



Discussion Memo: Draft Sustainability Attestation Standard

Objectives of Agenda Item 5

To discuss the following key additional requirements included in the draft chapter, *Attestation Engagements on Sustainability Information*, and whether any such requirements warrant revision of the clarified attestation standards rather than inclusion in a subject-specific attest standard:

Issue 1: Measurement uncertainty

Issue 2: Management's specialist

Issue 3: Application of consistency principle

Issue 4: Additional performance requirements

Issue 5: Reporting requirements

The draft chapter is provided to you for context around the key additional requirements, but the intent is to focus solely on the requirements and related application guidance included herein while the Sustainability Task Force continues to build out chapter 9, particularly in the reporting section. If the ASB believes that a standard should be created initially, we would plan to review the complete draft chapter with you at the May 2016 ASB meeting.

Background

On December 16, 2016, the task force reviewed its plan to develop a guide/standard with the Audit Issues Task Force (AITF). Discussion ensued as to whether a standard really was necessary for sustainability information or whether a guide would suffice, given the early stage of where the profession is in providing these services. The Sustainability Task Force members believe that elevation as a standard is necessary to encompass the key additional requirements listed above and included herein and to seek valuable feedback through due process. If a guide is issued rather than a standard, the guide could not include any additional requirements beyond what is contained in the clarified attestation standards and no due process would occur beyond clearance for issuance of the guide by several members of the ASB (although the Sustainability Task Force understands that the AICPA sometimes socializes certain documents with key stakeholders). Another significant benefit of a standard versus a guide is the elevated authority and how that would be positively viewed in the marketplace. One of the criticisms made by sustainability reporting standard-setters and other organizations is that no assurance standard currently exists specific to sustainability information to

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result in consistent assurance engagements; accordingly, the creation of a standard would be important not only in the U.S. but globally and it would signify the public accounting profession as a major leader in this area.

The AITF concluded that the ASB should deliberate whether such key requirements are matters that apply to various subject matters and not just sustainability information and, accordingly, might warrant inclusion in the clarified attestation standards rather than creating a standard on sustainability information. If the ASB believes that the clarified attestation standards should be amended and a guide issued rather than a subject-specific attestation standard, the guide could reference such general requirements. Such an approach would require that the clarified attestation standards be amended prior to the guide referencing the requirements or, if a guide is issued first, the guide would have to be amended following amendment of the attestation standards.

The draft chapter follows the construct of chapters 2 and 3 for examination and review engagements, respectively. The following characteristics should be noted:

- Certain paragraphs replicate paragraphs in chapters 2 or 3 but have been tailored to reference “sustainability information” rather than “subject matter” in order to provide context to the chapter (e.g., paragraphs 9.5 and 9.6, which discuss the objectives of such engagements).
- Application guidance is not included for all chapter 2 and 3 paragraphs included in the draft chapter. When the draft chapter is completely developed, the task force will revisit whether such paragraphs should be retained in the draft chapter (however, if a guide is produced in lieu of or prior to a standard, they would be included in the guide so that the practitioner does not overlook applicable chapter 2 or 3 requirements).
- The draft chapter was developed with the original intent of releasing a guide first. However, given the timing of the clarity attestation project, the Sustainability Task Force concluded that an initial guide no longer made sense. Certain paragraphs have been included in a shaded box to retain how such information would appear in the guide; that is, those paragraphs replicate requirements in chapters 2 and 3 for inclusion in the guide, whereas, the draft standard would only include a cross-reference for such matters (e.g., agreeing to the terms of the engagement and planning and performing the engagement).

The following additional requirements are included in the draft chapter:

- Additional requirements for agreeing on the terms of the engagement (paragraphs 9.13-9.14)
- Additional considerations in planning the engagement (paragraph 9.16)
- Measurement uncertainty (paragraphs 9.16n, 9.21-9.22, 9.47 and 9.65)
- Considering reporting boundaries (paragraphs 9.20 and 9.44)
- Evaluating consistency (paragraphs 9.16e, 9.38-9.40 and 9.54-9.56)
- Using the work of management’s specialist (paragraphs 9.35 and 9.51)
- Additional representations to be obtained (paragraph 9.57)
- Reporting requirements
 - Considerations of features of sustainability information in forming the conclusion (Paragraphs 9.64-9.65)
 - Mixed levels of attestation engagements in a single report (paragraph 9.67)
 - Inclusion of additional paragraphs in the practitioner’s report (paragraph 9.76)

- Comparative information (paragraph 9.77)
- Correction of material misstatements (paragraphs 9.78-9.79)

Issues – Key Additional Requirements

1. Measurement Uncertainty

The draft standard contains requirements and application guidance concerning measurement uncertainty as follows:

- Paragraph 9.16n requires the practitioner to consider whether significant measurement uncertainty exists in any of the quantitative sustainability information and, if so, to obtain an understanding of the matters listed.
- Paragraphs 9.21-9.22 include requirements for addressing measurement uncertainty in connection with identifying risks of material misstatement in an examination.
- Paragraph 9.47 includes a requirement for addressing measurement uncertainty in performing inquiries and other review procedures.
- Paragraph 9.65 includes a requirement for considering, when forming an opinion, whether it is necessary for the sustainability information to include disclosures about measurement uncertainty.

