matter and not the level of assurance that is being obtained.
- ▶ EER Guidance Chapter 4 paragraph 126 states that “Established criteria (S.A49) are presumed to be suitable, in the absence of indications to the contrary,” which we believe is not always the case (e.g., in the case of green bond principles). Paragraph 126 is an absolute statement with a presumption that would need to be evaluated to be confirmed. This sentence also appears to be inconsistent with EER Guidance paragraph 163. We believe that even established criteria should be evaluated for suitability, as stated in EER Guidance paragraph 163. We suggest changing the sentence in EER Guidance paragraph 126 to “Established criteria are more likely to be suitable where there is a transparent and comprehensive due process followed in their development”.
- ▶ EER Guidance Appendix 1 defines the term “entity developed criteria”, a term which is used throughout the EER Guidance. However, because entities may contract or work with a third party to develop criteria, the term “entity developed criteria” could be confusing, and therefore we suggest changing the name of this term to “custom criteria”. Alternatively, we suggest modifying the definition in Appendix 1 to “Criteria developed by the entity or in conjunction with a third party”.
- ▶ EER Guidance Appendix 1 defines the term “Perimeter of the subject matter information”, a term which is used throughout the EER Guidance, as “Subject matter information for the engagement that is only part(s) of entity’s EER report.” We note that, in several of the occurrences of “perimeter of the subject matter information” within the body of the EER Guidance, this could be replaced with “[subject matter] within the scope of the assurance engagement”, which is more understandable. For example, in EER Guidance Chapter 4 paragraph 95, we recommend rewording “perimeter of the subject matter information” to “within the scope of the assurance engagement each year.” We suggest that IAASB challenge whether it is necessary to introduce a new defined term, particularly one which may be hard to understand for someone for whom English is not their native language. In addition, we note the use of the term “boundary” in EER Guidance Chapter 4 paragraph 172, which we assume

is a synonym for “perimeter” in this context, but which carries a defined meaning within the standards of the Global Reporting Initiative (GRI).

Refer to *EYG Appendix 1: Opportunities for wording enhancements to the EER Guidance (EYG Appendix 1)* of this comment letter for additional examples and details.

Q2. *Is the draft Guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?*

Although the EER Guidance is long, we believe that the structure works well. The structure appears logical, flows well, and the use of diagrams and examples is helpful. We did notice that the EER Guidance has been shortened from the first round and believe that moving materials to Supplements A and B has helped; however, the current draft EER Guidance still appears to be lengthier and more detailed than necessary. We encourage the IAASB to make the key points more prominent and reduce lengthy explanations for the reader to more easily apply and understand the EER Guidance for practical implementation.

Consistent with our comments on Phase 1 of this project, we believe the EER Guidance will be most understandable and usable if the practitioner can easily find the EER Guidance that is applicable to the specific challenge they are facing in their engagement. It is equally important that practitioners understand how the EER Guidance aligns to the Standard. We believe that Diagram 1 in the introduction section does a successful job in illustrating how the EER Guidance aligns with the Standard. The consistent structure of each chapter also provides helpful signposting. We also believe the reordering of the chapters to align to the diagram is helpful and agree that use of hyperlinks to the Standard and other parts of the EER Guidance will help the practitioner more easily find and navigate the applicable guidance.

Regarding the question asked by the IAASB whether to also divide the paper into Parts A, B and C, we do not have a strong preference, as we find the structure helpful as it is, and the addition of another sub-heading is likely to have only a marginal benefit, given that it will not change the underlying structure of the EER Guidance.

We do believe that there are some areas for improvements regarding the length of some of the sentences and paragraphs and certain areas where the structure of the EER Guidance could have better consistency. Some of these improvement areas include:

Formatting consistency: We identified a few considerations in order to promote further consistency from a formatting perspective throughout the EER Guidance. Refer to *EYG Appendix 1* of this comment letter for further details.

