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Submitted by e-mail to [assurance@theiirc.org](mailto:assurance@theiirc.org)

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Dear Michael:

**Assurance on <IR>**

We<sup>1</sup> welcome the opportunity to contribute to the IIRC's consultation on *Assurance on <IR>*.

The consultation, together with the roundtables being hosted around the world, have sparked interest and prompted invaluable stakeholder dialogue on the role that assurance can play in building the credibility of and trust in integrated reporting.

We commend the IIRC for having the courage in both the consultation itself and in the roundtables to be bold in asking some rather provocative questions, such as:

- What priority should be placed on assurance in the context of driving credibility and trust in <IR>?
- What are the key features of assurance that will best suit the needs of users of integrated reports in years to come?

Those are the types of questions that we believe need to be asked at this point. Both are very clearly rooted in what it is that investors and other stakeholders are looking for from 'assurance' as corporate reporting evolves to become broader and more integrated.

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<sup>1</sup> This response is being filed on behalf of the network of member firms of PricewaterhouseCoopers International Limited and references to "PwC", "we" and "our" refer to the PwC network of member firms.

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### **The evolution of integrated thinking**

Any discussion on assurance of <IR> needs to start with a clear focus on the ultimate aim.

The *Executive Summary* in the *Introduction* explains that the IIRC's long term vision is a world in which integrated thinking is embedded within mainstream business practice in the public and private sections, facilitated by <IR> as the corporate reporting norm.

We agree. The ultimate aim should be equipping businesses to measure and manage the broader value drivers integral to sustainable strategies and business models (i.e., more holistic and integrated thinking) and, then, to build the public trust in the corporate reporting information system that reflects that more holistic approach to business as a basis for supporting resilient and growing economies. 'Integrated thinking' being the DNA for broader and more holistic internal and external 'integrated reporting'.

This will be a significant challenge for numerous companies that need to not only align their internal organisations, but also need to develop systems and processes to measure and report the information. Many companies – including the IIRC pilot companies who have been the trail blazers – acknowledge that they are on 'a journey'. The experimentation and innovation we are seeing is exciting. That said, much of the information, and the extent to which it is integrated, is still far from mature. In fact, as companies broaden their internal and external reporting to reflect and integrate information on their strategy, risks and broader value drivers, information will be at different stages of maturity in terms of measurement, systems and processes and reporting frameworks.

Clearly, information needs to be trusted to be valuable. And there are many ways that users gain comfort with the information they are provided. The challenge for external 'assurance' is to be able to help build trust in the measurement and reporting of broader, more integrated information, without inadvertently constraining the experimentation and innovation.

### **The 'assurance' proposition**

Today's assurance model, delivered through the financial statement audit and other assurance engagements (e.g. ISAE 3000) is relevant, valued and is helping to build confidence in reported financial and non-financial information. Many companies have key performance indicators that are already sufficiently mature to benefit from this form of assurance. The involvement of external assurance professionals can have a positive influence on the quality of the reported information and the systems, processes and controls for preparing it. Today's assurance standards provide an adequate framework for designing assurance engagements that are tailored to the facts and circumstances of individual engagements. In offering both limited and reasonable assurance engagements, they also provide flexibility in the level of assurance that is requested to be obtained in the engagement, which may increase as the perceived value of the information to users increases.

The *Introduction to the Discussion* observes that the type of assurance as it is commonly understood today is not always accepted by all. We have also heard that view and can understand that perspective. Ironically, restricting our vision of what builds trust to the existing assurance model, as reflected in today's standards, could, perversely, have the effect of constraining the pace and scope of experimentation and innovation that we believe is needed to shape the future of corporate reporting. While assurance engagements based on today's model can be relevant and valuable for some of the information reported, other information may not yet be sufficiently mature to support that type of assurance. We also question



how meaningful an assurance conclusion on the compliance of an ‘integrated report’ as a whole with Framework would be given the nature and extent of judgements involved.

At this point, we believe that it is important to listen to what investors and other users are saying about how they use broader information and what type of ‘assurance’ would be valuable to them. With that context, we can then reflect on how the insight, professional judgement, objectivity and challenge that assurance professionals have can be applied in a way that builds trust but also further supports and encourages innovation and change, rather than constraining it. That may mean being bold enough to reframe how those attributes are applied.

