

Three documents will replace the AA1000AS (2003). These are:

- *AA1000 AccountAbility Principles (AA1000AP 2008)*
- *AA1000 Assurance Standard (AA1000AS 2008)*
- *Guidance on the use of the AA1000 Assurance Standard 2008*

AA1000 AccountAbility Principles

AA1000 Assurance Standard 2008

Foreword

Introduction

1. Purpose and use of the standard
2. Scope of the standard
3. References to the use of AA1000 Assurance Standard (2008)
4. Relationship to other standards
5. Conducting sustainability assurance
6. The sustainability assurance process
7. Quality of information
8. Definitions

Guidance on the use of the AA1000 Assurance Standard 2008

A. Guidance for Assurance Providers

B. Guidance for Reporting Organisations Seeking Assurance

C. Guidance for Stakeholders Using Assurance Statements

D. Informative Annexes

The AA1000 AccountAbility Principles (2008)

1. Introduction

There are four AA1000 AccountAbility Principles.

The foundation AA1000 AccountAbility Principle is Inclusivity, which is achieved through stakeholder engagement. This foundation principle provides the base upon which the other three principles, Materiality, Completeness and Responsiveness, stand.

The standards in the AA1000 Series use these principles as their starting point. The AA1000 AccountAbility Principles provide the basis for understanding and achieving quality stakeholder engagement according to AA1000 Stakeholder Engagement Standard (AA1000SES), and sustainability assurance according to AA1000 Assurance Standard (AA1000AS).

Note: The AA1000 AccountAbility Principles may also have a wider application. For example they may be used by organisations to align core strategy and operations with material sustainability issues.

2. The Foundation Principle of Inclusivity

Organisations adopting any part of the AA1000 Series shall commit themselves to adhering to the AA1000 Principle of Inclusivity, by which is meant an organisation's commitment

- to identify, understand and prioritise their stakeholders and develop appropriate engagement strategies and plans;*
- to engage stakeholders in identifying and understanding the social, environmental and economic performance and impact of its strategies and operations;*
- to consider and coherently respond (whether negatively or positively) to the needs and concerns of stakeholders in its decisions, policies and practices; and*
- to provide an account to stakeholders of its decisions, policies, practices, actions and performance.*

Note: Stakeholders are those individuals or groups of individuals who affect and/or could be affected by an organisation's activities, products or services and associated performance.

Note: The AA1000 Stakeholder Engagement Standard (AA1000SES) provides a framework for quality stakeholder engagement that will enable organisations to meet this principle.

3. The Principle of Materiality

Organisations shall establish a process to determine their material sustainability issues. This process shall be integrated with core strategy and operations.

Material sustainability issues, including social, environmental and economic issues, are determined by an organisation, supported by engagement with its stakeholders.

When determining material issues an organisation shall consider the needs and concerns of those stakeholders as well as societal norms, financial considerations, peer-based norms and policy-based performance.

In determining the materiality of sustainability issues the organisation and its stakeholders should evaluate why, how and at what point they are material and who they are material for.

An issue is material when it is deemed relevant and important in relation to the organisation's ability to create and maintain private and public value.

Material sustainability issues will inform the judgements, decisions and actions of an organisation and its stakeholders.

4. The Principle of Completeness

Organisations shall be able to demonstrate that their identification and understanding of their material sustainability issues is complete and that this understanding exists across the organisation.

Completeness means the comprehensive

- identification of material sustainability issues and the stakeholders to whom they are material, and
- understanding of material sustainability issues and their associated impacts and performance and how they are relevant and important to stakeholders.

5. The Principle of Responsiveness

Organisations shall coherently respond to their material sustainability issues and appropriately communicate their responses to stakeholders. These responses shall be embedded in core organisational strategy and operations.

Responsiveness means

- responding to material sustainability issues with adequate decisions, policies and practices, while taking into consideration the sustainability context, and
- communicating these responses to stakeholders without material omission or misstatement.

AA1000 Assurance Standard (2008)

Foreword

i. Evolution of the standard

The first edition of the AA1000 Assurance Standard was published in 2003 as the world's first sustainability assurance standard. It was developed to ensure the credibility and quality of sustainability performance and reporting and was the result of an extensive, two-year, worldwide consultation involving hundreds of organisations from the professions, the investment community, non-governmental organisations (NGOs), labour and business. AA1000AS 2003 superseded the information on sustainability assurance provided in the AA1000 Framework standard published in 1999. The 2003 edition was supported by a guidance note on the application of the principles; a user note: five case studies on the application of the principles during assurance engagements; and a briefing note on assurance levels and assurance engagements. The AA1000 Assurance Standard 2008, AA1000AS (2008), is the second edition of AccountAbility's assurance standard. It supersedes all previous versions published by AccountAbility. It draws on the growing body of practice and experience in sustainability assurance.

ii. Development process

AA1000AS 2008 was developed using a broad based multi-stakeholder process. A period of initial research which included a widely broadcast e-survey was followed by face-to-face consultations in 20 countries with a comprehensive range of stakeholders and a series of workshops with specific stakeholder groups. All of the input received was considered by the drafting committee of the AccountAbility Standards Technical Committee who prepared a draft standard for public review. There were three periods of public review of 60 - 90 days each. All public review took the form of collaborative drafting with full transparency using a wiki platform. Between each of these periods of public review and following the final one, the AccountAbility Standards Technical Committee reviewed and revised the draft. The final draft was prepared by the AccountAbility Standards Technical Committee and submitted to the AccountAbility Operating Board who approved it for publication.

iii. Who this standard is for

This standard is primarily intended for use by sustainability assurance practitioners and providers. In addition, this standard may be useful to report preparers seeking assurance in accordance with this standard, as well as for users of sustainability assurance reports and statements, for other standards developers, and for professional development and training practitioners.

The evolving nature of learning in the standards field means that the process of developing standards is ongoing. By continually engaging with AA1000 Assurance Standard users and stakeholders, AccountAbility is able to reflect learning in the form

of additional guidance and revisions to the standard. AccountAbility invites you to share your AA1000 Assurance Standard experiences with us so that we can continue to improve the AA1000 Series.

Introduction

i. Aims and benefits of sustainability assurance

Sustainability reporting provides stakeholders with information about the social, economic and environmental management and performance of an organisation. Sustainability reporting should be of a high quality and communicated in a manner designed to provide stakeholders with sufficient information to be able to understand the sustainability performance of an organisation and to make informed decisions.

Credibility is a prerequisite for effective sustainability reporting. Credibility can be considerably enhanced through independent external assurance using accepted professional standards. Reporting organisations and their stakeholders increasingly accept that robust independent external assurance is a key way of increasing the credibility and effectiveness of their reporting and, ultimately, their performance.

ii. Structure of the standard

The AA1000AS (2008) is a standard in the AA1000 Series and is based on the principles found in the AA1000 AccountAbility Principles.

The Structure of the AA1000AS (2008)

- Foreword
- Introduction
- Purpose and use of the standard
- Scope of the standard
- References to the use of AA1000AS (2008)
- Relationship to other standards
- Conducting sustainability assurance
- The sustainability assurance process
- Quality of information
- Definitions

The AA1000AS (2008) is also supported by a guidance document, Guidance for the use of the AA1000 Assurance Standard (2008), which includes three separate sections

that provide additional guidance for assurance practitioners, reporting organisations seeking assurance and stakeholders using assurance statements. The guidance document also includes a series of informative annexes.

1. Purpose of the standard

The purpose of the AA1000AS (2008) is to provide assurance related to an organisation's public disclosure on its sustainability management and performance.

The AA1000AS (2008) is an internationally accepted, non-proprietary, open-source sustainability assurance standard.

Sustainability assurance in accordance with the AA1000AS (2008) evaluates and provides conclusions on

- adherence to the AA1000 AccountAbility Principles, and
- disclosures on performance.

Note: The AA1000 AccountAbility Principles are found in the AA1000 AccountAbility Principles document.

2. Scope of the standard

The standard covers

- the methodology for conducting a sustainability assurance engagement
- the sustainability assurance process, including subject matter, criteria, evidence, conclusions, and recommendations and
- the quality of information criteria

required by assurance providers to perform assurance engagements relating to public disclosures on sustainability management and performance, including the underlying data, systems and processes.

3. References to the use of the standard

Only assurance engagements that meet the requirements of this standard shall claim that assurance has been provided in accordance with the AA1000AS (2008).

4. Relationship to other standards

4.1 Binding references

The AA1000 AccountAbility Principles document provides a binding reference for evaluating adherence to AA1000 AccountAbility Principles.

4.2 Non-binding references

The AA1000AS (2008) is designed to complement and enhance the use of guidelines for sustainability reporting and to be applicable within the context of other relevant assurance, performance, systems and process standards, guidelines and assurance frameworks.

Given that this is an overarching standard it is to be expected that during an assurance engagement a range of other standards will be cited.

The Guidance on the use of the AA1000 Assurance Standard 2008 document is non-binding.

5. Conducting sustainability assurance

5.1 Scope of the engagement

The assurance provider shall agree to the scope of the assurance engagement with the reporting organisation before the assurance engagement begins.

Two types of sustainability assurance shall be deemed to be in accordance with the AA1000AS (2008). The two types are distinguished by their scope as described below.

