



The external assurance of sustainability reporting



ABOUT GRI

The Global Reporting Initiative (GRI) promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to a sustainable global economy.

GRI's mission is to make sustainability reporting standard practice. To enable all companies and organizations to report their economic, environmental, social and governance performance, GRI produces free Sustainability Reporting Guidelines.

GRI is a not-for-profit, network-based organization; its activity involves thousands of professionals and organizations from many sectors, constituencies and regions.

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VISION

A sustainable global economy where organizations manage their economic, environmental, social and governance performance and impacts responsibly, and report transparently.

MISSION

To make sustainability reporting standard practice by providing guidance and support to organizations.

ABOUT GRI'S RESEARCH AND DEVELOPMENT PUBLICATIONS

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1 Introduction

This publication aims to help sustainability reporters and report readers understand the external assurance of sustainability reporting. In doing so, Global Reporting Initiative (GRI) hopes to clarify and further improve the use of external assurance.

Sustainability reporting is a process that assists organizations in understanding the links between sustainability related issues and the organization's plans and strategy, goal setting, performance measurement and managing change towards a sustainable global economy – one that combines profitability with social responsibility and environmental care. The final product of this process is a sustainability report where the organization reports on the most critical (or material) aspects of the organization's economic, social and environmental impacts and the relation of those with its performance.

The increase in sustainability reporting and the publication of the reports have been accompanied by mounting interest in the accuracy of these reports. This trend is to be both expected and welcomed. Sustainability performance data provide a powerful tool for assessing an organization's current health and future prospects.

External assurance or verification can provide both report readers and internal managers with increased confidence in the quality of sustainability performance data, making it more likely that the data will be relied on and used for decision making.

While external assurance of sustainability reporting shares similarities with external audit of financial reporting, there are also important differences. It is clear what financial reporting is intended to measure and there are long-established procedures for financial accounting. Sustainability reporting covers diverse topics, and the issues that are most critical to manage, measure and disclose vary by sector and even by company. Sustainability

disclosures often involve a mix of quantitative and qualitative information. Quantitative sustainability disclosures are usually not measured in monetary units, and internal control systems and data collection processes may not be as developed as systems and processes for historical financial information.

Globally applied assurance standards for sustainability disclosures have started to be developed in the last years, but these still vary in approach and are not widely used in all regions. One should also consider that only in a few countries and for a few sectors, sustainability reporting and assurance are either required or common practice.

These factors, combined with the increasing interest in the accuracy of the sustainability reports, create a need for reporters and users of reports to understand the differences between the external assurance practices. This publication has been developed to:

- Explain the concept and use of external assurance of sustainability reporting
- Describe some of the issues reporters need to consider when engaging an external assurance provider for sustainability reporting
- Describe the usual components of an external assurance engagement process for sustainability reporting
- Describe the outcome of the process, which may include a publicly issued assurance statement or report with conclusions about the process and a report for the reporting entity's management or board with suggestions for areas to improve
- Explain the role of external of assurance for reporters using the G4 version of the GRI Sustainability Reporting Guidelines

2 What is independent assurance of sustainability reporting?

The use of external, independent reviews of sustainability management processes and final disclosures is intended to increase the robustness, accuracy and trustworthiness of disclosed information. The terms used to describe this process vary and include *assurance*, *external assurance*, *verification*, and *certification*. Definitions and interpretations behind each independent review vary, and the types of information and scope of information to be assured can also vary. An assurance engagement process may focus on data quality, processes to determine what data to collect, or both. The underlying intent in all cases is to improve the quality of final disclosures. Higher quality information is seen as more trustworthy and, ultimately, more useful for the organization and for the information user.

The International Federation of Accountants (IFAC) defines an assurance engagement as one “in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.”¹

Even though measurement and reporting practices for financial reporting are well established, financial statements that have been reviewed by external auditors are seen as more valuable and useful than unaudited financial statements. Likewise, independently of the process behind the preparation of sustainability disclosures, those that have been externally assured are seen as more robust and more reliable.

GRI uses the term ‘external assurance’ as an overarching term to cover a wide range of approaches to external assessment of sustainability disclosure processes and reporting.