Question for the ASB:

Do you agree with inclusion of the following requirements and application guidance concerning measurement uncertainty?

<p>Planning and Performing the Engagement</p> <p>9.16 In addition to planning and performing the engagement in accordance with chapter 2 and 3, in planning an attestation engagement on sustainability information, the practitioner should consider:</p> <p style="padding-left: 20px;">. . .</p> <p>n. whether significant measurement uncertainty exists in any of the quantitative sustainability information; if so, the practitioner should obtain an understanding of:</p> <ul style="list-style-type: none"> • how reported values were measured • the source and extent of measurement uncertainty for point values included in the sustainability information 	<p>Measurement Uncertainty</p> <p>9.A40 A characteristic of certain sustainability information is that it cannot be measured with high accuracy. The degree of measurement uncertainty associated with such measurements affects the risks of material misstatement of the subject matter, including the susceptibility of the subject matter to unintentional or intentional management bias. (Ref: par. 9.16n).[Source: AU-C 540.2]</p> <p>9.A41 The outcome of the measurement of sustainability information is affected by the method used to measure the sustainability information, how the method is applied, the competence and experience of the person making the measurement, and the accuracy and precision of the tool or methodology used to make the measurement. Measurement techniques include direct measurement (for example, a meter for water withdrawn or electricity used, or a weighbridge for waste), measuring a surrogate activity (such as production data), and estimations. A significant amount of measurement uncertainty may exist for certain sustainability information (for example, the measurement of GHG emissions or metrics related to an entity’s compliance with a labor law or regulation). (Ref: par. 9.16n)</p>
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<ul style="list-style-type: none"> • how those point values were selected for reporting from within a range of values • whether other measurement techniques exist that are more precise • whether other techniques may be more or less accurate and precise and why management intends to use the selected technique • whether management intends to include disclosures related to such point values, including disclosures about the source(s) of measurement uncertainty and a quantified expression of the measurement uncertainty. <p>(Ref: par. 9.A40-9.A44)</p>	<p>9.A42 Variability from the true value of sustainability information may result from</p> <ol style="list-style-type: none"> a. The accuracy and precision of the measurement tool b. The use of incomplete data in measuring the sustainability information, for example, <ul style="list-style-type: none"> • any compensation for missing data, such as missing data from nonreporting facilities or missing fuel bills • the frequency of the measurement of the sustainability information may not account for all variability in the sustainability information • measurements may not all be performed on the exact “cut-off” date and time for the subject matter reported c. The use of inexact conversion factors, for example, <ul style="list-style-type: none"> • factors that are uncertain, such as factors used to calculate the number of units of methane and nitrous oxide resulting from the combustion of fossil fuels • average factors that are not perfectly matched to specific and varying circumstances, such as average miles per gallon and average number of kilograms of carbon dioxide emitted per megawatt hour of energy generated d. The use of inexact assumptions that simplify the calculation of highly complex processes <p>(Ref: par. 9.16n)</p> <p>9.A43 Another factor contributing to measurement uncertainty is that the boundaries of the subject matter included in the scope of the engagement may extend beyond that of the reporting entity and its subsidiaries to include information from noncontrolled entities such as vendors, suppliers, and intermediaries. The reporting entity’s ability to obtain accurate information from those noncontrolled entities is at times limited, and alternative means may be employed to estimate the sustainability information applicable to such entities. (Ref: par. 9.16n)</p> <p>9.A44 Because of the high degree of measurement uncertainty involved in measuring certain elements of a sustainability report, it is generally important to the user’s understanding, interpretation and use of the information that quantitative amounts are expressed as a range or if related disclosures include the range or other quantification of measurement uncertainty. (Ref: par. 9.16n)</p>
<p>Identifying Risks of Material Misstatement (Examinations)</p> <p><i>Measurement Uncertainty (Examinations)</i></p> <p>9.21 In identifying and assessing the risks of material misstatement in an examination of sustainability information, the practitioner should evaluate the degree of measurement uncertainty associated with reported</p>	<p>Identifying Risks of Material Misstatement (Examinations)</p> <p><i>Measurement Uncertainty (Examinations)</i></p> <p>9.A57 Examples of measurements that might be identified as having high measurement uncertainty include:</p> <ul style="list-style-type: none"> • Those requiring high levels of judgment, for example, when significant assumptions could fall within a reasonable range of values that could significantly impact the measurement

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information and tailor further procedures to respond to the identified risks.
(Ref: par. 9.A57-9.A58) [Source: Derived from AU-C 540.10]