Type 1. Evaluation of adherence to the AA1000 AccountAbility Principles

The assurance provider shall evaluate the quality and extent of adherence to the AA1000 AccountAbility Principles.

To do this the assurance provider shall evaluate publicly disclosed information as well as the systems and processes the organisation has in place to ensure adherence to the principles.

The evaluation does not need to be based on management assertions about adherence to the principles.

Note: Quality and extent refer to the outputs of the systems and processes in addition to the systems and processes themselves.

Type 2. Evaluation of adherence to the AA1000 AccountAbility Principles, plus evaluation of specified performance information

The assurance provider shall evaluate adherence to the AA1000 AccountAbility Principles as for Type 1.

In addition, the assurance provider shall evaluate the quality and extent of specified publicly disclosed performance information as well as related systems, processes and data.

Note: Specified performance information is information on the issues the assurance provider and the reporting organisation agree to include in the scope of the assurance engagement.

An assurance engagement that includes within its scope only an evaluation of performance information shall not be deemed to be in accordance with the AA1000AS (2008).

The assurance statement shall clearly state the type (including the title) of assurance provided.

5.2 Intended audience

The assurance engagement shall include an evaluation of the process used by the organisation to determine the intended audience of the report and the results of that process.

5.3 Report boundary

The assurance engagement shall include an evaluation of the process used by the organisation to determine the report boundaries (time, organisational, geographical) and the results of that process, and shall evaluate those boundaries within the context of the boundaries associated with the identification, understanding and response of the organisation to its material sustainability issues.

5.4 Disclosures covered

The assurance provider and the reporting organisation shall identify and agree on all disclosures (e.g. reports and other forms of communication) covered by the assurance engagement.

5.5 Level of assurance

The assurance provider shall agree with the reporting organisation on the level of assurance to be provided before the engagement begins.

The assurance engagement agreement shall define the anticipated level of assurance. The assurance engagement plan shall ensure that sufficient evidence will be gathered to provide the agreed level of assurance. If during the performance of the engagement it becomes evident that information required to achieve the agreed level is not available, the assurance provider shall highlight this in the assurance statement and may qualify their conclusions.

The statement on the level of assurance shall apply to the conclusions on the evaluation of performance information only.

There shall be two levels of assurance: high and moderate.

High level of assurance

A high level of assurance does not mean absolute assurance.

A high level of assurance means that sufficient and appropriate evidence has been obtained to reduce assurance engagement risk to an acceptably low level given the circumstances of the engagement.

Sufficient and appropriate evidence is obtained as part of a systematic engagement process that includes:

- obtaining an understanding of the engagement circumstances,
- assessing risks,
- responding to assessed risks,
- performing further procedures using a combination of inspection, observation, confirmation, re-calculation, re-performance, analytical procedures and inquiry. Such procedures involve substantive procedures, including, where applicable, obtaining corroborating information, and depending on the nature of the subject matter, tests of the operating effectiveness of controls,
- evaluating the evidence obtained

Moderate level of assurance

A moderate level of assurance shall mean that sufficient and appropriate evidence has been obtained to reduce assurance risk to a meaningful level that is acceptable given the circumstances of the engagement but which is greater than for a high assurance engagement.

Sufficient appropriate evidence is obtained as part of a systematic engagement process that includes obtaining an understanding of the subject matter and other

engagement circumstances, but in which procedures are deliberately limited relative to a high assurance engagement.

The nature and amount of work to be undertaken for each level of assurance shall be determined the

- existence and maturity of underlying systems and processes (e.g. management systems and information systems),
- availability and sufficiency of information,
- existence and maturity of internal systems (including internal controls, compliance and internal audit),
- existence of assurance for specific areas (certifications, verifications), and
- resources allocated for assurance.

Note: For those required to use ISAE 3000 a high level of assurance relates to reasonable assurance and a moderate level of assurance relates to limited assurance. The ISAE 3000 terms may be used where required as long as the basic requirements of AA1000AS (2008) are met and the reference to use of the ISAE 3000 is explicit.

5.6 Limitations

Any limitations in the scope of the disclosures on sustainability, the assurance engagement or the evidence gathering shall be addressed in the assurance statement and reflected in the report to management.

5.7 Engagement acceptance

5.7.1 Independence

The assurance provider shall be demonstrably independent from the reporting organisation and its stakeholders. The assurance approach and the contract shall not dilute or unduly influence the ability of the assurance provider to fulfil its duties to the reporting organisation and its stakeholders. The assurance provider shall make a public statement of independence.

Independence requires:

- that any potential for conflict of interest must be disclosed, e.g. recent, ongoing or potential financial or commercial relationships between the assurance provider (including all individual practitioners on the assurance team) and the reporting organisation and its stakeholders,

- no participation in governance and no ownership position, and
- disclosure of any mechanisms or professional codes of practice designed to ensure independence to which the provider and practitioners are bound.

5.7.2 Competence

Organisational assurance providers and individual assurance practitioners shall ensure that the individuals and organisations involved in an assurance engagement are demonstrably competent.

The assurance provider shall be prepared, given the absence of any undue risk and upon request by the reporting organisation, to make information available to interested stakeholders about the competencies of the individuals involved in the assurance engagement.

5.7.2.1 Individual practitioner competence

The assurance provider shall ensure that the individual assurance practitioners involved in the assurance engagement are demonstrably competent.

The individual practitioners on any assurance team shall, as a group, be able to demonstrate competencies in the following areas:

- stakeholder engagement,
- reporting and assurance practices and standards, and
- sustainability subject matter.

5.2.7.2 Organisational provider competence

The organisational assurance provider shall be able to demonstrate adequate institutional competencies.

Competencies shall include:

- assurance oversight mechanism,
- understanding of the legal aspects of the assurance process, and
- infrastructure and systems to ensure quality delivery of assurance.

5.7.3 Due care

Assurance providers and individual practitioners shall exercise due care at all times in accordance with the importance of the task, the competencies required and the needs of the users of their assurance statement.

5.7.4 Requirements of AA1000 Assurance Standard (2008)

Before accepting an engagement the assurance provider shall be satisfied that the requirements of AA1000AS (2008) can be met during the course of the engagement and that the reporting organisation is acting in good faith.

5.8 Engagement Letter

The terms and conditions of the engagement shall be set out in a letter.

The use of existing organisational procurement practices and agreements shall be acceptable if at a minimum this letter covers:

- Objectives,
- Responsibilities of the reporting organisation and assurance provider,
- Scope,
- Standards to be used,
- Assurance Statement and Assurance Report to Management requirements,
- Confidentiality requirements,
- Level of assurance anticipated, and
- Fees and costs.

5.9 Performing the Engagement

The assurance provider shall prepare a documented engagement plan for conducting the assurance engagement. At a minimum this plan shall set out:

- the objectives of the engagement
- the roles and relationships
- the scope of the engagement
- the evidence requirements
- the criteria to be used
- the tasks and activities, including
 - gathering methods,
 - resources requirements and
 - schedule

5.10 Reporting by the Assurance Provider

5.10.1 Assurance statement

The result of the assurance process is a set of conclusions and recommendations provided by the assurance provider in a publicly issued assurance statement.

Any limitations to the scope of the sustainability report or the assurance engagement shall be addressed in the assurance statement.

Any claim of accordance with the AA1000AS (2008) shall meet the requirements of this standard.

The statement may also include any other legal requirements that may apply or the requirements of any standard used during the engagement.

An assurance statement shall include the following information as a minimum:

- intended audience,
- description of the scope,
- assurance standard/s used (must include reference to the AA1000AS (2008)),
- description of disclosures covered,
- description of methodology and statement of level of assurance where relevant,
- conclusions concerning adherence to the AccountAbility Principles (in all instances),
- conclusions concerning specified performance information (for Type 2 assurance only),
- recommendations,
- notes on competencies and independence of the assurance provider,
- name of the assurance provider, and
- date.

5.10.2 Assurance Report to Management

If agreed in the engagement letter, the assurance provider shall provide a separate assurance report to management.

The report to management shall not communicate different or additional conclusions than those found in the publicly available assurance statement, in relation to the evaluation of the adherence to the AA1000 AccountAbility Principles and the evaluation of performance information.

6. The Assurance Process

The assurance process involves

- evaluating evidence
- about the subject matter
- against criteria
- to develop conclusions and
- recommendations

6.1 Subject Matter

The subject matter for evaluating adherence to the AA1000 AccountAbility Principles shall include:

- management practices, policies and commitments,
- governance structures and practices,
- systems and process used to implement management practices, policies and commitments

The subject matter for evaluating performance information shall include:

- disclosures of quantitative and qualitative performance information
- systems and processes used to gather, manage and communicate this information

6.2 Criteria

Before accepting an engagement, the assurance provider shall agree with the reporting organisation on the criteria to be used during the assurance engagement. There shall be criteria for evaluating adherence to the AccountAbility Principles and, where applicable, criteria for evaluating performance information.

The quality of information criteria in section 7 shall be used to evaluate both the information used to articulate adherence to the AA1000 AccountAbility Principles and performance information.

Note: AA1000AS 2008 provides required criteria. The Guidance on the use of the AA1000 Assurance Standard 2008 provides information on best practice criteria for consideration by the assurance provider. The assurance provider may also choose to use criteria selected by the reporting organisation selected by the reporting organisation in the preparation of their report.