2.1 Why assure?

Organizations seek assurance for a variety of reasons. Some internal and external benefits of assurance can be easily identified, often aimed at building trust and confidence in the areas of governance, management and stakeholder relations.

Benefits of assurance described in different publications include:

- **Increased recognition, trust and credibility.** An assured report can provide an organization’s stakeholders with a greater sense of confidence in disclosures. Among other things, it reflects the seriousness with which the reporter approaches sustainability reporting. Investors, rating agencies and other analysts increasingly look for assurance when making investment and rating decisions²
- **Reduced risk and increased value.** Data quality continues to be a significant issue for reporters and report users. In this context, it is not unusual for large companies to issue restatements of sustainability disclosures. In a 2011 study, KPMG found that a third of the largest 250 largest global companies had issued a restatement of non-financial information.³ The role of assurance in reducing data quality risks is recognized in a number of requirements, indexes and surveys.⁴ Disclosures which are viewed as robust and credible are more likely to be relied on, thus increasing the value of reporting

¹ IFAC, *2012 Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*, 2012, p. 16.

² Corporate Register, *Assure View, The CSR Assurance Statement Report*, 2008, p. 10.

KPMG, *KPMG International Survey of Corporate Responsibility Reporting 2011*, 2011, p.3.

Simnett, R., Vanstraelen, A. and Chua, W.F., *The Accounting Review, Assurance on Sustainability Reports, An International Comparison*, 2009, p. 939.

³ KPMG, *KPMG International Survey of Corporate Responsibility Reporting 2011*, 2011, p. 26.

⁴ GRI, *Count me in – The readers’ take on sustainability reporting*, 2008, p. 21;

CDP, *CDP’s Approach to Verification*, 2013. Accessed 21 March 2013. Available at <https://www.cdproject.net/en-US/Respond/Pages/verification.aspx>;

Dutch Transparency Benchmark Criteria, 2012, pp. 19-21;

International Council on Mining and Metals, *Assurance*, 2013.

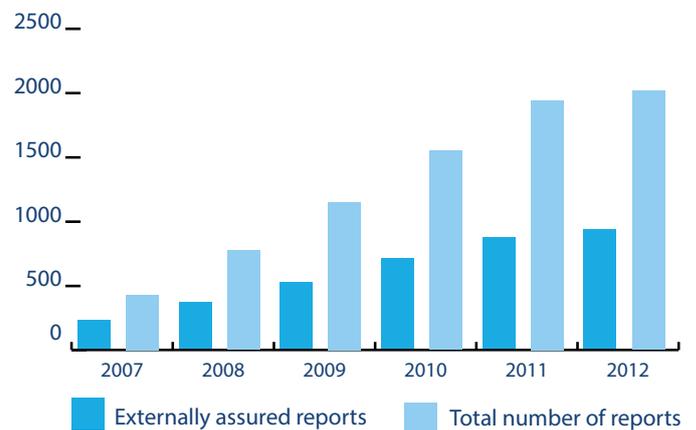
Accessed 21 March 2013. Available at <http://www.icmm.com/our-work/sustainable-development-framework/assurance>

- **Improved Board and CEO level engagement.** With increased interest in sustainability disclosures and their importance for driving improvements in organizational strategy, performance and reputation, sustainability issues are moving up to the Board Room and C-Suite levels.⁵ Disclosures and data which are believed to be trustworthy and credible are more likely to be used for internal decision making
- **Strengthened internal reporting and management systems.** Internal robust reporting systems and controls play an important role in managing sustainability performance and impacts. External assurance can help confirm that internal systems and controls are robust, and can recommend any necessary improvements⁶
- **Improved stakeholder communication.** Assurance processes may involve the review of a reporter's stakeholder engagement processes. Some organizations use their reporting processes and/or sustainability reporting as the basis for on-going dialogue with stakeholders. Both of these can help promote mutual communication and understanding⁷

The 'case' for assurance of sustainability reports is also strengthened by its increased adoption in the marketplace. This can be seen at a number of levels:

- Since 2001, there has been a major increase in the practice of sustainability reporting, particularly interesting is that 95% of the world's largest corporations now publish some form of sustainability report.⁸ In great part, this has been in response to widening regulator, business and public concerns about sustainability challenges such as global warming. This has been accompanied by a rise in the assurance of sustainability reports. In 2012, over 46% of reports listed on GRI's Sustainability Disclosure Database indicated some form of external assurance.⁹ While notable differences exist between countries and sectors, the global trend is toward increased assurance of sustainability reports

