

APPENDIX**EDITORIAL AND OTHER MATTERS**

ED 3410.7: The definitions of “audit” and “review” should be succinct. The additional explanations included in the definitions themselves should be moved to the explanatory notes. The explanatory notes (if retained – see next comment) should be moved to be part of ED 3410.105-108 to assist in clarity of presentation). Succinct definitions, which could be cross-referenced to ED 3410.105-108 to provide context, can be derived directly from the IAF, e.g.:

Audit (engagement): an assurance engagement in which the objective is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner's conclusion.

Review (engagement): an assurance engagement in which the objective is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the practitioner's conclusion.

ED 3410.7: We suggest that most, if not all, of the explanatory text in ED 3410.7 regarding the terms audit and review be deleted, or at least re-worded to be consistent with the IAF. Little of this explanatory text is specific to sustainability engagements, and that which is, attempts to summarize thoughts from other parts of the ED. However, it is difficult to understand without the context of the discussion from which it is derived.

ED 3410.7: Paragraph c of the explanatory notes to the definition of “target group of stakeholders” says: “‘extreme’ information requirements are sometimes placed on an organization by certain pressure groups”. This may be more appropriately worded as ‘extreme’ information *requests*”.

ED 3410.7: In the explanatory notes for the terms audit and review, the meaning of “measurements and primary registrations” is unclear.

ED 3410.7: We find constant use of the term “practitioner (the team)” cumbersome. Perhaps the term “practitioner” could be used throughout, with an appropriate note in the definition that, where Model 2 is being followed, this means both the practitioner and the expert.

ED 3410.9c: The point made in the second sentence need not be singled out here, and could instead be included with the other elements of the reporting policy in ED 3410.39.

ED 3410.9c: Should the cross-reference to paragraph 40 be to paragraph 39?

ED 3410.10: “The scope and the accuracy of the information depend on its relevance for the targeted groups of stakeholders and the level of reporting (by location, region or worldwide)”. The meaning of sentences such as this is not at all clear.

ED 3410.11: “Reports on his/her findings” should be “reports his/her conclusion(s)”.

ED 3410.12 & 17a: “Management of the reporting organization” and “reporting organization”, respectively, should read “engaging party”.

ED 3410.16c: Consider changing “sufficient” to “suitable”.

ED 3410.17: The reason for distinguishing between audit and review in the first two sentences, and in the final sentence, is unclear. Further, it appears unnecessary given ED 3410.14. Consider deleting the final sentence, and amending the first two sentences along the following lines: “It is preferable that an assurance engagement cover the entire content of the sustainability report. However, it is acceptable for an engaging party to restrict an engagement to certain elements of the sustainability report if: ...” (consequential amendments would be needed to other text).

ED 3410.17a: It is questionable whether it is necessary for “the reasons for restricting the assurance engagement” to be disclosed in the sustainability report, or whether the assurance report is the better place for such disclosures.

ED 3410.18: The first dash point could be simplified to “Suitable criteria are not available for certain elements”.

ED 3410.18: The example provided in the second dash point may not be appropriate. The point appears to be about situations where the particular entity’s systems are lacking. The example however is generic and independent of the particular entity’s systems. Perhaps an additional dash point, to which the example seems to relate, should be added along the following lines “The element is not capable of being subjected to procedures for gathering sufficient appropriate evidence to support an assurance conclusion” (see IAF.33).

ED 3410.20: This paragraph appears to draw a distinction between: “the report content” and “the performance indicators and disclosures provided”. Is this intended, and if so, what is the intended difference?

ED3010.24: We have no particular expertise with respect to Dutch law. However, we question the accuracy of the statement in ED3010.24 that: “The reverse of joint responsibility is, in legal terms, joint and several liability”. If anything, it seems to us that the reverse of joint responsibility is divided responsibility, and that the form of report envisaged in Model 2 would, in fact, result in joint and several liability. Further, the relevance of stating anything here about legal concepts such as these is questioned. We suggest this statement be deleted.