6.2.1 Evaluation of Adherence to the AA1000 AccountAbility Principles

During the assurance engagement the assurance provider shall evaluate and provide conclusions on the quality and extent of adherence to the AA1000 AccountAbility Principles in the disclosures covered by the engagement scope.

6.2.1.1 The principle of inclusivity

The assurance provider shall evaluate the extent to which the reporting organisation has developed and implemented stakeholder engagement strategies and practices that demonstrate the quality of adherence to the AA1000 AccountAbility Principle of Inclusivity.

This shall include the organisation's systems and actions to:

- identify, understand and prioritise relevant stakeholders,
- involve relevant stakeholders in the process of identifying, understanding and coherently responding to their needs, concerns and aspirations, and
- provide an account to its relevant stakeholders for its decisions, policies, standards, activities and impacts.

6.2.1.2 The principle of materiality

The Assurance Provider shall evaluate the extent to which the organisation demonstrates the quality of adherence to the AA1000 AccountAbility Principle of Materiality.

This shall include:

- how the organisation has determined what issues, concerns and impacts are relevant and important to its sustainability performance and its stakeholders,
- why, how and at what point they are relevant and important to sustainability performance,
- who they are relevant and important for, and
- how the process for determining material sustainability issues has been integrated with core strategy and operations.

6.2.1.3 The principle of completeness

The assurance provider shall evaluate the extent to which the reporting organisation demonstrates the quality of adherence to the AA1000 AccountAbility Principle of Completeness.

This shall include:

- how the organisation ensures comprehensive identification of the material issues and the stakeholders to whom they are material, and
- how the organisation ensures comprehensive understanding (including internally) of the material issues, their associated impacts on performance and how they are relevant to stakeholders.

6.2.1.4 The principle of responsiveness

The assurance provider shall evaluate the extent to which the organisation demonstrates the quality of adherence to the AA1000 AccountAbility Principle of Responsiveness.

This shall include:

- how the organisation has responded to its material issues and, given the sustainable development context, the appropriateness of the response,
- how the organisation has ensured that the response is embedded in core organisational strategy and operations, and
- whether the organisation has appropriately communicated these responses to stakeholders without material omission or misstatement.

6.2.2 Evaluation of performance information

The assurance provider shall evaluate the systems, processes, information and data used to support performance disclosures on the issues agreed for inclusion in the scope of the assurance engagement.

The scope of the evaluation of performance information shall state the sustainability issues included.

Note: Quality of information criteria, see section 7, shall be used to evaluate performance information.

6.3 Evidence

In the engagement plan the assurance provider shall identify the evidence required to achieve the level of assurance agreed. The assurance provider shall use appropriate sampling protocols in order to determine the type, quality and quantity of evidence

required. The assurance provider shall identify where evidence can best be gathered, including through:

- documents,
- interviews, and
- site visits.

6.4 Conclusions

For type 1 assurance the assurance provider shall provide conclusions on the quality and extent of adherence to the AccountAbility Principles. These conclusions shall be communicated in an assurance statement.

For type 2 assurance the assurance provider shall also provide conclusions on the quality and extent of specified performance information. These conclusions shall be communicated in an assurance statement.

6.5 Recommendations

The assurance provider shall provide recommendations on how to improve the quality and extent of adherence to the principles as well as (for type 2 only) the quality of performance information.

7. Quality of Information

The assurance provider shall evaluate the quality of the public disclosures and the underlying systems, processes, information and data..

The quality of information shall be evaluated using agreed quality of information criteria. These criteria shall be fit for purpose. Criteria that are deemed fit for purpose shall

- have been developed by an independent peer reviewed or multi-stakeholder process,
- be supported by sound argument and evidence, and
- be publicly available.

The following criteria shall be deemed acceptable:

- reliability,

- clarity,
- balance,
- comparability,
- accuracy, and
- timeliness.

Note: Other criteria may also be deemed acceptable if they meet the tests for 'fit for purpose' criteria as stated above.

8. Definitions

These definitions apply to the requirements of this standard.

Accuracy To assess whether information is sufficiently free from error and detailed for stakeholders to assess the reporting organisation's performance.

Assurance The term usually describes the methods and processes employed by an assurance provider to evaluate an organisation's public disclosures about its performance as well as underlying systems, data and processes against suitable criteria and standards in order to increase the credibility of public disclosure. Assurance includes the communication of the results of the assurance process in an assurance statement.

Assurance engagement An engagement in which an assurance provider evaluates and expresses a conclusion on an organisation's public disclosure about its performance as well as underlying systems, data and processes against suitable criteria and standards in order to increase the credibility of the information for the intended audience.

Assurance practitioner An individual who is qualified to provide assurance services.

Note: An assurance practitioner will typically be a member of a team and work for an assurance provider.

Assurance provider An organisation providing assurance services.

Note: For an assurance engagement, an assurance provider will assemble a team of competent assurance practitioners and other experts.

Balance To provide an unbiased picture of the reporting organisation's performance that avoids selections, omissions, or presentation formats that are reasonably likely to unduly or inappropriately influence a decision or judgment by the report reader.

Clarity To make available information in a manner that is understandable and accessible to the intended audience.

Comparability To select, compile, and report consistently, and in a manner that enables stakeholders to analyze changes in the organisation's performance over time, and could support analysis relative to other organisation's.

Reliability To gather, record, compile, analyse, and disclose information in a way that, when examined, establishes the quality and materiality of the information.

Reporting organisation An organisation that is responsible for the preparation and publication of public disclosures on sustainability issues and that engages an assurance provider to undertake an assurance engagement relating to the sustainability report.

Scope of the standard The subject matter of the standard.

Scope of the assurance engagement The subject matter of the engagement.

Scope of the sustainability report The subject matter of the sustainability report.

Stakeholder Stakeholders are those individuals or groups of individuals who affect and/or could be affected by an organisation's activities, products or services and associated performance.

Note: This does not include all those who may have knowledge of or views about the organisation. Organisations will have many stakeholders, each with distinct types and levels of involvement, and often with diverse and sometimes conflicting interests and concerns.

Stakeholder engagement The strategies and processes used by the organisation to engage with relevant stakeholders and the results of the engagement.

Subject matter The subjects about which the assurance provider gathers sufficient appropriate evidence to provide a reasonable basis for expressing a conclusion in an assurance statement.

Sustainable Development Development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Source: 1987 report of the Brundtland Commission: The World Commission on Environment and Development.

Sustainability assurance Assurance of public disclosures on sustainability performance as well as underlying systems, data and processes against suitable criteria and standards.

Sustainability assurance engagement An assurance engagement in relation to public disclosure on sustainability performance.

Timeliness To occur on a regular schedule be available in time for stakeholders to make informed decisions.

Guidance on the use of the AA1000 Assurance Standard (2008)

A. Guidance for Assurance Providers

Introduction

This guidance for AA1000AS (2008) is non-binding. It is intended to provide guidance on good practice and to provide a more detailed understanding of sustainability assurance.

A.1 Conducting Sustainability Assurance

A.1.1. Scope of the engagement

The two types of sustainability assurance deemed to be in accordance with the AA1000AS (2008) are:

Type 1. Evaluation of adherence to the AA1000 AccountAbility Principles.

Type 2. Evaluation of performance information

AA1000AS (2008) should not be used only to provide verification of sustainability performance information and data. It must include an evaluation of adherence to the AA1000 AccountAbility Principles.

The type 1 scope makes it possible for innovative assurance practices, such as the use of expert panels, to claim accordance with AA1000AS (2008).

A.1.2. Intended audience

Stating the intended audience is helpful in understanding the balance, clarity and timeliness of the disclosure. It is also useful when an assurance engagement includes a number of disclosures and not a single report. Identifying the intended audience can help an assurance provider understand and evaluate the inclusion or exclusion of information in certain disclosures. For example, a type 2 assurance engagement includes in its scope 'specified' performance information. Understanding the audience provides an argument for why certain performance information has been specified.

A.1.3. Report boundary

The agreement on the boundaries of the report should refer to a set of criteria for defining boundaries that ensure inclusion of all material economic, social and environmental impact of the organisation, including where relevant those not directly

under its control such as joint ventures, suppliers contractors and products.. Suitable criteria for evaluating report boundaries are those that

- have been developed by an independent peer reviewed or multi-stakeholder process,
- are supported by sound argument and evidence, and
- are publicly available.

This includes the GRI Boundary Protocol, which states that "a sustainability report should include all entities in its boundary that generate significant sustainability impacts (actual and potential) and/or over which the reporting organisation exercises control or significant influence over financial and operating policies and practices".

A.1.4. Disclosures covered

It is acceptable to include in an assurance engagement more than one source of disclosure (e.g. a group level report, a single issue report, web based information). In doing so the assurance provider must ensure that any assurance statement attached to any single disclosure is clear about the disclosure the statement refers to.

A.1.5. Level of assurance

The intent is for AA1000AS (2008) to provide a frame that does not exclude but complements and accommodates other assurance practices such as those of ISAE 3000 and national standards.

A.1.6. Limitations

It is important to be explicit about any limitations related to the engagement. If management describe limitations in the report itself then the assurance provider may refer to these in the assurance statement, rather than repeating them.