FIGURE 1: NUMBER OF GRI REPORTS REGISTERED IN THE GRI DATABASE AND THE NUMBER OF REPORTS THAT INCLUDED SOME TYPE OF EXTERNAL ASSURANCE STATEMENT¹⁰ (# OF REPORTS)



- The rise in sustainability reporting and assurance has been accompanied by the development of sustainability assurance standards¹¹
- Stakeholders are showing increased interest in assured sustainability disclosures. For instance, in the case of climate change, issues such as carbon risk and the ability to trade emissions may have direct financial implications. Initiatives such as the Carbon Disclosure Project (CDP)¹² and The Carbon Tracker Initiative¹³ have increased investor interest in the disclosure and assurance of data on greenhouse gas (GHG) emissions and carbon risk. Stakeholders are also increasingly interested in external assurance of supply chain disclosures. Companies that use conflict minerals may, in some instances, be required to have external verification processes for supply chain disclosures^{14,15}

⁵ IBM, *The Enterprise of the Future*, 2009, pp. 60-61.

⁶ Corporate Register, *Assure View, The CSR Assurance Statement Report*, 2008, p. 10.

⁷ AccountAbility, *Guidance for Reporting Organisations Seeking Assurance to AA1000AS (2008)*, 2009, pp. 4-5.

⁸ KPMG, *KPMG International Survey of Corporate Responsibility Reporting 2011*, 2011.

⁹ GRI Sustainability Disclosure Database. Accessed 2 May 2013. Available at database.globalreporting.org.

¹⁰ GRI Sustainability Disclosure Database. Accessed 2 May 2013. Available at database.globalreporting.org

¹¹ UNEP, GRI, KPMG, The Centre for Corporate Governance in Africa, *Carrots and Sticks*, 2013.

¹² www.cdproject.net

¹³ www.carbontracker.org

¹⁴ OECD, *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, 2011, pp. 106-113.

¹⁵ SEC Adopts Rule for Disclosing Use of Conflict Minerals. <http://www.sec.gov/news/press/2012/2012-163.htm> Accessed 18 April 2013.

2.2 What does the assurance engagement process look like?

For the assurance process to have the most value, it should be considered as an integral part of the whole reporting process. An assurance engagement¹⁶ process has three distinct phases: planning, execution, and reporting and feedback.

At the beginning of the assurance engagement, the reporter and assurance provider should agree – at least – to the following issues as part of project planning:

- The intended use and distribution of final sustainability disclosure information
- The reporting criteria and frameworks to be applied
- The objective and scope of information and processes to be assured (e.g. assess materiality and strategy processes, assess relevance of reporting criteria, assess internal controls, assess data quality and data gathering systems quality, verify explanations of management systems and performance reporting, etc.)
- The responsibilities of management in the assurance process (e.g. data collection and establishment of internal controls, etc.)
- The responsibilities of the assurance provider, including compliance with various ethical and/or legal requirements
- The access and evidence that will be supplied to the assurance provider to support the provider's conclusion report
- Expected form and content of the assurance report¹⁷ or statement, and the process for feedback to the reporting entity
- Timeline and resources involved

While planning should of course be done at the start of the process, it also needs to be done on an iterative basis throughout the engagement as issues come up and the process needs to be adjusted.

The execution of the assurance engagement is largely shaped by the scope of assurance, the responsibilities of each party and the access and evidence to be shared with the assurance provider.