9.22 When significant measurement uncertainty is identified in estimates that could have a material impact on the sustainability information that is the subject of the engagement, the practitioner should evaluate whether, in the practitioner's professional judgment, it gives rise to an increased risk of material misstatement, considering matters such as:

- The level of judgment required to make the measurement reported
- The process around developing the information
- The rigor with which the information is developed
- The completeness of planned disclosures concerning the magnitude of the uncertainty

(Ref: par. 9.A57-9.A58)

- Those with a less developed process around measuring the information
- Those that require the addition of multiple values, each with its own significant measurement uncertainty

(Ref: par. 9.21-9.22)

9.A58 In the presence of significant measurement uncertainty, management may choose to report a point value within a range of reasonably possible values that is larger than the materiality threshold considered by the practitioner for planning the engagement and evaluating the results of the engagement. In that circumstance, in addition to the usual considerations of the risk of material misstatement such as computation errors and data errors, the practitioner's considerations of the risk of material misstatements involving measurement uncertainty also includes obtaining evidence about matters such as:

- a. how the point value was selected for the current period and any indication of management bias in selecting the point value
- b. whether more accurate measurement was reasonably possible or available to management but they chose not to obtain such
- c. where the selected point value lies in the range of reasonable values
- d. whether readers of the subject matter will be given the information (disclosures) they need to understand, interpret and use the range of reasonably possible values (that is, the completeness of the disclosures).

(Ref: par. 9.21-9.22)

Inquiries and Other Review Procedures

Measurement Uncertainty (Reviews)

9.47 When significant measurement uncertainty is identified in estimates that could have a material impact on the sustainability information that is the subject of the engagement, the practitioner should place increased focus in those areas in which the practitioner believes there are increased risks that the sustainability information may be materially misstated, considering matters such as:

- The level of judgment required to make the measurement reported
- The process around developing the information
- The rigor with which the information is developed

Inquiries and Other Review Procedures

Measurement Uncertainty (Reviews)

9.A111 Examples of measurements that might be identified as having high measurement uncertainty might include:

- Those requiring high levels of judgment, for example, when significant assumptions could fall within a reasonable range of values that could significantly impact the measurement
- Those with a less developed process around measuring the information
- Those that require the addition of multiple values, each with its own significant measurement uncertainty

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<ul style="list-style-type: none"> The completeness of planned disclosures concerning the magnitude of the uncertainty <p>(Ref: par. 9.A111-9.A112) [Source: AU-C 540.11]</p>	<p>(Ref: par. 9.47)</p> <p>9.A112 In the presence of significant measurement uncertainty, management may choose to report a point value within a range of reasonably possible values that is larger than the materiality threshold considered by the practitioner for planning the engagement and evaluating the results of the engagement. In that circumstance, the practitioner's considerations of measurement uncertainty also includes inquiries about matters such as:</p> <ol style="list-style-type: none"> how the point value was selected for the current period and any indication of management bias in selecting the point value whether more accurate measurement was reasonably possible or available to management but they chose not to obtain such where the selected point value lies in the range of reasonable values whether readers of the subject matter will be given the information (disclosures) they need to understand, interpret and use the range of reasonably possible values (that is, the completeness of the disclosures). <p>(Ref: par. 9.47)</p>
<p>Forming the Opinion or Conclusion</p> <p><i>Measurement Uncertainty</i></p> <p>9.65 The criteria for sustainability information may not include explicit criteria for the disclosure of measurement uncertainty. In forming an opinion or conclusion about whether the sustainability information is not misleading, the practitioner should consider whether it is necessary for the sustainability information to include disclosure about measurement uncertainty, even when the criteria does not require such disclosure. The practitioner should conclude that sustainability information is not presented, in all material respects, in accordance with the identified criteria when it is not informative of matters that may affect the use, understanding and interpretation of the information. (Ref: par. 9.A136-9.A138)</p>	<p>Forming the Opinion or Conclusion</p> <p><i>Measurement Uncertainty</i></p> <p>9.A136 If measurement uncertainty is large for certain sustainability information covered by the engagement, the practitioner considers whether and how it is communicated to report users. For example, one way of identifying and communicating such uncertainty is by identifying a range within which the true value may fall. The range consists of a distribution of likely values. The uncertainty or potential margin of error of a measurement may be stated by giving a range of values likely to enclose the true value. (Ref: par. 9.65)</p> <p>9.A137 For subject matter that is subject to significant measurement uncertainty, the practitioner may conclude that the disclosure of measurement uncertainty is inadequate in light of the circumstances and facts involved, even when the disclosures are in accordance with the criteria. That is, the criteria may not specify all the disclosures needed to make the information reported understandable, useful, complete and not misleading. The practitioner's evaluation of the adequacy of disclosure of measurement uncertainty increases in importance the greater the range of possible outcomes of the measurement in relation to materiality. (Ref: par. 9.65) [Source: AU-C 540.A130]</p>