A.1.7. Engagement acceptance

A.1.7.1. Independence

AA1000AS (2008) sets out minimum requirements for independence to provide a frame within which claims of independence can be made and defended. Some professions and organisations may have differently formulated tests of independence. These may be applied as long as they meet the requirements of AA1000AS (2008).

A.1.7.2. Competence

It is important to professionalise the discipline of sustainability assurance. Individual practitioners and organisational providers will need to demonstrate and defend their competencies.

A.1.7.2.1. Individual practitioner's competence

The standardisation and evaluation of practitioner competence will draw on the qualifications and competencies developed by a number of existing disciplines. However, sustainability assurance is a distinct discipline and must therefore be served by a distinct set of competencies (acknowledging that it draws on a number of other disciplines).

Sustainability Assurance Practitioner competence is currently codified and certified in the Certified Sustainability Assurance Practitioner (CSAP) program administered by IRCA.

A.1.7.2.2. Organisational provider competence

Organisational provider accreditation does not currently exist for sustainability assurance providers. Organisational provider accreditation is a well understood practice that exists in a wide range of related areas. If organisational provider accreditation is developed for sustainability assurance it must take into consideration the size and range of provider organisations.

A.1.7.3. Due care

The requirement for due care is based on existing requirements in other professions. Other tests for due care may be used when required as long as the AA1000AS (2008) requirements are met.

A.1.7.5. Requirements of AA1000AS (2008)

The assurance provider has to decide whether to accept an engagement and whether, having accepted the engagement, it is possible to use the AA1000AS (2008).

In making this decision it should be recognised that the assurance process is iterative and that the report preparer will often make changes in response to the preliminary findings of the assurance provider.

It is therefore important to evaluate the report preparers capacity and willingness to respond to these findings during the assurance process.

It is also important to understand that the sustainability assurance process is not an end-of-pipe process, that is, it does not happen after the report has been written. Assurance should be an ongoing process during the period of information gathering and report preparation and completion.

A.1.8. Engagement letter

The minimum criteria for an engagement letter are set out in the AA1000AS (2008).

A best practice engagement letter would include

- objectives,
- responsibilities of reporter and assurance provider,

- applicable code of conduct,
- scope,
- standards to be used,
- assumptions regarding reporting criteria and evidence,
- requirements for evidence,
- summary of activities, including milestones, timeframes and progress reporting requirements,
- assurance report and assurance statement requirements,
- confidentiality requirements,
- a declaration of independence by the assurance provider,
- level of assurance anticipated,
- risks and constraints,
- liability,
- fees and costs, and
- any special requirements relating to web-site reporting or translations.

A.1.9. Performing the engagement

A best practice assurance plan would contain details of:

- the objectives of the engagement
- assurance procedures to be used
- the scope of the engagement
- the evidence requirements (depth, breadth, type, sources of evidence, sampling protocols)
- the criteria to be used
- the tasks and activities, including
 - gathering methods,
 - resources requirements (human, financial, technological) and
 - schedule (dates and duration)
- the roles and relationships

- identification of key reporting organisation and assurance provider contacts, risk assessment,
- reference documents, protocols, checklists and other working documents to be used.

A.1.10. Reporting by the Assurance Provider

A.1.10.1. Assurance statement

A best practice assurance statement would include the following information:

- title,
- intended audience,
- note on roles and responsibilities (assurance provider, reporting organisation),
- description of the scope of the assurance engagement and its type,
- assurance standard used,
- description of disclosures covered,
- note on criteria used,
- limitations (in the sustainability report, the engagement scope or evidence gathering),
- description of methodology,
- conclusions concerning the adherence to the AA1000 AccountAbility Principles,
- conclusions concerning performance information (only in a Type 2. assurance engagement),
- statement on level of assurance obtained (only for type 2 and related to the relevant subject matter for each level),
- findings, commentary and recommendations including, where appropriate, whether previous years' recommendations have been implemented,
- note on competencies and independence,
- name of the assurance provider and date.

A.1.10.2. Assurance Report to management

The report to management may provide additional information including further detail on:

- the conduct of the engagement,
- the findings, and
- the recommendations.

A.2 The Assurance Process

A.2.1 Subject Matter

The scope of the engagement defines what subject matter to include.

When evaluating adherence to the AA1000 AccountAbility Principles the assurance provider will focus on the profile of the organisation and the management approach. In other words: who are they, what do they do and how do they understand and manage their sustainability issues. This information may be, but does not have to be, assertion based. The assurance provider may evaluate adherence without having to evaluate against a management claim.

When evaluating performance information the assurance provider will focus on the quality of the information. The evaluation will be assertion based. In other words: what information have they provided on their performance and is it credible.

A 2.2 Criteria

The assurance provider will need to establish what criteria to use. This guidance document provides information on recommended criteria. However other criteria may be used if they meet the requirements of AA1000AS (2008) for quality criteria.

A 2.2.1 AA1000 AccountAbility Principles

The assurance provider should bring agreed criteria to the engagement for the evaluation of adherence to the AA1000 AccountAbility Principles. These criteria must meet the requirements of AA1000AS (2008) and may be based on the recommendations in this guidance document.

AA1000 AccountAbility Principle of Inclusivity

The following questions provide guidance for evaluating adherence to the foundation AA1000 AccountAbility Principle of Inclusivity. The assurance provider needs to establish what evidence is required to determine that these criteria are met.

The AA1000 Stakeholder Engagement Standard (AA1000SES) establishes requirements for effective, quality stakeholder engagement and should be considered a source of acceptable criteria for evaluating adherence to the principle of inclusivity.

Tests

The following criteria may be used to evaluate adherence to the principle:

- Does the organisation have in place a process to identify and prioritise stakeholders? What is the quality and extent of this process?

- Does the reporting organisation have in place a stakeholder strategy and adequate processes sufficient to deliver this strategy? What is the quality and extent of the strategy and processes?

- Does the organisation have in place a process to determine and define engagement strategy, objective and scope? What is the quality and extent of this process?

- Does the organisation have in place a process to establish engagement plans and implementation schedules? What is the quality and extent of this process?

- Does the organisation have in place a process to identify effective modes of engaging that work? What is the quality and extent of this process?

- Does the organisation have in place a process to build and strengthen capacity to engage? What is the quality and extent of this process?

- Does the organisation have in place a process to engage with stakeholders in ways that facilitate understanding, learning and improvement? What is the quality and extent of this process?

- Does the organisation have in place a process to achieve, internalise and communicate learning? What is the quality and extent of this process?

- Does the organisation have in place a process to measure and assess engagement performance? What is the quality and extent of this process?

- Does the organisation have in place a process to assess, re-map and re-define engagement strategies and processes? What is the quality and extent of this process?

- Have stakeholders been involved in the determination of material issues? What is the quality and extent of this involvement?

- Is there a process for resolving conflicts or dilemmas between different stakeholder expectations regarding materiality? What is the quality and extent of this process?

- Are stakeholder strategies, processes and results reflect in public sustainability disclosures? What is the quality and extent of this?

AA1000 AccountAbility Principle of Materiality

The concept of materiality comes from financial reporting and auditing. Materiality for financial reporting is defined as follows:

‘Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements’.

A material misrepresentation or omission occurs when information is not disclosed or, if disclosed, is in some way distorted such that in either case it is likely to change the decisions, actions and behaviour of stakeholders or the organisation itself.

Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful.

In practice, financial impact thresholds are established that define the ‘magnitudes’ that are deemed material. The European Federation of Accountants (FEE) guidance on materiality during audit engagements indicates that it is important to consider materiality when determining evidence gathering requirements; and that when considering materiality the practitioner should understand what factors will influence the decisions of intended users. The relative importance of qualitative and quantitative factors in determining materiality is a matter of professional judgement.

In the sustainability context, materiality refers not only to a material misstatement or omission in reporting but also to the relevance and importance of an issue to an organisation’s ability to create value. Material issues are the issues that must be taken into consideration when making decisions about what the organisation is going to do and how it is going to do it.

The reporting organisation is responsible for determining what it considers to be material. In making this determination, it must understand and respond to what is material to its stakeholders. While stakeholders participate in and influence the reporting organisation’s determination of what it will treat as material, they do not, unless explicitly assigned, have responsibility for final decision and sign off. This then becomes a governance issue for the reporting organisation. The determination should be made in a robust and transparent manner and governance should reflect this.

The AA1000AS (2008) requires that an assurance provider assess an organisation’s determination of material issues in relation to a range of criteria and not just in relation to financial thresholds. As in the case of financial reporting and auditing, an issue, concern or impact is material if it could influence the decisions and behaviour of stakeholders or the organisation itself.

Process for Determining Materiality

The determination of materiality should be systematic and defensible.

A reporting organisation, with its stakeholders, should determine what is material to whom, why and at what point. To determine materiality it should analyse the relevance of these issues and concerns to the organisation and its stakeholders, and their importance in relation to the organisation’s ability to create and maintain public and private value. "Relevance" is about what matters and “importance” is about how much it matters. Material issues are the most important issues of those that have been deemed relevant.

Relevance of an issue is determined in relation to objective sustainability criteria. AccountAbility has developed the 5-part Materiality Test, which is explained in detail in Redefining Materiality. Whilst this process intends to provide a benchmark for analysing relevance, it is not a requirement. The process identifies and tests issues in relation to:

- direct financial impacts,
- policy-related performance,
- organisational peer-based norms,
- stakeholder behaviour and concerns, and
- societal norms.