Important considerations that will shape the nature of the assurance engagement include:

- **Scope of assurance engagement.**¹⁸ The scope of the scope of assurance engagement defines also the scope covered in the final assurance provider's final report. Additionally, by determining the scope of information to be reported and assured, the reporter can determine how and when to involve the assurance provider and the internal resources

Materiality and strategy considerations are usually determined very early in any sustainability reporting process. If these issues are part of the scope of the assurance engagement, then it is useful to share documentation with the assurance provider at an early stage

Likewise, if the focus of the assurance engagement is data quality, then it is useful to share information about data systems and internal control processes at an early stage. This allows for additional checks to be included in the process or controls to be modified if there are concerns about specific elements of data collection and disclosure

- **Responsibilities of management and the assurance provider.** Clearly defining who in the organization is responsible for specific processes and actions is critical to planning the process and facilitating ongoing communication
- **Access and evidence to be provided.** The reporter and assurance provider must agree on the provider's level of access within the reporting organization. Will senior management or board members be interviewed? Does the assurance provider need to travel to operational sites to interview management or assess internal controls at key operating units? What data sets will the provider receive, and at what stage will these be available? It is usual that an assurance provider will need access to:
 - Supporting documentation, which may include financial reporting, inventory records, water usage records, energy consumption records, personnel data, supplier details, and correspondence and other information relating to stakeholder engagement

¹⁶ See Glossary p. 14 for definition of assurance engagement.

¹⁷ See Glossary p. 14 for definition of assurance report.

¹⁸ See Glossary p. 14 for definition of assurance scope.

- Any assumptions and estimates that underpin information to be disclosed

Remember that the role of the assurance provider is to provide an external verification of reporting and the processes behind reporting. When reporters provide greater access, or provide information early in the process, it allows for more critical questioning and more input from the assurance provider. This can increase the value of the assurance engagement and result in a better, more useful report.

Organizations planning external assurance processes may find the checklist in the Annex of this publication useful for internal discussions and for discussions with potential assurance providers.

It is also possible to commission an ‘assurance readiness’ process as a first step prior to hiring an assurance provider. This involves an independent assessment, without an external assurance statement, to identify weaknesses in systems and disclosures before moving to external assurance.

The assurance engagement process, reporting and feedback, are covered in the next section, 2.3.

2.3 What is the outcome of the process?

Once the assurance engagement is completed, the assurance provider will issue an assurance report or statement that may be disclosed as part of the sustainability reporting process. This document is drafted and often signed by the assurance provider. The form and content vary depending on the assurance scope, the assurance standard being used and, to some extent, on the assurance provider preferences.

Information provided in an assurance statement may include:

- **Addressee.** The intended audience for the assurance report or statement (e.g. stakeholders or the board of directors, executive or committee responsible for report signoff, etc.)
- **Introduction.** A statement of the overall objectives or mandate, and the responsibilities of reporter and assurer
- **Scope.** A statement identifying which disclosures are covered by the assurance verification process
- **Level of assurance.** Assurance providers often offer two levels: ‘reasonable assurance’ (i.e. high but not absolute) or ‘limited assurance’ (i.e. moderate). The higher the level of assurance, the more rigorous the assurance process is, as defined in the standards and procedures used for the specific assurance engagement
- **Criteria for report preparation and assurance standards.** A statement identifying the criteria and methodologies used by the reporter when preparing the sustainability reporting and final report (e.g. GRI G4 Guidelines, other reporting protocols, and descriptions of or reference to internal management and control procedures); and the standard(s) used to by the assurance provider to guide the assurer’s approach (e.g. ISAE 3000, AA1000AS, or national and sector standards)
- **Limitations.** A comment on any noteworthy limitations on either the scope of the information assured or on the assurance activities, such as the unavailability of some data, or changes in the data gathering systems
- **Activities.** A summary of the actions taken to check the accuracy, plausibility or relevance of the sustainability disclosures covered by the assurance

- **Conclusion(s).** A statement indicating whether the assured information is fairly presented, free of material misstatements and reported in accordance with reporting criteria. The wording of the conclusion will differ according to the standard used; the level of assurance, and the assurance provider
- **Recommendations.** Some assurance reports include a summary of recommendations for further action or attention
- **Signature and date.** A formal sign-off by the assurance provider's most senior executive responsible for the assurance

Assurance reports or statements may also refer to the entities or parts of an organization that were included in the assurance process. For very large or multinational organizations, it is important to specify which business units or subsidiaries are included and the different boundaries¹⁹ for information in the sustainability report.

In addition to the publicly disclosed assurance report or statement, assurance providers may also prepare a separate 'management letter', with detailed findings and recommendations for management or board consideration. This feedback can be used to begin or continue a dialogue with executives or the board about management and reporting of sustainability issues.

