

FREQUENTLY ASKED QUESTIONS ON EXTERNAL ASSURANCE OF SUSTAINABILITY REPORTING

For organizations in the United States reporting in accordance with the GRI Standards and CPAs performing assurance engagements in accordance with AICPA Standards

Developed by:



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BACKGROUND

The following FAQs provide further information for organizations who report in accordance with the Global Reporting Initiative (GRI) Standards and wish to understand more about assurance engagements being performed by CPAs in the United States in accordance with the AICPA Standards.

INTRODUCTION TO GRI

GRI is an international independent organization that has pioneered corporate sustainability reporting since 1997. GRI helps businesses, governments, and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption, and many others. With thousands of reporters in 110 countries, GRI provides the world's most trusted and widely used standards on sustainability reporting, enabling organizations and their stakeholders to make better decisions based on information that matters. Currently, 60 countries and regions reference GRI in their policies. GRI Standards are developed following a unique multi-stakeholder principle, which ensures the participation and expertise of diverse stakeholders. GRI's mission is to empower decision-makers everywhere, through the GRI Standards and its global network, to take action towards a more sustainable world.

Website: www.globalreporting.org

INTRODUCTION TO AICPA

The American Institute of CPAs® (AICPA) is the world's largest member association representing the CPA profession, with more than 429,000 members in the United States and worldwide, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for its members and U.S. auditing and attestation standards for private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent and drives professional competency development to advance the vitality, relevance and quality of the profession.

Website: www.aicpa.org

1. What is assurance on sustainability information?

AICPA's use of the term 'assurance': Assurance on sustainability information is a process whereby an independent practitioner performs procedures, obtains evidence, and after obtaining reasonable or limited assurance about the information, expresses a conclusion, or an opinion, designed to enhance the degree of confidence of decision-makers using that information. Expressed another way, a CPA obtains either reasonable or limited assurance about the accuracy and reliability of the sustainability information and then based on the assurance obtained either expresses an opinion or a conclusion.

GRI's use of the term 'external assurance': "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 can also refer to activities designed to result in published conclusions about systems or processes (e.g., the application of GRI's 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." (adapted from GRI 102: General Disclosures 2016).

Note that GRI's Review Services, such as its Materiality Disclosures Service, do not constitute assurance – see FAQ 18 for additional information.

2. Why do organizations choose to have their sustainability information assured?

Some organizations determine that the reporting of sustainability information may not be enough, and decision-makers desire further confidence in its reliability. Assurance can increase the confidence of decision-makers in the accuracy and reliability of the reported information.

It can also support organizations in:

- signaling to their stakeholders the importance the organization places on sustainability reporting,
- strengthening internal controls and reporting systems relating to sustainability reporting,
- raising awareness of the importance of sustainability information at Board and C-suite level, and
- driving better decision-making based on higher quality sustainability information.

3. Which organizations provide assurance services?

A variety of organizations provide assurance-related services on sustainability information, including Certified Public Accountant (CPA) firms, engineering firms and environmental consulting firms, all of whom use a range of frameworks, standards and methodologies to perform their assurance engagements. CPA firms provide assurance services in line with the [AICPA Statements on Standards for Attestation Engagements \(SSAEs\)](#) ("AICPA Attestation Standards"), which only CPAs are qualified to use (see [FAQ 6](#) for additional information).

4. Can an organization engage its financial statement auditor (CPA) to perform the assurance engagement?

Yes, financial statement auditors (CPAs in the US) can perform assurance engagements over sustainability reporting, and it is a permissible service such that a CPA firm conducting the financial statement audit can also perform sustainability assurance engagements for the same organization. In fact, the knowledge obtained from the financial statement audit may be beneficial in planning the sustainability assurance engagement and can help drive efficiencies in the sustainability assurance engagement. However, there is no requirement for an organization to use its financial statement auditor, and it can choose a different CPA firm as its sustainability assurance provider. If a different CPA firm is chosen, that firm would need to evaluate whether it is independent in accordance with the AICPA's Code of Professional Conduct.

5. Why is a CPA firm qualified to perform an assurance engagement over sustainability information reported in accordance with GRI standards?