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9.A138 In some cases, the practitioner may also consider it appropriate to encourage the responsible party to describe in the presentation of the sustainability information the circumstances giving rise to the measurement uncertainty. (Ref: par. 9.65) [Source: AU-C 540.A131]

2. Management's specialist

Neither chapters 2 nor 3 address using the work of management's specialist. We understand from the chair of the Attestation Task Force that guidance concerning management's specialists was not excluded from those chapters because the ASB thought the guidance in AU-C 500 was inappropriate in the context of attestation engagements but rather because it was believed that the most significant and common matters regarding specialists in attestation engagements concerned the use of practitioners' external specialists. Accordingly, the guidance in chapters 2 and 3 evolved over time and was narrowed from addressing specialists in general to practitioners' specialists.

The task force believes that requirements and guidance concerning using the work of management's specialist should be included in a standard concerning sustainability information. Accordingly, paragraphs 9.35 and 9.51 have been included to address considerations regarding management specialists in an examination and review engagement, respectively. [Note that paragraph 9.34 is included below to provide context and does not include any new requirements.]

Question for the ASB:

Do you agree with the inclusion of the following requirements concerning management's specialists?

Using the Work of a Specialist or Internal Auditors (Examinations)

9.34 When the practitioner expects to use the work of a practitioner's specialist or internal auditors in an examination engagement relating to sustainability information, the practitioner should apply the requirements in chapter 2, "Examination Engagements," and the related application guidance, for an examination engagement. (Ref: par. 9.A76-9.A77)

9.35 If information to be used as evidence has been prepared using the work of a management's specialist, the practitioner should, to the extent necessary, taking into account the significance of that specialist's work for the practitioner's purposes,

- a. evaluate the competence, capabilities, and objectivity of that specialist;
- b. obtain an understanding of the work of that specialist; and
- c. evaluate the appropriateness of that specialist's work as evidence for the examination.

Using the Work of a Specialist or Internal Auditors (Examinations)

9.A76 The practitioner might use the work of a practitioner's specialist in an attestation engagement relating to sustainability information to provide specialized skill or knowledge in a particular field other than accounting or auditing. For example, the entity may include information concerning:

- GHG emissions, which might involve a scientist or an engineer
- water data, which might involve a water specialist
- health and safety matters, which might involve a safety engineer or labor law specialist

Similarly, the practitioner might involve a practitioner's specialist to evaluate the work performed by the responsible party or management's specialist.

(Ref: par. 9.34)

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	<p>9.A77 Internal auditors may have performed work regarding the organization’s sustainability performance or concerning compliance of the organization with requirements of specified laws, regulations, rules, contracts or grants that might be pertinent to the sustainability information reported. Accordingly, the practitioner might use such work to obtain evidence regarding the sustainability information, or the practitioner might also use internal auditors to provide direct assistance. (Ref: par. 9.34)</p>
<p>Using the Work of a Specialist or Internal Auditors (Reviews)</p> <p>9.51 Chapter 3 states that when the practitioner expects to use the work of a practitioner’s specialist or internal auditors in a review engagement, the practitioner should apply the requirements in chapter 2 and related application guidance, as appropriate for a review engagement.¹ Similarly, the requirements in paragraph 9.35 regarding using the work of a management’s specialist should be applied as appropriate for a review engagement. (Ref: par. 9.A114-9.A115)</p>	<p>Using the Work of a Specialist or Internal Auditors (Reviews)</p> <p>9.A114 Paragraphs 9.35, 9.A76-9.A77 describes the manner in which a practitioner’s or management’s specialist might be used in an examination engagement related to sustainability information. A practitioner’s or management’s specialist might also be used in a similar manner in a review engagement; however, the extent of review evidence to be obtained might be lower. For example, the practitioner might not obtain as much evidence regarding the specialist’s qualifications as in an examination. (Ref: par. 9.51)</p> <p>9.A115 Paragraph 9.A77 discusses the use of internal auditors in an examination engagement concerning sustainability information. The extent to which such internal auditors might be used in a review engagement is lower. In some cases, the practitioner might obtain and read relevant internal audit reports and minutes of audit committee meetings (or other relevant board committees to which the internal auditors report on sustainability information) to corroborate inquiries or to obtain further details about internal audit findings. (Ref: par. 9.51)</p>

3. Application of Consistency Principle

Paragraph 9.16e requires the practitioner in planning and performing the engagement (examinations and reviews) to consider whether the criteria used are consistent with that of the prior period. Paragraph 9.A29 provides application guidance with respect to such considerations. Paragraphs 9.38-9.40 and 9.54-9.56 contain nearly mirror requirements for examination and review engagements, respectively, with the only difference being that the term “evaluate” is replaced with “consider” or “assess” for a review. The different language used for review engagements is highlighted in paragraphs 9.54-9.56 and related application guidance.