### **Insight into maturity – one possible option**

Depending on the maturity of the information, different ways of building trust in that information might be appropriate: today’s assurance model may be appropriate for mature information, but might be inappropriate in terms of the insight it can provide on less mature information, if it can even be applied.

We have started along this path with our thought piece, *Inspiring Trust Through Insight*<sup>2</sup>. It argues that information does not need to be ‘hard’ to be valuable, but users need to know what is behind the information – the inherent measurement uncertainty, the maturity of the frameworks for measuring and reporting it, how mature the company’s systems and processes are for managing it are, what the company has done to be satisfied with its credibility, and whether it is information the company uses to manage the business. We believe that a model that can offer insight into these various attributes of the information might be valuable at the early stages in its development. It would require more subjective views from assurance professionals and potentially more narrative to provide and support deeper insight. Concepts of materiality and comparability might also need revisiting to ensure that the reporting is not constrained and the insight remains relevant to the user.

We have been encouraged by the reactions we have had to our thought piece so far, including in a number of the roundtables, and we are progressing to experiment with it in pilot engagements. We do not have all of the answers yet. Our answers to the questions in the consultation reflect some of what we have heard – both supportive and sceptical. We believe there is a need to continue innovating and experimenting from an assurance perspective, which suggests that it would be premature to try and codify the new ideas into standards or to move to mandate assurance through regulation.

**In conclusion**, in our view, companies should be encouraged to progress along their own journeys towards more integrated thinking and integrated reporting. In its broadest sense, assurance will help build trust in broader corporate reporting. However, in our view, it would be unfortunate if companies are discouraged from experimenting or from reporting certain information due to its early stage of development. Just as companies need to be encouraged to experiment and innovate, so too should we as assurance professionals consider the best ways that our core assurance attributes can be brought to bear to both build trust in broader corporate reporting and support the evolution in reporting. That means ‘thinking out of the box’ and avoiding the urge to codify both reporting and assurance approaches too quickly. Now is the time for fresh and bold thinking.

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<sup>2</sup> To read the report, see <http://www.pwc.com/publications/inspiring-trust.jhtml>.



We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Diana Hillier, at [diana.hillier@uk.pwc.com](mailto:diana.hillier@uk.pwc.com), or me, at [richard.g.sexton@uk.pwc.com](mailto:richard.g.sexton@uk.pwc.com).

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Richard G. Sexton".

Richard G. Sexton  
Vice Chairman, Global Assurance



## Appendix

### Answers to questions posed in the Exposure Draft

*Note that we refer to ‘integrating reporting’ and ‘integrated report’ interchangeably in our responses to the questions. While we agree that the case for broader corporate reporting is unequivocal, we are less convinced about a preoccupation with an ‘integrated report’. However, in general, the concepts of assurance apply equally to a company’s reporting or a report.*

#### Practical implementation challenges – Nature of assurance

- 1. What priority should be placed on assurance in the context of driving credibility and trust in <IR>?**
  - The assertion is made in the *Assurance on <IR>* paper that assurance is likely to be important to the long term credibility of integrated reports and to the success of the *<IR> Framework* itself.
  - We agree that assurance can play an important role in building confidence in reported information.
  - However, assurance is not as important to the success of the *<IR> Framework* as the credibility of the concept itself. The information reported must be seen as relevant to the information needs of users and the decisions they make. There are multiple drivers of that:
    - Do users see the concept of integrated reporting as valuable and relevant to the decisions they make?
    - Will the *<IR> Framework* and the concept of an ‘integrated report’ as articulated in the framework meet the information needed to make those decisions?
    - Do users see what is being reported as providing real insight and a balanced view of the company’s performance rather than just a public relations exercise (which, in relation to sustainability reporting, some refer to as ‘green wash’)?
  - There are then various influences on the credibility of reported information, including confidence in the corporate governance and management of the entity, the expertise brought to bear in preparing the information, the systems and controls companies put in place to measure the information, the degree to which users perceive that the information reported actually reflects the way the business is managed and is relevant to its strategy and business model, and the involvement of internal audit or other management review and testing.
  - Many of these are not readily transparent to external users and, for that reason, some sort of ‘assurance’ from a credible 3<sup>rd</sup> party can accelerate users’ confidence in the reliability of the information provided.
  - So, yes, assurance can play a very important role – but only if the concept itself is seen to meet society’s needs.
  