¹⁹ Boundary refers to the description of where impacts occur for each material Aspect. In setting the Aspect Boundaries, an organization should consider impacts within and outside of the organization. Aspect Boundaries vary based on the Aspects reported. See G4 Guidelines, Implementation Manual, p. 244.

2.4 Who assures?

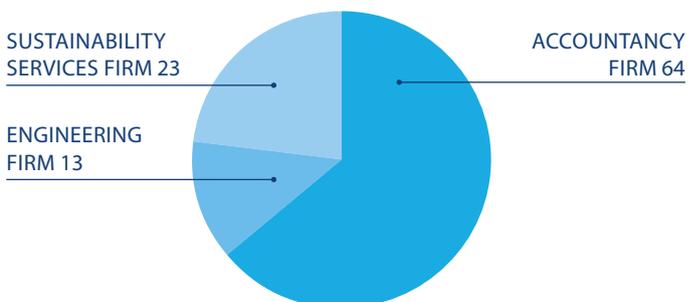
As mentioned above, a variety of service providers offer external assurance of sustainability disclosures.

In selecting a provider, organizations should consider providers' expertise and competency with sustainability management processes and disclosures. External assurance providers are also expected to be independent from the organization, to be able to reach and publish an objective and impartial opinion or conclusions, be demonstrably competent in both the subject matter and assurance practices, and apply quality control procedures to the assurance engagement, among other abilities (see also section 3 for the G4 Guidelines references on this matter).

External assurance service providers are generally divided in three groups:

- **Accountancy firms.** They are normally connected to global networks; are focused on business; have expertise in financial and non-financial reporting; they have their own systems, controls and audit/assurance procedures (including for climate change/GHG data)
- **Engineering firms.** They normally offer technical certifications and engineering expertise; they understand complex processes and are used to risk-based analysis; they apply a multi-disciplinary approach.
- **Sustainability services firms.** Their focus and expertise is on sustainability related issues; they are smaller than the others assurance providers' general categories and are usually locally based; they are also often recognized because of their experience with stakeholder issues.

FIGURE 2: PROVIDERS OF EXTERNAL ASSURANCE OF GRI REPORTS PUBLISHED IN: 2012 (%)²⁰



²⁰ GRI Sustainability Disclosure Database. Accessed 2 May 2013. Available at database.globalreporting.org

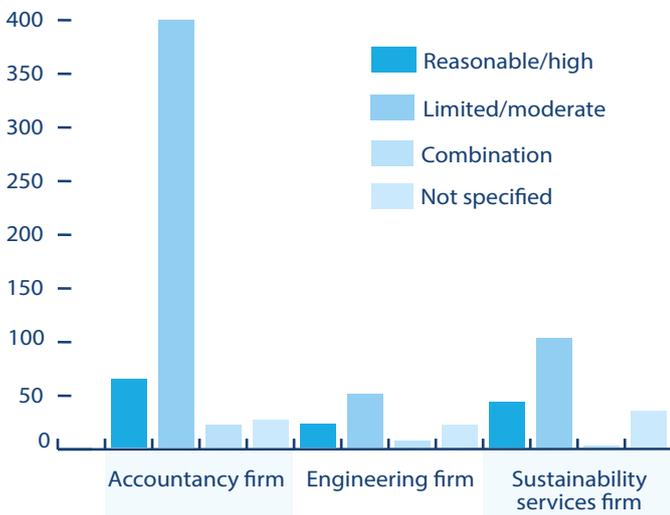
2.5 How and what to assure?

Once an organization has decided to have its sustainability disclosures assured, there are a number of questions that should be considered in order to choose the appropriate assurance approach. These include:

- **What am I required to do?** In some countries and sectors, regulations or standards exist that mandate or provide guidance on how non-financial assurance is to be conducted. A good first step is to clarify compliance obligations and market expectations
 - **What do I want to achieve?** It is important to be mindful of the organization's motives for assuring a sustainability report. Additionally to the objectives mentioned at the beginning of this publication – such as to increase credibility on information published in a sustainability report and on the reporting process – these can include objectives such as better data for management purposes, reduced risk and improved stakeholder relations
 - **Who is my audience?** The scope and other decision on the assurance process may vary according to the intended audience. Investors will be interested in the impact on organizational value, while other stakeholders – such as governments and civil society organizations – might be interested in disclosures on human rights or environmental impacts, or in the steps implemented to prepare the sustainability report
 - **Which scope?** All sustainability disclosures, including claims made, policies outlined and data published, are potentially the subject of third party assurance. These could include sustainability reports, corporate governance reports and reports on processes and systems related to sustainability.
- In considering the scope of the assurance, an organization should consider the following issues:
- *Strategy.* How does assurance complement and advance the reporter's overall strategic objectives? What aspects of its policies and performance are most material to the organization and have these been assured? Have internal controls highlighted issues or activities that would benefit from external assurance?
 - *Systems and data processes.* How robust are internal data collection, audit and control processes, and how well do they support the disclosures made? Would external assurance be useful in reviewing these and recommending improvements? Does the organization make use of any estimates, for example regarding value created for society, and would it be useful or helpful to have external assurance of the process for estimating data reported externally?
 - *Stakeholders.* Who are the organization's main stakeholders and what disclosures would they be interested in having assured? Is there sector specific data that investors may use to assess the valuation of an organization? Are there particular aspects of performance that have been questioned by employees, customers, the media or NGOs and where assurance might be useful in building credibility and trust?
 - **Which parts of the process or report will be covered?** Once the questions above have been answered, it should be easier to decide priorities regarding the scope of the assurance based on information that needs to be assured to satisfy regulations and the internal and external stakeholders. Generally this choice should also be made taking into consideration that one of the goals is to have a report which provides a reasonable and balanced presentation of performance, supported by reliable information²¹
 - **What level of assurance is sought?** The level of assurance indicates the extent and depth of the work the assurance provider will undertake, and therefore the degree of confidence report users should be able to have in the assured report. Assurance providers often offer two levels: 'reasonable assurance' (i.e. high but not absolute) or 'limited assurance' (i.e. moderate). The higher the level of assurance, the more rigorous the assurance process is, as defined in the standards and procedures used for the specific assurance engagement (see section 2.6). As a result of cost constraints and other feasibility issues, an organization may also choose to have a reasonable level of assurance for some indicators and limited for others

²¹ See Glossary p. 14 for definition of assurance scope.

FIGURE 3: LEVEL OF ASSURANCE BY ASSURANCE PROVIDER OF GRI REPORTS PUBLISHED IN: 2012 (%)²²



- **What are the resource implications?** Organizations considering assurance will also wish to review their internal capacity and resources as well as the external costs. These vary widely, depending on the size of the organization and the scope and level of the assurance being sought

2.6 Which assurance standard?

There are national and international standards and frameworks for assuring non-financial/sustainability disclosures.²³ There are two international standards which are most referred internationally – ISAE 3000 and AA1000AS. The main features of these two are described below.

ISAE 3000

The International Standard on Assurance Engagements ISAE 3000 is a generic standard for any assurance engagement other than audits or reviews of historic financial information.²⁴

²² GRI Sustainability Disclosure Database. Accessed 2 May 2013. Available at database.globalreporting.org

²³ UNEP, GRI, KPMG, The Centre for Corporate Governance in Africa, *Carrots and Sticks*, 2013.

²⁴ Related ISAE International and National Standards have a number between 3000 and 3999. These may be translations or more specific Standards. ISAE 3410, for example is a specific international standard for assurance on emissions of greenhouse gases (GHGs).

The standard, developed by The International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC)²⁵, was published in 2003. An update is expected in 2013.

Its emphasis is on comprehensive procedures for evidence gathering processes and assurer independence.

An assurance report ‘in accordance with ISAE 3000’ can only be issued by professional accountants, as the assurance provider must also comply with the IESBA Code of Ethics for Professional Accountants.²⁶ Other assurance providers may use assurance methodologies based on ISAE 3000 or which combine elements of ISAE 3000 with other standards, such as AA1000AS.

AA1000AS

The AccountAbility AA1000 Assurance Standard is related to the AccountAbility Principles Standard (AA1000APS 2008), which some organizations use to guide their approach to sustainability.

The standard was developed by AccountAbility,²⁷ a think tank and advisory services firm, for external assurance of the implementation of the AA1000APS Principles. The current version was published in 2008. An independent Standards Board leads the technical development of the AA1000 Standard.