Overly verbose wording/sentences: There appear to be overly verbose sections, sentences and paragraphs in several places throughout the EER Guidance, which results in these areas either being unclear and/or being more likely to cause translation issues. We recommend that long sentences be challenged and suggest the use of bullets more often in order to be more effective and clearer. For example:

- ▶ The introduction section paragraph 3 contains only one sentence with 68 words, which could be restructured to:

“The aim of the IAASB in issuing the Guidance is to promote consistent high-quality application to the Standard of EER Assurance engagements. This will:

- Strengthen the influence of such engagements on the quality of EER reports
 - Enhance trust in the resulting assurance reports, and
 - Engender greater confidence in the credibility of EER reports so that they can be trusted and relied upon by their intended users.”
- ▶ EER Guidance Chapter 3 paragraphs 84-101 “Agreeing the Scope of the Engagement” section contains wording that, at times, seems to be circular, and possibly overly complicating something that, while fundamental, is relatively simple to express, i.e., The scope of the engagement might be the whole EER report, or just a part of it; if the latter, make sure that there is enough subject matter for assurance to be a meaningful exercise. We suggest re-visiting these paragraphs and editing to make them simpler and clearer.

Refer to *EYG Appendix 1* of this comment letter for additional examples.

Comments on Supplement A and B: We also were invited to comment Supplement A and B if we wished to do so. We have the following high-level observations regarding the Supplements:

- ▶ Regarding Supplement A and consistent with our previous comments on Phase 1, we find the four key factor model for credibility and trust in relation to EER to be useful in explaining the value of EER reporting, and assurance on such reporting (i.e., it is useful for stakeholders to easily understand the ‘value proposition’ of EER). Because this document has a wider intended audience than the practitioner, we agree with publishing this as a separate standalone Supplement with appropriate references in the EER Guidance.
- ▶ Regarding Supplement B, we believe that there are both benefits and disadvantages to including Illustrative Examples as supplemental guidance. We can, perhaps, best describe including these examples as a separate Supplement as “imperfect but valuable”. The benefits include that they are helpful to provide additional context to specific circumstances and describe the thought process for those specific areas that are included. The disadvantages include that the practitioner may regard the fact patterns in the examples as definitive and not apply them to other situations which may be applicable. Conversely, as it is difficult to create examples that are sufficiently detailed to include all relevant information, practitioners may use them when it is inappropriate, resulting in risk to the practitioner. However, despite the disadvantages, we believe that the benefits outweigh the disadvantages and therefore agree with having Supplement B to the EER Guidance.



We would be pleased to discuss our comments with members of the IAASB or its staff. If you wish to do so, please contact Kurt Hohl, Global Deputy Vice Chair, Professional Practice (kurt.hohl@eyg.ey.com).

Yours sincerely,

Ernst + Young Global Limited

EYG Appendix 1: Opportunities for wording enhancements to the EER Guidance

We have identified the following opportunities for wording enhancements to the draft EER Guidance for the IAASB's consideration, which include areas where the EER Guidance would benefit from clarifications for the practitioner to better and more clearly understand what was meant to be communicated. We also have identified considerations to promote further consistency from a formatting standpoint as well as further examples of overly verbose sections, sentences and paragraphs that could benefit from simplification:

- ▶ For consistency in the phrasing used regarding professional judgment and professional skepticism, we recommend the IAASB consider using consistent verbs, which would better emphasize that teams “apply” professional judgment, “maintain” professional skepticism, or “exercise heightened” professional skepticism. In particular, we believe such terminology consistency is important to convey that professional skepticism is not just applied when needed; it is maintained throughout the engagement and when circumstances warrant, professional skepticism would be “heightened”. Examples of where this could be considered include:
 - The sentence in EER Guidance Chapter 2 paragraph 53, “Where there is greater uncertainty, there may be more opportunity for management bias, so there may be a ~~greater~~ need for practitioners to exercise *heightened* professional skepticism”.
 - EER Guidance Chapter 3 paragraph 89 might be amended to say, “an area where it may be important for the practitioner to exercise *heightened* professional skepticism”.
- ▶ Further, throughout the EER Guidance, there is frequent use of phrases such as “apply professional judgment *and* professional skepticism”, which appear to link professional skepticism and professional judgment in a way that makes them seem like the same concept. We believe that the wording, “maintaining an attitude of professional skepticism and applying professional judgment,” in EER Guidance Chapter 2 paragraph 51 is much more helpful in making sure that the two concepts remain separate in the minds of practitioners. The following are examples where professional judgment and professional skepticism tend to be joined in this way, or when one term is used when we believe the EER Guidance meant the other:
 - EER Guidance Chapter 4 paragraph 176 uses the term “exercising professional skepticism” when it appears that the EER Guidance meant to use “exercising professional judgment”.
 - EER Guidance Chapter 8 paragraph 281 includes the sentence “Such decisions will require the exercise of professional skepticism and professional judgment and other assurance skills and experience”. Determining whether the practitioner has obtained enough evidence is a matter of exercising professional judgment. As the practitioner has been gathering evidence, each piece of evidence should already have been subjected to the practitioner’s professional skepticism. Also, adding the phrase “and