- 2. What are the key features of assurance that will best suit the needs of users of integrated reports in years to come?**
  - In order to answer the question of the appropriate key features of assurance, it is necessary to first define the needs of users of integrated reports.
  - As already mentioned in our answer to question one, there seems to be enough evidence that some sort of ‘assurance’ from a credible 3<sup>rd</sup> party can accelerate confidence in the reliability of the information provided and therefore assurance can play an important role in meeting the needs of users of integrated reports.
  - As companies move forward to broaden their view of value creation and broaden their reporting, it is important that assurance does not impede the current momentum, but rather supports both preparers and



users on their journeys – even if that means being open to innovative and evolving solutions that can enhance credibility and trust.

- Some of the key features of assurance that are likely to be valued by users of integrated reporting include: the involvement of an independent professional with expertise in the subject matter, the objective challenge to the company’s judgements regarding what to report and how to report it (i.e., relevance and reliability) and the evidence obtained regarding the integrity of the information. For some broader information reported, today’s assurance model may be applied to deliver some of these features. But there are challenges, particularly as the concepts and practices around reporting on different information (or ‘capitals’, as referred to in the <IR> Framework) and more integrated reporting are evolving.
- Therefore, it is crucial to consider the needs over the cycle of development of information from embryonic to mature. What is needed to build ‘trust’ in the information may need to match the different stages of maturity of information and reporting.
- Many companies describe themselves as being on a journey. The ‘capitals’ that are being used to manage their business and reported internally and externally will be at different stages of maturity. Similarly, the degree to which information reported, and the companies’ reporting overall, is integrated will vary.
- If users are seeking ‘assurance’ on immature information, it is not always clear what it is they are seeking assurance on. Some may seek assurance on the reliability of the data or the process of preparing it, but some may seek assurance on aspects that will be very hard to ‘assure’ in the early stages (e.g. relevance and completeness of information reported).
- In our view, in order to accelerate change and the journey towards integrated reporting, the assurance profession should think outside the box about how trust can be built in innovative ways. In the very early stages of expanding reporting to include new and broader information, one option may be to provide insight into the maturity of the entity’s reporting on the information. As information becomes more mature, methods of measuring information related to different capitals will have been developed, the needs of users will be clearer and the assurance profession will better be able to evaluate ‘relevance’ and ‘completeness’ and possibly even what is meant by ‘compliance with the IIRC Framework.’ In the longer term, it may even be possible to consider a more holistic approach to an integrated assurance report, covering the assurance obtained on the financial and narrative/nonfinancial/future oriented information.
- That said, there will always be the need to consider the appropriate ‘assurance’ of information in terms of depth and cost (see also answer to question 6 and 7 about ‘the cost of assurance’).

### **Practical implementation challenges – Competent practitioners**

#### **3. Is the availability of suitably skilled and experienced assurance practitioners a problem in your jurisdiction, and if so what needs to be done, and by whom, to remedy the situation?**

- Qualified assurance practitioners possess a number of core competencies which, when matched when necessary with relevant subject matter expertise, can be applied across all forms of information. Examples of such competencies include evaluating and improving on internal controls and reporting processes, an understanding of how to test the reliability of data, risk management and analytical skills.
- In addition, the qualities of objectivity, credibility and integrity are inherent through education, experience and regulation.
- Assurance providers have already proven capable of providing assurance on non-financial information, such as sustainability data, and, in a number of the more mature markets, the accountancy profession now dominates in providing assurance on broader capitals. This capacity is still developing in other jurisdictions where there is disparity in the assurance providers and an external perception that the accountancy profession is relevant to financial reporting only.
- Today, the core assurance skillset often needs to be supplemented with specific expertise on new subject matter areas to understand measurement, materiality, etc., particularly for capitals that are more remote



from financial reporting. However, this can either be addressed by combining assurance practitioners and subject matter experts on engagement teams with experts from either within the assurance providers' organisation or business relationships established to combine competencies. Such expertise exists, or can be acquired, in the larger global networks with relative ease, although this may be more challenging for smaller firms and may not be cost effective unless they decide to specialise in a particular area. Experience in such a specialist subject matter is more easily transferrable than the assurance competencies noted above. As broader corporate reporting becomes more embedded in the corporate reporting supply chain, combined assurance and subject matter expertise may be in greater demand, and universities and training curriculums will need to broaden to ensure that there are suitably qualified assurance professionals in the future.