AU-C 708 contains a requirement for considering consistency of accounting principles in a financial statement audit; however, there is no such requirement for reviews of financial statements. While there is no parallel requirement for reviews of financial statements, the task force believes that consistency is an important matter that should be considered in a review of sustainability information because preparers can make the entity appear to have improved from prior years by using different criteria, measurement methods, etc. Accordingly, the task force believes that requirements to consider consistency should be included in the standard for review engagements.

¹ Paragraph 3.27 of chapter 3.

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Question for the ASB:

Do you agree with inclusion of the following requirements and application guidance concerning consistency for both examination and review engagements?

<p>Planning and Performing the Engagement</p> <p>9.16 In addition to planning and performing the engagement in accordance with chapter 2 and 3, in planning an attestation engagement on sustainability information, the practitioner should consider:</p> <p>...</p> <p>e. whether the criteria used are consistent with that of the prior period (Ref: par. 9.A29)</p>	<p>Planning and Performing the Engagement</p> <p>Consistency</p> <p>9.A29 If the criteria have changed, the practitioner evaluates the appropriateness of the change for the current period, the adequacy of disclosure regarding the change in criteria, implications on whether procedures are to be applied to amounts for prior periods that will be covered by the practitioner's updated opinion or conclusion, if applicable and the implications on the practitioner's report, if any. Paragraphs 9.38-9.40 for an examination and paragraphs 9.54-9.56 for a review discuss evaluating consistency. (Ref; par. 9.16e)</p>
<p>Evaluating Consistency (Examinations)</p> <p>9.38 The practitioner should evaluate whether the comparability of the sustainability information between periods has been materially affected by a change in criteria, measurement method (including methodology and conversion factors used), measurement boundary, or measurement metrics employed or by adjustments to correct a material misstatement in previously issued sustainability information. (Ref: par. 9.A81)</p> <p>9.39 The periods included in the practitioner's evaluation of consistency depend on the periods covered by the practitioner's opinion on the sustainability information as well as what information is presented.</p> <ul style="list-style-type: none"> • When the practitioner's opinion covers only the current period, the practitioner should evaluate whether the current-period sustainability information is consistent with that of the preceding period, regardless of whether sustainability information for the preceding period is presented. • When the practitioner's opinion covers two or more periods, the practitioner should evaluate consistency between such periods and the consistency of the earliest period covered by the practitioner's opinion with the period prior thereto, regardless of whether the sustainability information of the preceding period is presented. • If such prior period is presented with the sustainability information being reported upon, the practitioner also should evaluate whether the sustainability information for the periods being reported upon is 	<p>Evaluating Consistency (Examinations)</p> <p>9.A81 Unless the practitioner's report explicitly states otherwise, the practitioner's report implies that the practitioner is satisfied that the comparability of sustainability information between periods has not been materially affected by a change in criteria, measurement method, measurement boundary, measurement metrics employed or by adjustments to correct a material misstatement in a previously issued sustainability information. There may be no effect on comparability between or among periods because either (a) no change in a criteria, measurement method, measurement boundary or measurement metrics employed has occurred, or (b) there has been a change in a criteria, measurement method, measurement boundary or measurement metrics employed but the effect of the change on the comparability of the sustainability information is not material. When no material effect on comparability results from a change in criteria, measurement method, measurement boundary, or measurement metrics employed or from an adjustment to the previously issued sustainability information, the practitioner need not refer to consistency in the practitioner's report. (Ref: par. 9.38)</p> <p>9.A82 The periods covered in the practitioner's evaluation of consistency depend on the periods presented and the periods covered by the practitioner's opinion on the sustainability information. If an entity presents comparative sustainability information and has a change in practitioners in the current year, the practitioner evaluates consistency between the year covered by the practitioner's opinion and the immediately preceding year in accordance with the requirements in paragraph 9.39. (Ref: par. 9.39)</p> <p>9.A83 When an entity accounts for a change in criteria, measurement method, measurement boundary or measurement metrics employed by applying the criteria, measurement method, measurement boundary or measurement metrics employed to one or more prior periods that were included in previously issued sustainability information, as if that principle had always been used</p>