other assurance skills and experience” does not appear to be helpful as it does not tell the practitioner what these are.

We suggest the IAASB consider each of the instances where professional judgment and professional skepticism are joined, and challenge whether this joining is appropriate or whether, as in the preceding bullet point, different verbs would better emphasize the mindset the IAASB wishes to foster.

- ▶ The last sentence in EER Guidance Chapter 3 paragraph 91 is not clear. Is the EER Guidance suggesting that the practitioner needs to: (i) consider whether the reasons for the preparer wishing to include only certain parts of the information included in the EER report within the scope of the assurance engagement are appropriate, and (ii) determine if the proposed engagement has a rational purpose?
- ▶ EER Guidance Chapter 3 paragraph 94 that describes a “perimeter of the subject matter information” is not clear as to its meaning. It could mean the entity will vary what they report each year, or that the entity will vary what it wants in the scope of the assurance engagement each year. If it means the latter, we recommend that it be clarified by wording it as: “The entity may wish to establish a program that varies the subject matter information included within the scope of the assurance engagement each year, because of cost considerations. Such a program may involve including all or most aspects of the EER report within the scope of the assurance engagement over a repeating cycle (rolling program).”
- ▶ The first sentence of EER Guidance Chapter 4 paragraph 95 defines a rolling program. Since paragraph 94 discusses and references a rolling program, we recommend that this sentence be moved to the beginning of paragraph 94.
- ▶ The following sentences in Chapter 4 titled “Determining the Suitability of Criteria” are not clear and are difficult to understand. We recommend that these sentences be clarified so that practitioners properly interpret them. The following are examples of possible edits for consideration:
 - Paragraph 133: “The explanations of the five characteristics of suitable criteria (S.A.45) describe attributes of subject matter information that results from applying the criteria that have such characteristics (see G.139-160). The five characteristics are in many cases inter-related. Although each characteristic must be exhibited, the relative importance of each and the degree to which they are exhibited by individual criteria may vary with the engagement circumstances.”
 - Paragraph 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 (S.A50). The subject matter information could be misleading if the characteristics of suitable criteria are not sufficiently exhibited by some of the criteria, ~~For example, the subject matter information could be misleading if the attribute of reliability may be in~~ was not sufficiently exhibited if the measurement or”

evaluation criteria, taken together with related disclosure criteria, are overly subjective”.