- 4. What needs to be done, and by whom, to ensure the quality of assurance on <IR> is maintained at a high level, including practitioners' adherence to suitable educational, ethical (including independent), quality control and performance standards?**
- Our experience in the development of assurance on non-financial reporting, such as ESG reporting, has demonstrated that the professional qualifications/competence of the assurance provider and the robustness of the assurance criteria are critical to maintaining quality assurance that is comparable across organisations.
  - The concept of <IR> is still developing, broadly recognised criteria for many aspects of <IR> do not yet exist and practice is still evolving on the nature and extent of assurance procedures to apply in obtaining sufficient appropriate audit evidence. As a result, clarity from the assurance providers on the work performed and how their conclusions have been reached is critical to ensuring that users can fully understand the depth of assurance given, and draw conclusions thereon.
  - In terms of quality control, assurance engagements provided by firms and networks which comply with recognised international audit and assurance standards are expected to be performed by people and firms who also comply with external and internal quality control standards, policies and procedures, including appropriate methodologies. Education, ethical standards, independence and quality control are monitored internally and, in some jurisdictions, by existing regulatory bodies as well. Given the immaturity of the market for assurance, some of these structures are themselves still quite immature and will undoubtedly need to be strengthened if and when <IR> becomes important to markets.

### **Practical implementation challenges – Robust internal systems**

- 5. Is the robustness of internal systems a problem, and if so what needs to be done, and by whom, to remedy the situation?**
- When considering systems, it is important to emphasise that this goes beyond IT systems and encompasses broader management and reporting systems, processes and controls.
  - In the early stages of reporting on the broader capitals, our experience is that companies often rely on manual systems or very low technology (e.g., spreadsheets) for producing information for management and reporting purposes. The processes and controls surrounding such 'manual' systems are often more ad hoc in nature and unlikely to be as developed as those used, for instance, in financial reporting. Documentation that would enable reperformance may be lacking.
  - However, information from immature systems is not necessarily less valuable and may, in some circumstances, be sufficient. As companies identify critical information to be reported, they will need to invest in the systems that can provide this information. We have seen this happen in practice with sustainability data. As the company develops and invests in its reporting, the systems, processes and controls become more robust, albeit often at a slower pace.



- Through their assurance work, internal and external auditors assist companies in understanding the robustness of the systems and controls and how they can be improved working with existing frameworks, such as COSO.
- To make integrated reporting meaningful, the focus needs to be on 'integrated thinking' first and foremost and changes to how companies measure and manage a 'sustainable' business are much more fundamental.

### Practical implementation challenges – The cost of assurance

6. **Is assurance likely to be a cost effective mechanism to ensure credibility and trust over (a) the short/medium term; (b) the long term?**
7. **Is so, what needs to be done, and by whom, to maximize the net benefits of assurance?**