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<p>consistent with previously issued sustainability information for the relevant periods.</p> <p>(Ref: par. 9.A82)</p> <p>9.40 The practitioner should evaluate a change in criteria, measurement method, measurement boundary or measurement metrics employed to determine whether</p> <ul style="list-style-type: none"> a. the disclosures related to the change are appropriate and adequate, and b. the entity has justified that the alternative is preferable. <p>(Ref: par. 9.A83-9.A84)</p>	<p>(commonly referred to as retrospective application), the sustainability information presented generally will be consistent. When retrospective application is used by the entity, the previous periods' sustainability information presented with the current period's sustainability information will appear different from that previously reported and, accordingly, the practitioner would apply the requirements of paragraph 9.40 to such prior period sustainability information presented with the current period information. (Ref: par. 9.40)</p> <p>9.A84 If the entity has changed the criteria or measurement method in the current period but has not used retrospective application for any prior period information presented with the current period information, the practitioner considers the materiality of the lack of such change to such prior period information in considering the effect on the practitioner's report. (Ref: par. 9.40)</p>
<p>Evaluating <u>Considering</u> Consistency (Reviews)</p> <p>9.54 The practitioner should <u>consider</u> whether the comparability of the sustainability information between periods has been materially affected by a change in criteria, measurement method (including methodology and conversion factors used), measurement boundary, or measurement metrics employed or by adjustments to correct a material misstatement in previously issued sustainability information. (Ref: par. 9.A122)</p> <p>9.55 The periods included in the practitioner's <u>consideration</u> of consistency depend on the periods covered by the practitioner's conclusion on the sustainability information as well as what information is presented.</p> <ul style="list-style-type: none"> • When the practitioner's conclusion covers only the current period, the practitioner should <u>consider</u> whether the current-period sustainability information is consistent with that of the preceding period, regardless of whether sustainability information for the preceding period is presented. • When the practitioner's conclusion covers two or more periods, the practitioner should <u>consider</u> the consistency between such periods and the consistency of the earliest period covered by the practitioner's conclusion with the period prior thereto, regardless of whether the sustainability information of the preceding period is presented. • If such prior period is presented with the sustainability information being reported upon, the practitioner also should <u>consider</u> whether the sustainability information for the periods being reported upon is 	<p>Evaluating <u>Considering</u> Consistency (Reviews)</p> <p>9.A122 Unless the practitioner's report explicitly states otherwise, the practitioner's report implies that the practitioner is <u>not aware</u> that the comparability of sustainability information between periods has been materially affected by a change in criteria, measurement method, measurement boundary, or measurement metrics employed or by adjustments to correct a material misstatement in a previously issued sustainability information. There may be no effect on comparability between or among periods because either (a) no change in a criteria, measurement method, measurement boundary or measurement metrics employed has occurred, or (b) there has been a change in a criteria, measurement method, measurement boundary or measurement metrics employed but the effect of the change on the comparability of the sustainability information is not material. When no material effect on comparability results from a change in criteria, measurement method, measurement boundary, or measurement metrics employed or an adjustment to the previously issued sustainability information, the practitioner need not refer to consistency in the practitioner's report. (Ref: par. 9.54)</p> <p>9.A123 The periods covered in the practitioner's <u>consideration</u> of consistency depend on the periods presented and the periods covered by the practitioner's conclusion on the sustainability information. If an entity presents comparative sustainability information and has a change in practitioners in the current year, the practitioner <u>considers</u> consistency between the year covered by the practitioner's conclusion and the immediately preceding year in accordance with the requirements in paragraph 9.55. (Ref: par. 9.55)</p> <p>9.A124 When an entity accounts for a change in criteria, measurement method, measurement boundary or measurement metrics employed by applying the criteria, measurement method, measurement boundary or measurement metrics employed to one or more prior periods that were included in previously issued sustainability information, as if that principle had always been used (commonly referred to as retrospective application), the sustainability information presented generally will be consistent. When retrospective application is used by the entity, the previous periods'</p>

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<p>consistent with previously issued sustainability information for the relevant periods.</p> <p>(Ref: par. 9.A123)</p> <p>9.56 The practitioner should assess a change in criteria, measurement method, measurement boundary or measurement metrics employed to consider whether</p> <ul style="list-style-type: none"> a. the disclosures related to the change are appropriate and adequate, and b. the entity has justified that the alternative is preferable. <p>(Ref: par. 9.A124-9.A125)</p>	<p>sustainability information presented with the current period's sustainability information will appear different from that previously reported and, accordingly, the practitioner would apply the requirements of paragraph 9.56 to such prior period sustainability information presented with the current period information. (Ref: par. 9.56)</p> <p>9.A125 If the entity has changed the criteria or measurement method in the current period but has not used retrospective application for any prior period information presented with the current period information, the practitioner considers the materiality of the lack of such change to such prior period information in considering the effect on the practitioner's report. (Ref: par. 9.56)</p>
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4. Additional Performance Requirements

In addition to the performance requirements discussed in issues 1-3, the draft standard includes performance requirements regarding consideration of reporting boundaries in paragraphs 9.20 and 9.44 for examination and review engagements, respectively, and obtaining additional representations in paragraph 9.57.

<p>Question for the ASB: Do you agree with inclusion of the following additional performance requirements concerning:</p> <ul style="list-style-type: none"> a) Reporting boundaries? b) Management representations?