Its emphasis is on whether the organization and its sustainability reporting respond to stakeholder concerns.

The standard is used by different types of assurance providers. Organizations seeking to emphasize their commitment to the AA1000APS Principles, including their responsiveness to stakeholder views, often choose assurance based on AA1000AS.

²⁵ www.ifac.org

²⁶ ISAE 3000 assurance providers are subject to the IESBA Code of Ethics for Professional Accountants which covers, among others, professional competence, independence and objectivity, and the International Standards on Quality Control to ensure quality. The code is developed and published by the International Ethics Standards Board for Accountants.

²⁷ www.accountability.org

3 The GRI Reporting Guidelines – G4 – and external assurance

The importance of the assurance of sustainability reports has been recognized by GRI since its formal launch in 2002. In the G4 Guidelines, GRI recommends the use of external assurance for sustainability reports, but does not require it to prepare a report 'in accordance' with the G4 Guidelines.

As one can find on page 51 of the G4 Guidelines – Implementation Manual:

"GRI recommends the use of external assurance for sustainability reports in addition to any internal resources, but does not require it.

GRI uses the term 'external assurance' to refer to activities designed to result in published conclusions on the quality of the report and the information (whether it be qualitative or quantitative) contained within it. External assurance may also refer to activities designed to result in published conclusions on systems or processes (such as the process for defining report content, including the application of the Materiality Principle or the stakeholder engagement process). This is different from activities designed to assess or validate the quality or level of performance of an organization, such as issuing performance certifications or compliance assessments.

A variety of approaches are currently used by report preparers to implement external assurance, including the use of professional assurance providers, or other external groups or individuals. Regardless of the specific approach, external assurance should be conducted by competent groups or individuals external to the organization who follow professional standards for assurance, or who apply systematic, documented, and evidence-based processes ('assurance providers').

Overall, for external assurance of reports using the Guidelines, it is important that the assurance providers:

- *Are independent from the organization and therefore able to reach and publish an objective and impartial opinion or conclusions on the report*
- *Are demonstrably competent in both the subject matter and assurance practices*
- *Apply quality control procedures to the assurance engagement*
- *Conduct the engagement in a manner that is systematic, documented, evidence-based, and characterized by defined procedures*

- *Assess whether the report provides a reasonable and balanced presentation of performance, taking into consideration the veracity of data in the report as well as the overall selection of content*
- *Assess the extent to which the report preparer has applied the Guidelines in the course of reaching its conclusions*
- *Issue a written report that is publicly available and includes an opinion or set of conclusions, a description of the responsibilities of the report preparer and the assurance provider, and a summary of the work performed to explain the nature of the assurance conveyed by the assurance report*

An organization may have systems of internal controls in place and, in some jurisdictions, corporate governance codes may require directors to inquire, and then, if satisfied, to confirm in the annual report the adequacy of the organization's internal controls. Organizations may also establish and maintain an internal audit function, as part of their processes for risk management and for managing and reporting information.

These internal systems are also important to the overall integrity and credibility of a report.

An organization may convene a stakeholder panel to review its overall approach to sustainability reporting or provide advice on the content of its sustainability report."

External assurance is covered in three sections of the G4 Guidelines:

- 'In accordance' criteria options (see p. 11 in *Reporting Principles and Standard Disclosures*) – requests a statement of the organization's 'in accordance' criteria option, together with an external assurance statement, if the report or parts of it has been externally assured
- G4-33 (see p. 36 in *Reporting Principles and Standard Disclosures* and p. 51 in *Implementation Manual*) – requests information about policy and current practice regarding seeking external assurance, among other points
- GRI Content Index (see p. 31 in *Reporting Principles and Standard Disclosures* and p. 46 in *Implementation Manual*) – requests signaling if a disclosure has been externally assured

4 Glossary

ACCA – The Association of Chartered Certified Accountants is the global body for professional accountants. For more information see www.accaglobal.com

AccountAbility – A globally operating think tank and advisory services firm which developed the AccountAbility AA1000 Assurance Standard and related standards. For more information see www.accountability.org

Assurance – The outcome of an independent verification process, the term is often used interchangeably with the term verification. It is increasingly used to describe the evaluation and assessment services provided by independent accounting and other firms, usually based on specific assurance standards or frameworks.