#### *Response to Q6-7*

- The market in some ways ultimately answers this question itself – the price companies will be prepared to pay for assurance in the near term will reflect the value and relevance that they see this information has in how they run their business, and the value and relevance their users attribute to this broader information. Therefore, today, the market is effectively making decisions on both the level of assurance (e.g., limited or reasonable assurance) and the assurance providers used, which inevitably reflects the cost/benefit companies and society are placing on the assurance on broader information. Because in most jurisdictions, broader integrated reporting is voluntary, the perceived value proposition is different than, for example, the regulatory framework around the financial statement audit. The needs of users and society are likely to change as broader integrated reporting becomes more integral to decisions needed to drive economies – in a sense, then, it is likely to be driven by “proof of concept”.
- Market mechanisms are, therefore, serving to manage cost efficiency. To keep that working and avoid impeding the natural development of reporting, it may be wise to avoid rushing to regulate assurance of <IR> in this early stage of its evolution – it may be counterproductive to *require* preparers to have their integrated reports assured by a third party while the broader and more integrated reporting is still evolving. In fact, as discussed above, applying the existing assurance model to immature information is unlikely to be cost effective relative to the insight provided.
- During the early stages of the evolution of broader reporting, we believe that there are alternative ways that trust can be built in information that may not only better meet the needs of preparers and users, but also may be cost effective and support and accelerate the development or broader reporting. In our cover letter, we refer to our thought piece, *Inspiring Trust Through Insight*<sup>3</sup>. It argues that information does not need to be 'hard' to be valuable, but users need to know what is behind the information – the inherent measurement uncertainty, the maturity of the frameworks for measuring and reporting it, how mature the company's systems and processes are for managing it are, what the company has done to be satisfied with its credibility, and whether it is information the company uses to manage the business. We believe that a model that can offer insight into these various attributes of the information might be valuable, as well as cost effective, at the early stages in its development.
- As information matures, the existing assurance model is likely able to be delivered efficiently and be cost effective.
- But it is also clear that even in the longer term, it may not be possible, or desirable, to provide the same type of assurance as is given today on historical financial information on every kind of nonfinancial/narrative/future oriented information. Preparers and users of integrated reports will not be willing to pay for assurance levels they do not value.

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<sup>3</sup> To read the report, see <http://www.pwc.com/publications/inspiring-trust.jhtml>.





- Therefore, there is a need to understand the nature and level of assurance required for different information, and at different stages of its maturity, based on companies', investors' and other stakeholders' views.
- We believe that as integrated reporting matures, it is important to let the market and stakeholders decide the nature and level of assurance that is most valuable without trying to regulate it in the early stages.
- We also recognise that internal audit has a significant role to play, and some companies may find it valuable in the early stages of their reporting development, to invest in having their internal auditors involved as a way to focus internally on developing their systems, processes and controls.

### Technical challenges – Methodology issues

- 8. Should assurance standard setters develop either or both (a) a new assurance standard: (b) guidance, to ensure consistency of approach to such issues?**
- 9. Should any such standard/guidance be specific to <IR>, or should it cover topics that are also relevant to other forms of reporting and assurance, e.g., should a standard/guidance on assuring narrative information, either in an integrated report or elsewhere, be developed?**

#### *Response to Q8- 9*

- We believe that it is important to consciously weigh the benefits and costs of standards to govern a particular area of activity and the nature of the 'standards' or 'standard setting activity' that may be appropriate in the circumstances:
  - Comprehensive body of standards that set out requirements for the conduct of a particular engagement – the more mature the type of assurance engagement, the greater level of codification of market practice in standards that may be both possible and valuable.
  - A higher level framework that establishes the principles, and thereby the parameters, to apply professional judgment to design an appropriate approach that fits the facts and circumstances in particular engagements.
  - An active watching brief in areas of emerging reporting or practice to allow the market to innovate until there is sufficient body of practice to judge what constitutes accepted market practice.
- It is widely accepted that the financial statement audit, being a mature and robustly regulated product, warrants a comprehensive body of auditing standards (e.g., the International Standards on Auditing).
- Assurance engagements on different aspects of integrated reporting (e.g. some types of non-financial information) are already being performed under ISAE 3000. ISAE 3000 has recently been revised to establish more comprehensive requirements, but remains at a fairly principled level – particularly for the work effort for evidence gathering – because it is intended to apply to a wide variety of subject matters.
- In our view, ISAE 3000 provides a sufficient basis for designing and performing limited and reasonable assurance engagements on different aspects of integrated reporting whilst allowing those engagements to evolve as the integrated reporting itself evolves. A more detailed standard run a very real risk of inhibiting innovation in both integrated reporting itself and in how assurance and trust might be most effectively built in that information.
- The IIRC's *Assurance on <IR>* issues paper has been very useful in promoting discussion and debate around the assurance proposition and the challenges in applying today's model to the evolution of integrated reporting. At this point in the evolution of <IR>, that is just what is needed. The various roundtables have offered valuable insights into the different perspectives and views of various stakeholders. It has shown that experimentation and innovation are needed at this early stage.
- For that reason, we are not convinced that now is the time to develop further standards. In fact, we believe that there is a very real risk that a more defined assurance standard – with its need for defined criteria – may



inadvertently stifle the very experimentation and innovation needed in both companies reporting and the ‘assurance’ that might best meet companies’ and users’ needs in the evolution of it.