<p>Identifying Risks of Material Misstatement (Examinations) <i>Reporting Boundaries</i></p> <p>9.20 The practitioner should inquire as to the reporting boundary(ies) used for the sustainability information and evaluate the appropriateness of the planned procedures in light of the reporting boundary for purposes of the examination engagement. (Ref: par. 9.A56)</p>	<p>Identifying Risks of Material Misstatement (Examinations) <i>Reporting Boundaries</i></p> <p>9.A56 Considerations concerning evaluating reporting boundaries include:</p> <ul style="list-style-type: none"> • whether the reporting boundary applied in preparing the sustainability information is the same as the reporting boundary disclosed (for example, equity share, financial control or operational control) • whether information to be reported is based on data received by the entity from organizations in the supply chain
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	<ul style="list-style-type: none"> ● whether the reporting boundary is consistent with prior periods ● whether any changes in the reporting boundary have been clearly disclosed <p>(Ref: par. 9.20)</p>
<p>Procedures to be Performed (Reviews)</p> <p>9.44 The practitioner should inquire as to the reporting boundary(ies) used for the sustainability information and evaluate the appropriateness of the planned procedures in light of the reporting boundary for purposes of the review engagement. (Ref: par. 9.A96)</p>	<p>Procedures to be Performed (Reviews)</p> <p>Reporting Boundaries</p> <p>9.A96 Considerations concerning evaluating reporting boundaries include:</p> <ul style="list-style-type: none"> ● whether the reporting boundary applied in preparing the sustainability information is the same as the reporting boundary disclosed (for example, equity share, financial control or operational control) ● whether information to be reported is based on data received by the entity from organizations in the supply chain ● whether the reporting boundary is consistent with prior periods ● whether any changes in the reporting boundary have been clearly disclosed <p>(Ref: par. 9.44)</p>
<p>Written Representations</p> <p>9.57 In addition to the written representations from the responsible party required by chapter 2 for an examination engagement or by chapter 3 for a review engagement, the practitioner should request the responsible party to provide written representations that ²</p> <ul style="list-style-type: none"> ● Acknowledge management's responsibility for determining: <ol style="list-style-type: none"> a. which sustainability information is subject to the engagement (i.e., specified indicators or the sustainability report) b. the level of assurance (i.e., reasonable assurance as in an examination engagement or limited assurance as in a review engagement) to be obtained for each of the specified indicators or the sustainability report ● Address whether material measurement uncertainty exists and the nature of such measurement uncertainty. 	

² Paragraphs 2.50 of chapter 2 and 3.33 of chapter 3.

5. Reporting Requirements

Reporting requirements beyond those in chapters 2 and 3 include the following:

- Considerations of features of sustainability information in forming a conclusion (paragraphs 9.64-9.65) [Note: paragraph 9.65 is included in issue 1 and, thus, has not been repeated below]
- Reporting on different levels of attestation engagements in one report (paragraph 9.67) [Note that paragraph 9.66 has been included below to provide context but does not include any new requirements.]
- Additional paragraphs that may be included in the report (paragraph 9.76)
- Comparative information (paragraph 9.77)
- Correction of material misstatements (paragraphs 9.78-9.79)

Question for the ASB

Do you agree with the following additional reporting requirements and application guidance included in the draft chapter for sustainability information?

Forming the Opinion or Conclusion

9.64 Features of sustainability information that should be considered by the practitioner in forming an opinion or conclusion on the sustainability information include:

- a. The overall presentation, structure, and content of the sustainability information
- b. Consistency of criteria and measurement method(s) used from the prior period
- c. Its completeness for the intended purpose
- d. Whether it is understandable by intended users
- e. Whether the disclosures are informative of matters that affect the use, understanding and interpretation of the sustainability information in the context of its intended purpose

(Ref: par. 9.A134-9.A135)

Forming the Opinion or Conclusion

9.A134 In forming the opinion or conclusion, the practitioner considers the features of the sustainability information and matters such as the following:

- Whether the organization is using a consistent approach to determining its organizational and reporting boundaries for preparation of the sustainability information (for example, if the organizational or reporting boundary has changed from the prior year, regardless of whether comparative information is presented, the practitioner considers whether such change is appropriately disclosed)
- The adequacy of disclosures (for example, the measurement criteria used in the current period and whether it is comparable with that used in the prior period even if prior period sustainability information is not presented; inherent uncertainties related to such information)
- If graphics (for example, diagrams or graphs) are presented, whether such presentation is reflective of the actual quantitative information or possibly may be misleading
- The balance of narrative disclosures to tables or graphics
- Whether errors were identified and corrected in the current period that may be indicative of errors in prior period information that is included for comparative purposes (Ref: par. 9.64)

9.A135 Chapters 2 and 3 address the implications for the practitioner's opinion or conclusion when the practitioner believes that the responsible party's disclosure of matters necessary to understand