Importance is determined by prioritising relevant issues. This prioritisation should be made based on suitable and identified thresholds.

Tests

The following criteria may be used to evaluate adherence to the principle:

- Is there a process in place to determine what is material?
- Does the process include an evaluation of relevance?
- Does the process include an evaluation of importance?
- Are the criteria for evaluating relevance and importance clear and understandable?
- Have the processes been systematically applied?
- Did the reporting organisation, in defining material issues, take into account external factors, including:
 - the issues and concerns raised by stakeholders,
 - the main topics and future challenges for the sector reported by peers and competitors,
 - relevant laws, regulations, international agreements, or voluntary agreements with strategic significance to the organisation and its stakeholders,
 - reasonably estimable sustainability impacts, risks, or opportunities (e.g., global warming, HIV-AIDS, poverty) identified through sound investigation by people with recognized expertise, or by expert bodies with recognized credentials in the field.

- Did the reporting organisation, in defining material topics, take into account internal factors, including:

- key organisational values, policies, strategies, operational management systems, goals, and targets.

- the interests/expectations of stakeholders specifically invested in the success of the organisation (e.g., employees, shareholders, and suppliers).

- significant risks to the organisation.

- critical factors for enabling organisational success.

- the core competencies of the organisation and the manner in which they can or could contribute to sustainable development.

- Has the reporting organisation determined material issues adequately?

- Does the report address all material performance issues?

- Are there any material omissions or misrepresentations in the report?

AA1000 AccountAbility Principle of Completeness

Completeness is about the comprehensive identification and understanding of material issues and the organisation's response to them. The complete understanding of material issues and the response to them is aided by the sources of information and the expertise brought to bear on the issues. Understanding can be aided by such things as:

- commissioning or undertaking research
- building internal and external capacity and competencies
- engaging in discussions and debates on material concerns and opportunities
- adopting and applying appropriate standards, codes, frameworks or management systems

Completeness of identification and understanding also depends on the maturity of the issue. It will be more difficult to have a deep understanding of a new or emerging issue since relatively little will be known or agreed about the issue. On the other hand, for mature issues, there is a wealth of knowledge and agreement and therefore the expectation of a deeper understanding.

The maturity of the issue will also influence the nature of the response. The more well understood and mature an issue is, the more advanced should be the response expected from the organisation.

Tests

The following criteria may be used to evaluate adherence to the principle:

- Has the organisation completely identified its material issues?

- Does the organisation have a complete understanding of its the material issues?

- Is there a process in place to fully research and understand the range of issues and concerns material to the organisation and its stakeholders? What is the quality and extent of the process?

- Is there a process in place to understand the associated impacts of material issues? What is the quality and extent of the process?

- To what extent does the organisation have in place, or have access to, the necessary competencies to ensure a complete understanding of its material issues and associated impacts?

- Does the organisation have a complete understanding of the stakeholders to who are affected by and/or can affect its material issues?

- Is there a process in place to fully understand the maturity of issues and concerns material to the organisation and its stakeholders? What is the quality and extent of the process?

- Does the organisation have a process in place to understand the response to material issues expected by stakeholders?

- Have the above processes been systematically applied?

- To what extent does the understanding of material issues extend across the organisation?

A.1.4. AA1000 AccountAbility Principle of Responsiveness

A reporting organisation should have a process in place to respond to material issues, that is, to develop and implement policies, strategies and plans consistent with stakeholder and organisational interests.

Since the response must compete for available resources, the response to material issues needs to be prioritised. This prioritisation needs to be consistent with these

other strategies and plans, as well as with stakeholder interests. A systematic process for determining the relevance and importance of material issues will provide the basis for decisions about priority.

If there are stakeholder concerns that have not been responded to this needs to be communicated

An assurance provider should evaluate whether a reporting organisation has in place a process to respond to material issues and how an organisation has prioritised response.

Resources for response

An assurance provider should evaluate whether the reporting organisation has allocated adequate resources. Resources are adequate when they allow the reporting organisation to within the stated time frame its stated commitments and to communicate its response in a way that is consistent with stakeholder interests.

Timeliness of response

An assurance provider should evaluate whether the reporting organisation has responded in a timely fashion.

Communicating the response

An assurance provider should evaluate responsiveness in relation to the intended users and within the context of the overall response to material issues and concerns.

Participation in and access to response

An assurance provider should evaluate the access of stakeholders

- to the process for developing responses (policies, strategies, plans), and
- to information about responses.

Tests

The following criteria may be used to evaluate adherence to the principle:

--. Does the organisation have in place a process to decide what issues to respond to and to prioritise them? What is the quality and extent of this process?

Is communication of the response consistent with stakeholder needs and concerns?

- Is the information on the organisation's response available and accessible to stakeholders?

- To what extent does the organisation involve stakeholders in the process for developing responses?
- Does the organisation have a process in place to integrate its responses into its management, governance and change processes? What is the quality and extent of this process?
- Does the organisation have processes in place to prevent material misstatements when communicating its response to stakeholders?
- Have the above processes been systematically applied?
- Does the organisation allocate adequate resources to enable the implementation of commitments?
- Does the organisation respond in a timely fashion?
- Do communications include an explanation of stakeholder concerns that are not being responded to?
- Does the organisation identify any shortfalls and implement corrective action in relation to its responsiveness?

A 2.2.2 Performance information

The criteria for evaluating performance information may be based on the guidance in this document or may be from another acceptable source. The assurance provider must make it clear what criteria are being used.

A 2.3 Evidence

It is important that the assurance provider have a clear plan for the breadth, depth and quality of the evidence required. The assurance provider should use accepted sampling protocols and have in place internal procedures for determining what evidence they need and for evaluating when evidence is acceptable.

A 2.4 Conclusions

Conclusions should be clear and to the point. There should be a conclusion on each of the four AA1000 AccountAbility Principles and on performance information, where relevant.

For adherence to the AA1000 AccountAbility Principles, conclusions are not stated as a 'yes' or a 'no'. The conclusion should articulate the quality and extent of adherence. So instead of saying in the statement that: 'in our opinion the organisation adheres to the principle of materiality', the assurance provider should say: 'the organisation has in place a procedure to determine its materiality sustainability issues'. It should then

characterise the qualities and limitations of the procedure. It should also state a conclusion on the results of the procedure. For example: ‘It is our opinion that as a result of implementing the procedure no material issues have been omitted.’

Conclusions on disclosures on performance should address the quality of the information and should be based on the evaluation of evidence in relation to the agreed criteria. The conclusions should address the systems, processes and underlying data as well as the disclosed assertions.

A 2.5 Recommendations

Recommendations should address deficiencies in adherence to the AA1000 AccountAbility Principles and in the quality of performance information. In the context of addressing deficiencies in adherence to the AA1000 AccountAbility Principles, for example, when addressing the adequacy of adherence to the principle of responsiveness, it may be appropriate to provide recommendations on performance within the context of sustainable development.

A.3 Quality of Information

These criteria are consistent with the Quality of Information Principles from GRI G3 but other criteria that satisfy the requirements of the standard are acceptable.

A.2.1. Reliability

The assurance provider should evaluate the publicly disclosed information including the underlying systems and data, to assess whether the publicly disclosed information has been gathered, recorded, compiled, analyzed, and disclosed in a way that, when examined, establishes the quality and materiality of the information.

Tests

The following tests may be used to evaluate the reliability of information:

- Can the original source of information be identified?
- Is there reliable evidence to support assumptions or complex calculations?
- Is representation available from the original data or information owners, attesting to its accuracy within acceptable margins of error?

A.2.2 Clarity

The assurance provider should evaluate the publicly disclosed information and underlying systems and data to assess whether the publicly disclosed information is made available in a manner that is understandable and accessible to the intended audience of the report.

Tests

The following tests may be used to evaluate the clarity of information:

- Does the report contain the level of information required by stakeholders, but avoid excessive and unnecessary detail?
- Could stakeholders find the specific information they want without unreasonable effort through tables of contents, maps, links, or other aids?
- Does the report avoid (where practical) technical terms, acronyms, jargon, or other content likely to be unfamiliar to stakeholders, and does it include explanations (where necessary) in the relevant section or in a glossary?
- Is the data and information in the report available to stakeholders, including those with particular accessibility needs (e.g., differing abilities, language, or technology)?

A.2.3. Balance

An assurance provider should evaluate whether the overall presentation of the report's content provides an unbiased picture of the reporting organisation's performance and avoids selections, omissions, or presentation formats that are reasonably likely to unduly or inappropriately influence a decision or judgment by the report reader.

Tests

The following tests may be used to evaluate the balance of information:

- Does the report disclose both favourable and unfavourable results and topics?
- Is the information in the report presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis (including both the quantitative data and commentary on observed trends)?
- Is the emphasis on the various topics in the report proportionate to their relative materiality?

A.2.4. Comparability

The assurance provider should evaluate the publicly disclosed information and underlying systems and data to assess whether issues and information have been selected, compiled, and reported consistently, and whether reported information has been presented in a manner that enables stakeholders to analyze changes in the organisation's performance over time, and could support analysis relative to other organisation's.