ED 3410.25-.36: Consideration could be given to providing:

- More examples of actual materiality considerations relevant to common sustainability report components.
- Further explanation of how quantitative factors, which are likely to vary from data set to data set (“aspects” per ED 3410.28 or “subjects” per ED 3410), are determined in practice (see, e.g., Proposed International Standard on Auditing 320 (Revised) paragraphs 13-15 for rules of thumb in the context of a financial statement audit).

ED 3410.30: Consider deleting this paragraph as it appears to repeat ED 3410.39’s second last dot point.

ED 3410.33: “... is not, or could *not* be, ...”

ED 3410.39: This paragraph contains a list of elements regarding the basis of preparation of the report (the reporting policy). We question whether all of the elements noted in ED 3410.39 are sufficiently clear to be applied consistently, and whether they need all be mandatory. For example:

- “Translating the business principles into subjects to be reported” is somewhat ambiguous and could overlap with: “stating the considerations which lead to determining the content of the report”.
- Regarding the 2nd element (“Describing the targeted groups of stakeholders in relation to their information requirements and how these are provided for”), it is difficult to envisage exactly what is intended to be disclosed to describe how information requirements are provided for.
- The 3rd element contemplates a situation in which “no generic criteria are available”. Is it the view of the Assurance Standards Board that in some cases the GRI Guidelines, perhaps together with ED 3410, would not be adequate as generic criteria?
- Describing the “considerations relating to reporting materiality and accuracy” is very broad.

ED 3410.43: The second sentence (“... which is so clear in its wording that no misunderstandings can reasonably arise ...”) is too harshly worded.

ED 3410.45: This paragraph says that the reporting organization is bound by the auditing standard that deals with fraud – is this a legal requirement in the Netherlands?

ED 3410.47: “... reliability (defined as consistency and transparency in the application by various practitioners)...” The word “transparency” is not used in IAF and should not be used here in connection with it.

ED 3410.64: brings into question what is meant by “the accountancy discipline”. The practitioner is involved because of *assurance* expertise, not *accountancy* expertise per se. ED 3010.25 addresses a similar point, and does so more appropriately. Consideration could be given to deleting ED 3410.64.

ED 3410.69: Consider rewording the clause: “The joint responsibility for the entire engagement should be clear to each reader of the assurance report” to clearly identify the obligation of the practitioner (e.g.: “The practitioner should ...”).

JED 3410.83:

- Consider changing “estimates” to “assesses”.
- This paragraph appears to mandate the separate assessment of inherent risk, which is not consistent with the audit risk standards in a financial statement context.
- Consider whether it is appropriate to require a “global” assessment of inherent risk, i.e. not broken down into relevant assertions or elements within the sustainability report?

ED 3410.89: “The practitioner (the team) should ascertain that there is a proper balance in respect of the company strategy, the business principles, the codes of conduct, the attitude of senior management and the awareness within the organization.” The judgment required of the practitioner in this sentence appears to be without reference to criteria, and is prone to different interpretations by different practitioners – some are likely to see it as only a passing consideration, whereas others are likely to interpret it as an extremely onerous requirement.

ED 3410.97: Consider whether it is necessary to assume combined risk is high even when inherent risk is low.

ED 3410.101: “The practitioner (team) examines on a timely basis whether the nature of the information represented in the sustainability report has an impact on the nature, timing and the extent of the substantive procedures to be performed.” Won’t the nature of reported information always affect the practitioner’s procedures?

ED 3410.108: “It may be useful to carry out an independent media investigation into the completeness of the information.” What is a “media investigation” (it sounds like an extensive, large scale exercise), “independent” of whom (the entity or the practitioner), and in what circumstances would it be appropriate to do this?