- We are also not convinced that a generic standard on “narrative information” is needed. It risks being very conceptual in the abstract. It would be best focussed on particular information and subject matters once the <IR> concept itself has matured.
- However, we do believe that it is important to keep the dialogue and discussion going, and to monitor developments so that when market practices have matured sufficiently, it can be codified in standards.
- For that reason, we encourage the IAASB to keep a proactive watching brief and continue to facilitate and encourage dialogue.

**10. What are the (a) key challenges and (b) proposed approaches that assurance standard setters should consider with respect to:**

- **Materiality?**
- **The reporting boundary?**
- **Connectivity?**
- **Completeness?**
- **Narrative reporting and future-oriented information?**

**11. What other technical issues, if any, specific to <IR> should be addressed by assurance standard setters?**

*Response to Q10- 11*

We agree that all of the above mentioned challenges represent key challenges in the context of the integrated reporting concept as described in the <IR> Framework. However, we see differences in the level of challenge regarding these topics. We set out below a few high level comments on each of them, but recognise that some of the concepts are contextual, in the sense that how they are defined and/or applied may differ depending on the type of assurance and nature of information reported.

- ‘Materiality’ is a very challenging topic from an assurance perspective, as assurance providers have to deal with different definitions of materiality (IASB, IIRC, and GRI). As mentioned in the Assurance on <IR> Paper, the difference between <IR>materiality and traditional financial reporting materiality is that <IR> materiality is focused on identifying the most relevant matters pertaining to an organization’s ability to create value and for inclusion and reporting on these appropriately, whereas traditional financial reporting materiality is focused on ensuring that the financial statements achieve a fair presentation of financial position, results of operations and cash flows. And even if the underlying principles are similar in that they each focus on what is material to the respective subject matter of information, it will be very challenging to match the two concepts from an assurance perspective.
- The reporting boundary: Disclosures of effects on capitals up and down the value chain will need to include information from outside of the financial reporting entity. It will be challenging for companies to collect appropriate information from outside their own financial reporting entity as well as for the assurance providers to obtain appropriate evidence on such information. The availability of appropriate information from outside the financial reporting entity may constitute an impediment to assurance engagements for integrated reports because assurance practitioners will be dependent on information the company does not “own” itself.
- ‘Connectivity’ is challenging from three perspectives: First, the principle of ‘connectivity’ is completely new, having been introduced by the <IR> Framework. Consequently, preparers do not have experience in connecting information and presenting it as suggested in the Framework and assurance providers do not have experience in assuring compliance with the ‘connectivity’ guiding principle. Second, the principle of ‘connectivity’ is challenging from the perspective of assuring the ‘completeness’ of connectivity demonstrated



in an integrated report. It may be less challenging to assure the existence of identified and described connections by the company, but it will be challenging to assure the completeness of the connections described. And third, assurance practitioners will need to develop appropriate methodologies to assure the described cause of certain connections. For example, some companies moving toward integrated reporting have started to describe the connections between certain nonfinancial and financial key performance indicators, and to try to show the nonfinancial KPIs may ultimately have an impact on their financial KPIs, as well as to demonstrate their influence on the financial outcomes. Some companies have even started to quantify these connections, using newly developed estimation models, for example. It is clear that it will take some time to enhance the quality and maturity of such information as well as to develop appropriate assurance methodologies and practices to be able to provide a level of assurance that is meaningful and valuable for users of integrated reports. Therefore, as mentioned above (see the answer to question 2) at those early stages, it could be helpful to provide insight into the maturity of the entity's reporting instead of trying to provide full scope assurance in the sense of the traditional assurance model.