Tests

The following tests may be used to evaluate the comparability of information:

- Can information be compared on a year-to-year basis?
- Can information be compared on a year to year basis to that of industry peers?
- Can the organisation's performance be compared with appropriate benchmarks?
- Can any significant variation between reporting periods in the boundary, scope, length of reporting period, or information covered in the report be identified and explained?
- Are generally accepted protocols for compiling, measuring, and presenting information used?

A.2.5. Accuracy

The assurance provider should evaluate the publicly disclosed information and underlying systems and data to assess whether the publicly disclosed information is sufficiently free from error and detailed for stakeholders to assess the reporting organisation's performance.

Tests

The following tests may be used to evaluate the accuracy of information:

- Are data measurement techniques and bases for calculations adequately described, and can they be replicated with similar results?
- Is the margin of error for quantitative data not sufficient to substantially influence the ability of stakeholders to reach appropriate and informed conclusions on performance?
- Is there an indication of which data has been estimated and the underlying assumptions and techniques used to produce the estimates, or where that information can be found?
- Is qualitative information valid on the basis of other evidence reviewed?

A.2.6. Timeliness

The assurance provider should evaluate the publicly disclosed information and underlying systems and data to assess whether reporting occurs on a regular schedule and information is available in time for stakeholders to make informed decisions.

Tests

The following tests may be used to evaluate the timeliness of information:

- Is the collection and publication of information recent relative to the reporting period?
- Does information clearly indicate the time period to which it relates, when it will be updated, and when the last updates were made?

B. Guidance for Reporting Organisations Seeking Assurance

When choosing whether to obtain assurance based on AA1000AS (2008) or any other assurance standard it is useful to understand what assurance based on AA1000AS (2008) offers the reporting organisation, what the process involves and how to prepare for assurance. This guidance is aimed specifically at reporting organisations and provides some guidance on these common issues relating to assurance from a reporting organisation perspective.

B.1. Choosing AA1000AS (2008)

When deciding whether or not to choose AA1000AS (2008) assurance it is useful to understand what the process involves and the main benefits to a reporting organisation.

In applying the AA1000 Assurance Standard (2008) an external assurance provider evaluates a company's public sustainability disclosure (usually the annual CSR/sustainability report), and assesses the underlying systems and processes that deliver the relevant information and underpin the organisation's performance. The results of this process are communicated publicly in an assurance statement, typically in the sustainability report.

The value of the AA1000AS (2008) to an organisation is two-fold.

- external value - through using external, independent assurance an organisation can increase the credibility of its reporting. In addition by allowing an assurance provider to reach conclusions about the quality of its disclosure and underlying systems, process and data in a balanced way, and providing recommendations for future management and performance, an organisation can find it much easier to prove that its sustainability efforts are genuine and in the process build trust with stakeholders.
- Internal value - although the external benefit is fundamental to the AA1000AS (2008), many organisations who use it suggest the internal benefit can provide an equally compelling business case, especially for those organisations whose reporting systems are not yet fully matured. Organisations highlight the value of having experienced sustainability experts review their process for determining material sustainability issues, commenting on the adequacy of their stakeholder engagement and providing an evaluation of where sustainability fits into the wider strategic aims of the business. Organisations gain significant value from the assurance process and many highlight that the learning that comes from the process is very valuable when trying to improve sustainability management and performance.

The AA1000AS (2008) is a principles-based standard that provides a rigorous framework for assurance while at the same time providing enough flexibility to adapt

to the context of the individual organisation. It is not a tick box, certification standard based on yes/no answers to fixed criteria. It provides conclusions based on evidence that reflect the status of an organisation at a particular point in time and provides recommendations to encourage continuous improvement.

All assurance engagements based on AA1000AS (2008) must evaluate the quality and extent of adherence to the AA1000 AccountAbility Principles. This is Type 1 assurance. In addition the Type 2 scope allows an assurance provider to evaluate specific selected sustainability performance information. This allows more of a verification style assurance on selected issues. This evaluation of selected performance information cannot be done without the evaluation of adherence of the AA1000 AccountAbility Principles if the engagement is to be deemed in accordance with AA1000AS (2008). It is up to the reporting organisation to agree with the assurance provider the type of assurance they wish.

B.2 How to prepare for AA1000AS (2008) assurance

In preparing for an AA1000AS (2008) assurance engagement it is useful to understand what an assurance provider will be doing, what they will evaluate, what criteria they will use and what evidence they will be looking for.

In applying AA1000AS (2008) an assurance provider must evaluate the quality and extent of a reporting organisation's adherence to the AA1000 AccountAbility Principles and provide conclusions and recommendations. The assurance provider may also evaluate and provide conclusions and recommendations on specified performance information.

The assurance provider will evaluate adherence to the AA1000 AccountAbility Principles based on the criteria in the AA1000AS (2008) and with support from additional guidance in Section A of this document. In preparing for assurance it is important to understand both the principles and the evaluation criteria.

When preparing for assurance it is also useful to understand the types of evidence that an assurance provider will be looking for. In general there is a clear difference between the evidence that an assurance provider will look for when evaluating adherence to the AA1000 AccountAbility Principles and when evaluating performance information.

When evaluating adherence to the AA1000 AccountAbility Principles an assurance provider will firstly look for evidence that systems and processes are in place that demonstrate adherence to each principle. For example:

- What systems do you have in place for engaging stakeholders and developing an engagement strategy?
- What systems do you have in place for determining material issues?
- Do you understand your materials issues in a systematic way?
- Are your systems and processes for responding and communicating your response adequate?

In addition to this an assurance provider will be looking for evidence that your systems are being implemented in a way that results in quality outputs and outcomes.

When evaluating sustainability performance information an assurance provider will start by looking at data and information disclosed. The assurance provider will then want to know how that data/information is collected, aggregated, and what is included or excluded and why.

All of the information in relation to assurance will be considered in terms of the quality of the information, based on the criteria in the AA1000AS (2008) and Section A of this document.

To prepare for AA1000AS (2008) assurance it is helpful to understand the types of systems and processes that can help an assurance provider evaluate adherence to the principles.

For further information on the criteria that will be used by the assurance providers see the AA1000AS (2008) and Section A of this document. These criteria are for use by assurance providers but will be useful for organisations when seeking and preparing for assurance.

B.3 How to select an assurance provider

When selecting an assurance provider there are a number of considerations which a reporting organisation may wish to take into account. Considering your objectives in relation to the assurance provider's competencies and approach is likely to result in an assurance process that provides increased value for your organisation and your stakeholders. The list below provides a simple introduction to some of the considerations you may wish to take into account when selecting a provider.

B.3.1. Administrative Requirements

- Will the assurance provider deliver proactive and timely updates?
- Does the proposed account manager have experience of managing similar accounts?
- Will the approach to assurance delivery achieve the required levels of service?

B.3.2. Organisational Profile

- Does the provider have sufficient relevant experience in similar organisations?
- How many similar assurance engagements has the organisation conducted recently?
- Is the organisation financially fit?

B.3.3. Technical Proposal

- Can the provider demonstrate a clear and detailed understanding of priority issues?
- Can the provider demonstrate a clear understanding of the core activities required for an AA1000AS (2008) assurance engagement?
- Can the provider demonstrate a clear and detailed understanding of the scope?
- Can the provider outline a clear and detailed work plan
- Can the provider give a clear and detailed presentation of the proposed deliverables?
- Can the provider give a clear and detailed demonstration of competencies and capacities to deliver? Do team members have the right qualifications?
- Can the provide give a clear and detailed presentation of the organisation and structure for delivery of assurance?

B.3.4. Cost Proposal

- Does the proposal include all costs and prices?
- Are all assumptions and cost components declared?
- Is the supplier willing to underwrite all and any start up costs?
- Does it provide value for money?

By weighting and evaluating considerations such as those above a reporting organisation is able to evaluate which assurance provider is best positioned to deliver the type and style of assurance they require.

B.4. During the assurance engagement

During the assurance engagement you will interact frequently with the assurance provider. Understanding your role and that of the assurance provider will make the assurance process more productive for both and ultimately lead to a better assurance outcome.

The role of the reporting organisation is to support the assurance provider. It is important to be open and to facilitate access to people, sites and documentary evidence. But it is also important to continually question and seek to better understand what the assurance provider is doing and why.

The assurance process is an iterative process. It requires assurance providers to gather evidence in order to generate conclusions and recommendations. Preliminary findings may lead the assurance provider to challenge you on certain points. It is the role of the assurance provider to challenge you on issues where they feel that what you are disclosing does not match the evidence they have collected. This is their role and understanding this dynamic is crucial to developing a good assurance process.

Being challenged may result in an assurance provider asking for revisions to be made to the report to avoid unnecessary negative conclusions in the public statement. It is through this iterative process that assurance can lead to a better quality, more reliable report as well as a more meaningful assurance statement.

This iterative process that takes place over the course of the reporting period, rather than at the end of the reporting period gives the assurance provider a better opportunity to understand and observe the systems and processes. It makes the assurance process more valuable to the reporting organisation and readers of the assurance statement. An 'end of pipe' approach rarely produces the same depth of understanding and therefore the conclusions are often less meaningful.

B.5. Responding to the assurance statement

An assurance provider will publicly state their conclusions and recommendations in an assurance statement. As this statement is independent and externally provided you may not agree with everything that is said in it. While you are unable to alter the content of the assurance statement you are at liberty to provide an assurance statement response.