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	<p>the subject matter information (for example, measurement uncertainty) is inadequate or otherwise misleading.³ (Ref: par. 9.64) [Source: AU-C 540]</p>
<p>Preparing the Practitioner’s Report</p> <p>9.66 Chapters 2 and 3 require that the practitioner’s report be in writing and include an identification of the sustainability information or assertion being reported on, including the point in time or period of time to which the sustainability information relates. (Ref: par. 9.A139-9.A139)</p> <p>9.67 If the practitioner has been engaged to perform an examination of some specified indicators and a review of others, the practitioner should make clear in the practitioner’s report as to which specified indicators are covered by the examination report and which are covered by the review report. (Ref: par. 9.A139)</p>	<p>Preparing the Practitioner’s Report</p> <p>9.A139 Identifying the sustainability information being reported on under the examination or review engagement</p> <ul style="list-style-type: none"> a. clarifies the level of assurance obtained by the practitioner on such information and b. if information that was not the subject of the practitioner’s engagement(s) is included with the subject matter, helps clarify which information is not the subject matter of the examination or review engagement. To further clarify, the practitioner may disclaim a conclusion on the other information in an other matters paragraph in the report on the sustainability information. (Ref: par. 9.66) <p>9.A140 If the specified indicators are included in a sustainability report or other information accompanies the specified indicators, symbols that reference a written report that conveys the level of engagement related to each specified indicator and that is readily available may be used to identify those specified indicators that are the subject of the engagement. (Ref: par. 9.66-9.66)</p>
<p>Content of the Practitioner’s Report</p> <p>9.76 The practitioner may include additional paragraphs to emphasize certain matters relating to the attestation engagement or the subject matter, including matters about</p> <ul style="list-style-type: none"> a. significant measurement uncertainty (Ref: par. 9.A161) b. changes in criteria or measurement method that has a material effect on the sustainability information. (Ref: par. 9.A162) 	<p>Content of the Practitioner’s Report</p> <p>9.A161 The following is an example of language that might be included in the practitioner’s report regarding other significant measurement uncertainty:</p> <p>Measurement of certain amounts and metrics, some of which may be referred to as estimates, is subject to substantial inherent measurement uncertainty [<i>insert reference to measurement uncertainty disclosures in the sustainability information</i>]. The gathering of evidence to support our opinion [or conclusion] does not reduce the inherent uncertainty in the amounts and metrics and the selection of different but acceptable measurement techniques and point values within the range of uncertainty may have resulted in materially different amounts and metrics being reported. (Ref: par. 9.76a)</p> <p>9.A162 The following is an example of language that might be included for a material change in criteria, measurement method, measurement boundary or measurement metrics employed that is justified and for which there is appropriate disclosure: (Ref: par. 9.76b)</p> <p>As discussed in Note X to the sustainability [report or information], in 20X2, the entity adopted a new [measurement method] for [<i>insert description of sustainability indicator</i>].</p>

³ Paragraphs 2.60-2.81 of chapter 2.

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9.77 If comparative information is presented, the practitioner's report should indicate the practitioner's responsibility for such comparative information. If such information was not subject to the practitioner's current or prior engagement, the practitioner's report should include a statement that such information was not subject to the examination or review. (Ref: par. 9.A163-9.A164)

9.A163 The following is an example of language that might be included in the practitioner's report when comparative information is included that was not subject to the practitioner's current or prior engagement:

The information for *[insert periods presented that were not subject to a prior engagement, such as 20X1]* was not subject to our [examination] [review] and, accordingly, we do not express an opinion or any form of assurance on such information.

(Ref: par. 9.77)

9.A164 The following is an example of language that might be included in the practitioner's report when comparative information is included that was not subject to the practitioner's current or prior engagement, but was subject to an engagement by a predecessor practitioner:

The information for [insert periods presented that not subject to our prior engagement, but were subject to an engagement by a predecessor practitioner, such as 20X1] was [examined] [reviewed] by another practitioner whose report dated [date] expressed an unmodified [opinion][conclusion] on such information.

(Ref: par. 9.77)

Correction of a Material Misstatement in Previously Issued Sustainability Information

9.78 The practitioner should include a separate paragraph in the practitioner's report when there are adjustments to correct a material misstatement in a previously issued sustainability report. The practitioner should include this type of paragraph in the practitioner's report when the related sustainability report is restated to correct the prior material misstatement. The paragraph need not be repeated in subsequent periods. The paragraph should include

- a. a statement that the previously issued sustainability report has been restated for the correction of a material misstatement in the respective period and
- b. a reference to the entity's disclosure of the correction of the material misstatement.

(Ref: par. 9.A165)

9.79 If the disclosures relating to the restatement to correct a material misstatement in previously issued sustainability information are not adequate, the practitioner should address the inadequacy of disclosure as described in paragraph 9.63.

Correction of a Material Misstatement in Previously Issued Sustainability Information

9.A165 The following is an example of language that might be included when there has been a correction of a material misstatement in previously issued sustainability information:

As discussed in Note X to the sustainability [information or report], the 20X2 sustainability [information or report] has been restated to correct a misstatement relating to *[describe indicator or matter]*. (Ref: par. 9.78)

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