ED 3410.121: Footnote 14 says: “Taken from paragraph 49 of the Standard for Assurance Engagements 3000”. While a reference to ISAE 3000 may be helpful, the current footnote it is not entirely accurate because the wording of ED 3410.121 is different from ISAE 3000.49.

ED 3410.125: The heading above this paragraph should read “Description of the subject matter of the investigation and its inherent limitations” (per ED 3410.121c). This applies to the first line of ED 3410.125 also.

ED 3410.125: The intended distinction between ED 3410.125 and ED 3410.126 is not clear. Consideration should be given to merging these paragraphs.

ED 3410.130: This paragraph states: “the responsibility of the practitioner, by contrast, may only be stated implicitly.” The reason given is that “This is, after all, included in the description of the approach to the investigation.” If the practitioner’s responsibility is stated as part of the “summary of the work performed”, then it need not be repeated, however, this is not to say that it need not be stated explicitly within the practitioner’s report. The more explicit the report is, the less subject to misinterpretation it will be.

ED 3410.135: This paragraph appears to default to a modified opinion when there are inadequate systems. However, as noted in ED 3410.85 and .91, if controls are not sufficient, it would not result in a modified opinion unless the practitioner were not able to obtain sufficient appropriate evidence from substantive procedures. This contradiction appears to be the result of introducing terms such as “minimum internal control requirements” and “indispensable from an internal control point of view” in ED 3410.135.

ED 3410.137: Reference to “financial year” in the second sentence is not appropriate. We suggest the wording of ISAE 3000.49 (k) be adapted: The date of the assurance report informs the intended users that the practitioner has considered the effect on the sustainability report and on the assurance report of events that occurred up to that date.

Appendix 3.1: What does it mean to establish “the accuracy and detail of our audit subject to the basic assumptions of the management of XYZ NV on the information requirements of the intended groups of stakeholders”?

Appendix 3.1: The statement that “The [report] has been prepared under the responsibility of the management of the organization” could easily be misinterpreted to mean that the practitioner prepared the sustainability report under the supervision of management. Accordingly, it should be revised to read: “has been prepared by the management of XYZ NV.” Also this statement would be better as the first sentence of the second paragraph of the report, to be followed by the sentence that references the reporting policy contained in the company’s report.

Appendix 3.3: The conclusion is qualified with respect to whether “all important information is reliably and sufficiently represented” but unqualified with respect to the opinion that “no essential information is omitted”. This seems illogical (also we question whether an opinion that “no essential information is omitted” is appropriate at all, particularly since it is not presented in the context of criteria).

Appendix 3.4: The example states: “In our opinion, this limitation and the reasons for it are acceptable, partly in view of the intention to report on this in the future.” An intention to report in future does not seem to be at all a valid reason for not reporting currently on something that is required by the identified criteria.

Appendix 3.6: The word “assume,” which means “to take for granted without proof” should not be used in the conclusion.

Terminology (see section J of our comments): Examples of differences in terminology include:

- “systematic and thorough evidence-gathering procedures” (versus: “iterative, systematic engagement process” per IAF).
- “irreplaceable internal controls”, “high level review of the design of the system”, “explore the control environment” (these terms are not consistent with the recent revision of the audit risk Standards).
- “subject matter” versus “subject matter information” – the sustainability report is the subject matter information; the entity’s sustainability performance is the subject matter.
- the first line of the definition of “review” uses the word “provide” inappropriately in terms of the IAF. An alternative would be: “The procedures of a review engagement allow the practitioner to obtain ~~provides a limited level of~~ assurance”. (This comment also applies to explanation 1 in Appendix 3.3.)
- the word “plausibility” is no longer used in the IAF as the benchmark for a limited assurance.
- the term “investigation” is used from time to time in the EDs. It is a word that connotes a more intensive or exhaustive examination than is customary for an audit (e.g. a forensic or judicial investigation). In most cases, this word can be replaced with “engagement”, which is a more appropriate term. In other cases, “examination”, or “work” may be a better alternative.

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