The response allows a reporting organisation to provide their point of view in relation to parts of the assurance statement they may wish to take issue with or elaborate on. It also enables the reporting organisation to outline planned improvements in response to items addressed in the assurance statement.

C. Guidance for stakeholders using assurance statements

This guidance is for stakeholders who use assurance statements based on AA1000AS (2008). It provides guidance on what the assurance process involves as well as guidance on how to read and understand the various sections of an AA1000AS (2008) assurance statement.

C.1 The Purpose of AA1000AS (2008) Assurance

AA1000AS (2008) is used to provide assurance related to an organisation's public disclosures on its sustainability management and performance.

Sustainability assurance in accordance with the AA1000AS (2008) evaluates and provides conclusions on

- adherence to the AA1000 AccountAbility Principles through evaluating sustainability disclosures, management systems and processes (Type 1, required in all cases)

- disclosures on performance through evaluating information and the underlying systems that generate this information (required for a type 2 assurance only)

C.2. The Assurance Process

At its most basic, an assurance engagement is about

- evaluating evidence
- about the subject matter
- against criteria
- to develop conclusions and
- recommendations

So it is important to know what the subject matter is (and therefore the scope of the assurance engagement), what the criteria used to evaluate the subject matter are, and what and how evidence has been gathered and evaluated. Knowing this allows the reader of the statement to make a judgement about the quality of the assurance provider's conclusions and recommendations.

Before the assurance engagement begins, the assurance provider and reporting organisation agree on what will be covered during the assurance process. At a minimum the assurance provider will evaluate an organisation's adherence to the AA1000 AccountAbility Principles but may also evaluate specific performance information.

When performing sustainability assurance the assurance provider gathers evidence about the subject matter they are providing assurance on. This evidence usually includes documents, interviews, site visits and other analysis. The evidence is then evaluated against agreed criteria, including criteria in the AA1000AS (2008) and in Section A of this document..

The evaluation of this evidence enables an assurance provider to develop conclusions and recommendations on adherence to the AA1000 AccountAbility Principles as well the reporting organisation's sustainability disclosures and the systems and processes used to gather, manage and communicate this information. These conclusions and recommendations are publicly communicated in an assurance statement. The statement also outlines the work done to arrive at those conclusions. The reporting organisation does not have the right to revise or edit the assurance statement.

C.2. Understanding an assurance statement

An AA1000AS (2008) assurance statement will include the following information. Some statements may include additional information.

C.2.2. Who is the audience

At its broadest the assurance provider will identify all stakeholders as the audience. Other providers will limit the audience of to the management of the company. This allows them to limit their potential liability. Irrespective of the audience, the statement adds credibility for all readers.

C.2.3. Roles and responsibilities

An assurance statement should explain what the reporting organisation is responsible for (i.e. preparing the report) and what the assurance provider is responsible for (i.e. assuring the disclosure in the report).

C.2.4. Criteria use by the assurance provider

This should refer to what criteria and standards the assurance provider used to conduct the assurance engagement. When AA1000AS (2008) is mentioned the assurance provider is stating that the standard has been followed to the extent necessary to support a claim of accordance with the standard.

C.2.5. Description of the scope of the assurance engagement

The description of the scope of the assurance engagement should describe the subject matter covered by the assurance provider on which the conclusions in the assurance statement are based.

There are two types of scope in AA1000AS (2008). The assurance statement must state the type of assurance.

C.2.6. Levels of assurance

Levels only apply to the evaluation of performance information in a Type 2 engagement.

There are two levels of assurance, high and moderate..

Levels of assurance relate to the depth of investigation and therefore the type and breadth of evidence evaluated by the assurance provider.

C.2.7. Limitations

An assurance statement should mention any limitations in the sustainability report, the engagement scope and the evidence gathering.

C.2.8. Description of work done

An assurance statement should provide a description of work done during the engagement. This helps readers understand what an assurance provider has done in order to develop their conclusions.

A description of the work done will include a description of the evidence gathering methods. Typically evidence gathering may include site visits, document analysis, interviews. For example, an assurance provider may state the number of interviews held and sites visited.

C.2.9. Conclusions concerning the AA1000 AccountAbility Principles

An assurance statement must provide conclusions concerning the AA1000 AccountAbility Principles. These conclusions should provide information on how an organisation's systems, processes, policies and commitments allow them to adhere to the AA1000 AccountAbility Principles.

The guidance in Section A of this document provides useful information on how conclusions are developed and what issues they should cover.

C.2.10. Conclusions concerning performance information

An assurance statement for a Type 2 assurance engagement must provide conclusions concerning performance information. These conclusions should address the quality and credibility of the information. The conclusions should also address then quality and credibility the systems and processes used to gather, manage and communicate this information.

Conclusions should also highlight any material omissions or misstatements.

C.2.11. Recommendations

An assurance statement must include recommendations related to adherence to the AA1000 AccountAbility Principles and, for Type 2 assurance, performance information.

These recommendations may address the robustness of the process and systems used by the organisation, for example the systems in place to determine material issues,. The recommendations may cover past performance and future objectives.

C.2.12. Competence and independence

An assurance statement must state the competencies of the assurance provider.

The statement should also include a confirmation of independence.

D. Informative Annexes

The AA1000AS (2008) is designed to complement and enhance the use of guidelines for sustainability reporting and to be applicable within the context of other relevant performance, systems and process standards, guidelines and assurance frameworks.

Given that this is an overarching standard it is to be expected that during an assurance engagement a range of other standards will be cited. Assurance providers will look for standards and guidelines that provide suitable criteria against which assertions found in public disclosure can be evaluated. They will look for

- the use of indicators supported by appropriate protocols,
- systems and process standards that have been used to design and implement underlying systems,
- product and labeling standards and certifications that can be used to substantiate assertions,
- procedural standards that supplement the requirements and guidance in this standard,
- guidance and benchmark frameworks that can be used to evaluate adherence to the principles,
- evidence of standards used to guide the development of appropriate strategies and practices for stakeholder engagement,

D.1. References

D.1.2. Stakeholder Engagement

The Stakeholder Engagement Standard, AA1000SES

Stakeholder Engagement Manual, Volume 2

<http://www.accountability21.net/publications.aspx?id=904>

Critical Friends - Stakeholder Panels Report <http://www.stakeholderpanels.net>
<http://www.accountability21.net/publications.aspx?id=1088>

D.1.3. Reporting

GRI G3 Guidelines

<http://www.globalreporting.org/ReportingFramework/G3Guidelines/>

Accounting for Good: the Global Stakeholder Report 2005 (The Second World-wide Survey on Stakeholder Attitudes to CSR Reporting) Pleon Kohtes Klewes GmbH / Pleon b.v., 2005 ~

ACCA (2004) The Future of Sustainability Assurance

http://www.accaglobal.com/publicinterest/activities/research/reports/sustainable_and_transparent/rr-086

Canadian Reporting guidance <http://www.sustainabilityreporting.ca>

Context (2006) Reporting in Context 2006: Global Corporate Responsibility Reporting Trends http://www.econtext.co.uk/cover_scans/InContext2006.pdf

Corporate Register <http://www.corporateregister.com> (Library of Reports)

DEFRA Environmental Reporting Guidelines

<http://www.defra.gov.uk/environment/business/envrp/guidelines.htm>

FORGE - Guidelines on Environmental Management and Reporting for the Financial Services Sector <http://www.abi.org.uk/forge/>

Friends of the Earth et al (2004) Lessons Not Learned: The Other Shell Report

http://www.foe.co.uk/resource/reports/lessons_not_learned.pdf

KPMG (2005) KPMG International Survey of Corporate Responsibility Reporting
KPMG/ UNEP (2006) Carrots and Sticks for Starters: Current trends and approaches in Voluntary and Mandatory Standards for Sustainability Reporting

<http://www.unep.fr/outreach/reporting/docs/Public-UNEPKPMG-Report-FIN.pdf>

UNEP/Sustainability (2004) 'Risk and Opportunity': Global Reporters 2004 Survey of Corporate Sustainability Reporting <http://www.sustainability.com>

UNEP/Sustainability (2006) 'Tomorrow's Value' Global Reporters 2006 Survey of Corporate Sustainability Reporting <http://www.sustainability.com>

WBCSD- <http://www.wbcsd.org/>

GEMI (2004) Transparency: A Path to Public Trust www.gemi.org/Transparency-PathtoPublicTrust.pdf

WBCSD (2002) Sustainable Development Reporting: Striking the Balance
Eurobarometer 217: The attitudes of European citizens towards environment (research Nov 2004, Published April 2005)

UN Global Compact <http://www.globalcompact.org> (also document - A practical guide to Communication on Progress (United Nations Global Compact and Making the Connection: Using the GRI's G3 Reporting Guidelines for the UN Global Compact's Communication on Progress))

Environmental, Social and Sustainability Reporting on the World Wide Web: a guide to best practice (ACCA/Corporateregister.com)

Materiality: Redefining Materiality

<http://www.accountability21.net/publications.aspx?id=1168>

Accountability (2006) The Materiality Report: Aligning Strategy, Performance and Reporting <http://www.accountability21.net/publications.aspx?id=560>

Assurance: Certification as a sustainability assurance practitioner

<http://www.accountability21.net/publications.aspx?id=368>

AA1000AS (2003): <http://www.accountability21.net/publications.aspx?id=288>

AA1000AS (2003) Guidance note on Principles:

<http://www.accountability21.net/publications.aspx?id=380>

Assurance Standards Briefing AA1000AS (2003) and ISAE3000:

<http://www.accountability21.net/publications.aspx?id=390>

User Note on the Application of the Principles of Materiality, Completeness and Responsiveness as they Relate to the AA1000 Assurance Standard

<http://www.accountability21.net/publications.aspx?id=1242>

The Future of Assurance <http://www.accountability21.net/publications.aspx?id=456>

The Materiality Report

Better Assurance through Better understanding

IFAC Framework

IAASB ISAE 3000

COS 3410N

D.1.4. References to the use of AA1000AS (2008)

Only assurance engagements that meet the requirements of the standard shall claim that assurance has been provided in accordance with AA1000AS (2008) and be eligible for inclusion on the Corporate Register list of AA1000AS assured reports.