- Paragraph 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 the criteria include qualitative characteristics of the required EER information and, if so, whether appropriate how they compare with the attributes of subject matter information that results from applying the criteria, that exhibit the characteristics of suitable criteria.”
 - Paragraph 137: “Many of the commonly used EER frameworks use different terms to describe qualitative characteristics of EER information that are similar to such attributes of subject matter information. Additionally, some qualitative characteristics of the EER information required by a framework may be implied in the reporting requirements rather than being explicitly identified in the EER framework.”
 - Paragraph 138: “The An engagement circumstances may include the use of an EER framework that implicitly or explicitly requires additional different or more specific characteristics of the applicable criteria than the characteristics of suitable criteria required by the Standard. Where an EER framework includes such additional or more specific characteristics of criteria, it is still necessary for the applicable criteria to exhibit each of the five required characteristics of suitable criteria. For instance, when an EER framework requires the additional characteristics of EER information such as comparability and conciseness (see G.156, G.160), the criteria may be perceived seen as requiring characteristics that are more specific aspects of the required characteristics of understandability and relevance, respectively.”
 - The double use of “reporting about matters” in the second sentence of the example under EER Guidance Chapter 4 paragraph 141. We believe that replacing this phrase with possibly “to use criteria for reporting about HR matters such as” or “appropriate to report HR matters using criteria such as gender diversity” could clarify this sentence.
- ▶ EER Guidance Chapter 4 paragraph 136 contains only one, very long sentence that appears to be circular after the part that starts with “if so...”. Consider shortening and clarifying this sentence by wording it as “the practitioner may need to consider if the applicable criteria have been developed sufficiently by the entity to be suitable, when they are not prescribed by law or are set out only as principles in a high-level framework”.
 - ▶ EER Guidance Chapter 4 paragraph 173 uses the word “considering” regarding the entity’s process to develop its own criteria. We believe that this word is unclear and that replacing it with the word “evaluating” would be clearer to the reader.

- ▶ EER Guidance Chapter 6 paragraph 217 contains the phrase “when both the intended users and their information needs may be diverse or difficult to communicate with”. We recommend clarifying this phrase as information needs cannot be difficult to communicate with.
- ▶ The last sentence in EER Guidance Chapter 8 paragraph 271 is difficult to follow and would benefit from being bulleted.
- ▶ A number of the Considerations (specifically Considerations A(a), A(c) and C) in EER Guidance Chapter 8 paragraph 284 are not clear:
 - Does the lead-in to A(a) mean “What is the relationship between the evidence and the subject matter information?”
 - Does A(c) mean “What might cause a potential risk of material misstatement to occur? If such a risk of material misstatement occurs, what type of misstatement is it likely to be?”
 - The bullets in C seem to be a mixture of questioning whether the team is competent and evaluating the evidence obtained. A more logical order of the list may be to group the points as follows: (i) Was sufficient appropriate evidence obtained? (bullets a-e, i, j, k, l) and (ii) Did the team act appropriately to evaluate what they had found? (bullets f, g, h, m)
- ▶ EER Guidance Chapter 9 paragraph 318(a) is an overly complex sentence as it contains the word “or” numerous times along with commas, and we suggest it be edited and simplified.
- ▶ EER Guidance Chapter 9 paragraph 319 contains only one sentence with over 60 words. We believe that the use of bullets would make it easier to understand and read.
- ▶ EER Guidance Chapter 9 paragraph 320 ends abruptly with the word control. We were not sure if there were additional words that were meant to be at the end of the sentence.
- ▶ We noted some examples that are embedded within the paragraphs to which they relate, without being able to identify why these should not be pulled out and highlighted as examples in Example boxes. For example, EER Guidance Chapter 10 paragraph 52 and Chapter 11 paragraph 401 both contain examples that are part of paragraphs. We recommend that these examples, as well as others, be formatted in Example boxes.
- ▶ EER Guidance Chapter 10 paragraph 366 does not include the full title of the AA 1000AS standard nor a footnoted reference to the title. Since this is not an IAASB Standard, we would expect the title be provided in full (or at least footnoted) for both the paragraph and the related example.
- ▶ The last two sentences in EER Guidance Chapter 10 paragraph 384, “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,” do not appear to be necessary and could be confusing. For example, when an entity provides qualitative

information/conclusions based on numerical analysis/results, teams need to recognize that this is qualitative, even if the sentence itself starts with numerical data (such as “x% of customers surveyed said”). We recommend that these last two sentences be deleted.

- ▶ In EER Guidance Chapter 11 paragraph 387, we recommend that the word “reasonable” be removed from the phrase “reasonably unambiguous” because something is either ambiguous or it is not.
- ▶ We are not sure what the phrase “and more variable with” means in context of the sentence in EER Guidance Chapter 11 paragraph 379.