- 'Completeness' is one of the most challenging methodology issues in the context of integrated reporting. As reflected above (describing the challenges with respect to the connectivity issue), the completeness issue cannot be viewed standalone, but as a principle that has to be evaluated in context with other issues like materiality, reporting boundary and connectivity.
- Narrative reporting and future oriented information: Assessing narrative reporting, including future-oriented statements, is also challenging due to the nature of this information, but not as challenging as other issues like materiality, connectivity or completeness. There are jurisdictions where providing assurance on narrative reporting, including future-oriented information, is part of the 'daily business' of assurance practitioners (e.g. the reasonable assurance that has to be provided on the German management report, which all larger companies have to publish together with their financial statements; most of the German management reports consist of narrative reporting and future oriented information). Therefore, in some jurisdictions we already observe and practice methodologies that seem to be appropriate. Of course, in the context of integrated reporting, assessing future orientation (together with issues like reporting boundary: "What effects on capitals up and down the value chain will my business model have in the future?") will be even more challenging. However, at least assurance practitioners have some experience with respect to narrative reporting.
- At the moment, we do not see any further technical issues that have not already been addressed by the Assurance on <IR> Paper.

### Technical challenges – Levels of assurance

#### 12. What are the (a) key challenges and (b) proposed approaches that assurance standard setters should consider with respect to:

- **Reasonable assurance?**
- **Limited assurance?**
- **Hybrid engagements?**
- **Agreed-upon procedures engagements?**
- **Other approaches?**

Today's assurance model can be, and is being, used to assure some non-financial information, including some sustainability and customer metrics. However, there are a number of key challenges that need to be considered related to assurance of all of the information that might be included in integrated reporting, as follows:

- As mentioned in the covering letter, we believe it is important that we listen to investors and other users to understand the nature and level of assurance that would be of most value to them. Reference is made in the consultation of the need for 'investment grade' assurance. But, without a clear understanding of the type of assurance investors need on different aspects of a company's reporting, it is difficult to define what



‘investment grade’ actually means. There is also a need for a better understanding of market demand for different levels of assurance. For example, stakeholders might find value with reasonable or limited assurance, or they may value a different model altogether (such as insight into the level of maturity of reported information and the integration of it), or they might find value with other types of engagements (e.g., agreed upon procedures).

- The costs associated with reporting the information included in an integrated report could be significant, as systems and processes would need to be developed in many cases.
- Because the range of information included in an integrated report will vary, different levels of assurance might be required for different information. Therefore, consideration might need to be given to whether a single assurance report could be issued that would provide a single level of assurance (e.g., reasonable assurance) over all of the information, and whether that is even possible or desirable. In some cases, a hybrid report—that would include both reasonable and limited assurance on different types of information might be more desirable (and is in practice in some jurisdictions). Or, a hybrid report that provides insight into the maturity of certain information in its early stages of evolution along with limited or reasonable assurance being provided on more mature aspects of the company’s reporting may be produced.
- Due to the additional effort required to obtain reasonable assurance (e.g., increased substantive and controls testing) relative to limited assurance, cost could be a key challenge for some entities. This could be mitigated somewhat if companies could obtain assurance in a phased manner (e.g., moving from limited to reasonable assurance over time).
- Agreed upon procedures engagements may not be perceived by investors and other stakeholders as providing the value they are looking for, as they do not provide any level of assurance and, in practice today, their distribution is limited.

### Technical challenges – Using existing assurance

#### 13. What are the (a) key challenges and (b) proposed approaches that should be considered, and by whom, to ensure assurance on <IR> pays due regard to other assurance processes?

- Today’s assurance model could potentially be adapted to integrated reporting, however, we do not believe the IIRC’s framework, in its current form, despite having reasonable criteria upon which certain information can be measured or evaluated, collectively represents ‘suitable criteria’ to form a meaningful opinion on a company’s integrated report or reporting as a whole. However, companies should not be deterred from reporting this information and using the <IR> Framework as a basis for thinking through the broader financial and non-financial measures that are relevant to their strategy and business model.
- Qualitative information as well as information subject to legal interpretation could also present challenges.
- As new approaches and standards are considered related to assurance of integrated reports, they should include the active engagement and collaboration of many stakeholders, including preparers, investors, standard setters, regulators and internal and external auditors.