Assurance engagement – A process that results in the assurance provider expressing a conclusion about the evaluation or measurement of sustainability disclosures against reporting criteria. The assurance engagement may involve assessing not only the accuracy and reliability of what is disclosed, but also the processes for deciding what issues and data are disclosed.

Assurance report – Also called assurance statement. A report issued by an independent third party in relation to reported sustainability information following an assessment (or 'verification') process.

Assurance scope – Scope relates to the extent of subject matter or information included in a sustainability report (data, text, company operations etc.) and covered by the assurance.

Assurance provider, assurer – An independent expert engaged to provide assurance services. The main types of assurance providers are accountancy firms, engineering firms, and professional services firms.

Boundary – Refers to the description of where impacts occur for each material Aspect. In setting the Aspect Boundaries, an organization should consider impacts within and outside of the organization. Aspect Boundaries vary based on the Aspects reported.

CSR report – Corporate social responsibility report, often used synonymously with the term sustainability report. (See 'sustainability report')

Disclosures – Information deliberately made public by an organization on its sustainability policies, practices and performance in a purpose-specific report or framework.

ESG report – Environmental, social and governance report, often used synonymously with the term sustainability report. (See 'sustainability report')

Financial audit – An audit of financial statements is the external verification of the financial statements of an organization with the view to express an audit opinion. The audit opinion is intended to provide reasonable assurance that the financial statements are presented fairly and/or give a true and fair view in accordance with the financial reporting framework used. The purpose of the audit is to enhance confidence in accuracy and reliability of financial statements.

IAASB – The International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC). The IAASB developed the International Standard on Assurance Engagements ISAE 3000. For more information see www.ifac.org

Independent – An assurance provider is seen as independent if they have no interest in reported disclosures. Assurance providers, like financial auditors, should not be shareholders of the reporting entity or sit on its board of directors. Independence requires integrity and an objective approach to the assurance process. An independent assurance provider should be in a position to question management decisions.

Level of assurance – Indicates the extent and depth of the work the assurance provider undertakes in relation to sustainability disclosures. Most assurance providers offer two levels: 'reasonable' assurance (i.e. high but still involving some risk of inappropriate conclusion) or 'limited' assurance (i.e. moderate).

Material Aspects – Material Aspects are those that reflect the organization's significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders. To determine if an Aspect is material, qualitative analysis, quantitative assessment and discussion are needed.

Stakeholders – Groups or individuals that can reasonably be expected to be significantly affected by the organization’s activities, products, and/or services, or whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives.

Sustainability report – A report containing disclosure of governance approach and of the environmental, social and economic performance and impacts of organizations.

Verification – Independent evaluation process to provide expert third party assessment of information, the term is often used interchangeably with the term assurance.

5 Further reading

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Assurance check list

The following check list may be useful for organizations that are considering an assurance process.

Planning stage:

- What are the relevant national laws and standards?
- Who is the internal/external audience for the report/disclosures?
- What information is most important to have assured (i.e. the assurance 'scope')?
- What level of assurance is important for the intended audience?
- To what extent do we plan to integrate sustainability reporting and annual (financial) reporting? Can we gain efficiencies from integrating sustainability report assurance and financial auditing?
- What added-value do we want to achieve from the assurance process?
- Do we have internal reporting systems and review processes in place?
- What type of assurance provider do we need (e.g. locally or globally operating)?
- How independent is the assurance provider?
- Which assurance standard do we want our provider to use?
- What activities will they do (i.e. nature and depth of assurance work)?
- How much will it cost?

Execution stage:

- Does the assurance engagement plan address relevant disclosure risks?
- What documentation and data will be supplied to the assurance provider in order to form a conclusion?
- When will the necessary documentation and data be supplied to the assurance provider?
- Will management and/or data managers be interviewed as part of the process?
- Are visits to key operational sites necessary?

Reporting and feedback stage:

- What will the assurance report or statement look like?
- Have we agreed on a process for the assurance report or statement? E.g. Will management see and be able to comment on the assurance statement or report prior to report publication?
- Will the assurance provider provide a 'management letter' for the board or executive management team with additional feedback on sustainability processes and reporting?

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