Users of the standard should notify Corporate Register that they have used the standard.

D.2. AccountAbility Standards Technical Committee

Jennifer Iansen Rogers, KPMG – Chair

Glenn Howard Frommer, MTR

Dominique Gangneux, ERM

Chuck Gatchell, Nike, Inc.

Sean Gilbert, GRI

Adrian Henriques, Middlesex University

Vernon Jennings, Independent Consultant

Eileen Kohl Kaufman, SAI

Dave Lucas, Eskom

Paul Monaghan, Cooperative Financial Services

Johan Piet, Transparability

Preben J. Soerensen, Deloitte

Chris Tuppen, BT (to 4 February 2008)

David York, ACCA

D.3. Keeping Standards up-to-date

Standards are living documents that reflect progress in principles, practice, methods and science. To maintain their currency, all standards are periodically reviewed (at a minimum every five years) and where warranted new editions are published. Between editions, amendments may be issued. Standards may also be withdrawn. It is important that readers assure themselves they are using the current standard, which should include any amendments which may have been published since the standard first appeared.

Detailed information on The AA1000 Series of standards can be found on the AccountAbility web site: <http://www.accountability21.net>

We welcome suggestions for improvement of our standards and encourage readers to notify us immediately of any apparent inaccuracies or ambiguities. Please address your comments to the Head of Standards at AccountAbility.

D.4. Certification of sustainability assurance practitioners

IRCA and AccountAbility have established a partnership to provide a professional qualification in sustainability assurance.

D.4.1. The Certified Sustainability Assurance Practitioner Program (CSAP) aims to:

- Enable practitioners to develop, validate and communicate their competence in a systematic manner.
- Make it easier for organisations to identify credible assurance expertise.
- Improve stakeholder confidence in the expertise of sustainability assurance professionals engaged by organisations.
- Develop a more systematic understanding of key competency requirements for providing effective assurance, and so establish a basis for informing this and other standards in future.

D.4.2. This Program is intended for all practitioners worldwide including:

- those who work in CSR departments involved in the development of corporate accountability programs;
- those who work in departments involved in internal (assurance) audit processes;
- those who provide consultancy services for organisations on sustainability assurance;
- independent assurance providers who undertake assurance processes; and
- those just starting out in the area of sustainability assurance.

D.4.3. The Program offers certification at three grades:

- Associate Sustainability Assurance Practitioner: an understanding of the field of sustainability assurance gained by attending relevant training. This grade is most relevant to those beginning their career in sustainability assurance, and those involved in related topics
- Sustainability Assurance Practitioner: an active practitioner with demonstrable experience over a number of assignments with different clients or, for internal practitioners, over several assurance cycles covering a range of sustainability issues
- Lead Sustainability Assurance Practitioner: active in the provision of sustainability assurance and you have led a significant number of sustainability assurance assignments either internally or as part of external assurance assignments. Experience in stakeholder engagement as part of assurance assignments is essential, as is the lead

role in forming assurance judgements and the preparation of external or internal assurance statements

D.5. Accreditation of sustainability assurance providers

There is currently no requirement for the accreditation of sustainability assurance providers in order to perform assurance engagements using AA1000 Assurance Standards. Furthermore there is no formal scheme at present which attempts to accredit providers in the same way as the CSAP programme accredits individual practitioners.

The revision consultations have illustrated that there is significant interest in organisational accreditation to address the experience gap and to ensure the quality of assurance. This is something that will have to be considered and developed over time with those in the field.

D.5.1. Engaging a sustainability assurance provider

A reporting organisation needs to take into account a number of considerations when engaging a sustainability assurance provider. Listed below is a selection of some (but not all) of the factors a reporting organisation should consider when engaging a sustainability assurance provider.

D.5.2. Administrative Requirements

- Has current engagement with the assurance provider given confidence that they will be able to provide adequate account management and timely communications?

D.5.3. Organisational Profile

- Is the summary of the providers services and the markets in which it operates suitably relevant
- Is the experience in providing similar services to other organisations relevant to your organisation?
- How many similar assurance engagements has the organisation done in the last three years?
- Is the organisational structure, ownership relationships clear and suitable?
- Is the organisation financially sound?

D.5.4. Assurance Team

- Are the necessary skills represented on the team?

- Can team members demonstrate the necessary qualifications and competencies? Are they CSAP certified?
- Does the lead assurance practitioner have the necessary qualifications and competencies? Is he CSAP certified?

D.5.5. Technical Proposal

- Does the assurance provider have a clear and detailed understanding of:
 - Product issues
 - Market issues
 - Supply chain issues
- Does the assurance provider have a clear and detailed understanding of:
 - Conducting assurance in accordance with AA1000 AS principles
 - How to evaluate materiality
 - How to conduct stakeholder engagement
 - GRI criteria
 - Data verification techniques
- Does the provider illustrate a clear understanding of the scope of work required in the assurance engagement (assurance, issues, organisation, time)?
- Is a clear and detailed work plan proposed that understands stakeholder concerns and will lead to a fit for purpose assurance statement?
- Is there a clear plan on the proposed deliverables?
- Is there a clear illustration of the competencies and capacity to deliver
- Is there a clear and detailed presentation of the organisation and structure for delivery of assurance services?
- Is the cost proposal satisfactory?

D.6. Translating AA1000AS

The AA1000AS (2003) has been translated into a number of languages. Translating the standard into multiple languages enables wider international use of the standard, a

greater depth of understanding at the local level and increased consistency in the quality of assurance engagements worldwide.

It is our intention to translate AA1000AS (2008) into a number of languages. AccountAbility is always looking for partners to work with to translate the standard into new languages. If you are interested in partnering on this, please contact the Head of Standards at AccountAbility.

D.7. The value of sustainability assurance

There are a number of drivers which lead companies to seek independent assurance for their sustainability report and these provide a useful framework for assessing the value of sustainability assurance.

D.7.1. Compliance (Regulation/Threat of Regulation):

Although limited in sustainability reporting, regulation is the clear driver for independent assurance in the financial world. Similarly the ability to illustrate compliance to various codes and standards is an important element of the value of assurance. This is particularly true in countries such as France where elements of non-financial reporting are mandatory. Voluntary reporting and assurance on sustainability issues is often seen as a way of avoiding regulation on certain issues, which many companies value.

D.7.2. Convincing:

Independent sustainability assurance can help to convince stakeholders of a company's claims and performance in a number of areas. It can help a company illustrate that it is meeting organisational commitments or that it is improving performance on a previously weak area.

More positively, independent assurance can reaffirm where a company is going beyond best practice and developing clear brand differentiations. Independent assurance can help embed a company's reputation for strong sustainability performance.

Assurance which accurately considers materiality and stakeholder engagement can give confidence to stakeholders that the organisation is reporting on the issues it should be and is not ignoring anything relevant and important.

D.7.3. Decision Making:

Assurance of timely and appropriate data and underlying systems is essential to enable stakeholder decision-making. As much of a company's value is bound up in intangible non-financial assets there is increasing stakeholder pressure for many of these issues to be assured independently to give those who make decisions on the company greater confidence.

Decision-makers informed by assurance can range from those in the investment community, to NGOs deciding where to focus their campaigns, to consumers deciding which products to buy. Assurance on a single report can provide a central place for decisions makers to go to, improving access and reducing the need for organisations to respond to endless questionnaires.

D.7.4. Learning and Performance Improvement:

Assurance can help as much internally as externally. Independent verification of policies, strategies, systems, understanding and data can help an organisation enhance and improve international management systems and/or strategies. It can help a company identify what more is needed to be done in order to satisfy certain organisational commitments (e.g. UNGC) or more generically can identify where a company's sustainability performance is strong and where it can be improved.

Assurance is able to provide an evaluation of an organisation's overall performance and forward-looking indications of its abilities. This is not only a matter of aggregating information flows from within the company and from specific assurance processes but also of ensuring the quality of these systems, which underpin performance.

Assurance that incorporates stakeholder engagement will go further in capturing controversial and contested areas of responsibility and driving necessary learning and innovation.

What is clear is that the value of assurance is not restricted to the reporting organisation, but is appreciated by all of its stakeholders. Indoor stakeholders (management) gain a greater understanding of areas of risk and value creation. Back-door stakeholders (investors and regulators) are able to analyse risks, opportunities and compliance more easily. Although front-door stakeholders (media, NGOs, Customers) remain cynical about assurance they are generally responsive to ideas of independent verification of company activities.