Objectivity, credibility and integrity are qualities valued most in assurance providers. These core qualities, in addition to independence, professional skepticism, commitment to quality, education and experience requirements, along with specialized training, are what consistently guide the judgment and performance of assurance engagements by CPAs. These qualities are required by the AICPA professional standards and monitored for adherence through peer review inspections. CPAs are required to strictly adhere to accountancy laws and the AICPA Code of Professional Conduct. Furthermore, CPAs exhibit the following additional qualities:

- Understanding of the business (holistically across all organization functions), the industry, market forces and why certain sustainability metrics are important financially as well as from a risk perspective
- Expertise in evaluating and improving internal systems and processes for collecting, analyzing and reporting information
- An obligation to ensure that engagement teams have the appropriate competence and capabilities, including proven experience incorporating the necessary specialists (e.g., engineers) into assurance engagements to deliver seamless services — like the way this is done in audits of financial statements.
- Deep expertise in attestation techniques and procedures
- Obligation to protect the public interest

6. What are the potential differences between a CPA firm performing an assurance engagement in connection with sustainability information and another organization doing so?

In order to perform assurance engagements, a CPA firm must comply with the AICPA Quality Control Standards. The CPA is required to be independent of the organization it is providing the assurance engagement for and comply with all the relevant requirements in the AICPA Code of Professional Conduct and the AICPA Attestation Standards. These standards, together with the AICPA Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information) Guide, aim to provide a consistent framework for CPAs to plan and perform an engagement to obtain assurance on an organization's sustainability reporting. Importantly, application of these standards and guidance results in a report for users containing the CPA's opinion or conclusion that is clear and comparable across organizations.

7. What factors might an organization want to consider when selecting an assurance provider?

Organizations should seek to understand the skills and competencies of a potential assurance provider in relation to both performing assurance services on sustainability information and in any highly technical sustainability topics (e.g., GHG emissions) or the sector in which the organization operates. Assurance providers should be expected to provide evidence of assurance capabilities (such as expertise in controls, data, and process assurance), and technical expertise of the underlying information.

Other important factors to consider include an understanding of how the assurance provider maintains a system of quality control, including independence, their knowledge of the reporting framework used (e.g., GRI Standards) and how they keep up to date with evolving practices in sustainability reporting.

Assurance providers, in addition to providing an assurance conclusion or opinion on an organization's sustainability information, may provide recommendations on how to strengthen internal controls, data management processes, systems and procedures, in order to improve reporting and data quality and increase efficiency. Organizations should consider whether their assurance provider will provide them with such recommendations. In situations where improvements are needed, CPA assurance providers will provide recommendations for improvement.

8. What are the characteristics of GRI Standards that allow them to serve as a basis for suitable criteria and thus enable CPAs to perform assurance engagements?

All organizations who use the [GRI Standards](#) are required to comply with the Universal Standards; [GRI 101: Foundation 2016](#), [GRI 102: General Disclosures 2016](#) and [GRI 103: Management Approach 2016](#).

GRI 101 serves as a starting point for using the GRI Standards. It sets out the Reporting Principles which all reporting organizations are required to apply if they wish to claim their sustainability report has been prepared in accordance with the GRI Standards. The Reporting

Principles also provide the organization with a basis for determining its material topics that reflect the reporting organization’s significant economic, environmental, and social impacts or substantively influence the assessments and decisions of stakeholders.

The GRI Reporting Principles listed below share characteristics with the suitable criteria defined in the AICPA Attestation Standards: Objectivity, Measurability, Completeness and Relevance. GRI Standards can therefore be used as a basis for suitable criteria in an assurance engagement.

GRI Reporting Principles for defining report content (see “Reporting Principles” within GRI 101: Foundation 2016 for more detailed explanations of each of the below items)	GRI Reporting Principles for defining report quality (see “Reporting Principles” within GRI 101: Foundation 2016 for more detailed explanations of each of the below items)
Stakeholder Inclusiveness	Accuracy
Sustainability Context	Balance
Materiality	Clarity
Completeness	Comparability
	Reliability
	Timeliness

9. What is GRI’s position on obtaining assurance on sustainability reports?

In Disclosure 102-56 in GRI 102: General Disclosures, organizations are advised to use external assurance to increase the confidence of decision-makers in the accuracy and reliability of the reported information. This Disclosure requires an organization reporting in accordance with the GRI Standards to include information about the organization’s policy and current practice about seeking external assurance and to provide details if their sustainability reporting has been assured. While the use of external assurance for sustainability reporting is recommended by GRI, it is not required in order to make a claim that a report has been prepared in accordance with the GRI Standards.

10. Organizations choose to have assurance engagements performed over different subject matter e.g., some organizations choose to have assurance engagements performed over their entire GRI report, others only their GHG emissions information, and some selected disclosures and indicators within their sustainability report. How does an organization determine which subject matter will be subject to the assurance engagement?

In determining the information that will be subject to the assurance engagement, organizations may consider what the organization wants to achieve and the motivation for obtaining assurance, including understanding the intended users, their requirements, information expectations, and whether the sustainability information and the assurance provider’s report will meet the intended users’ needs.

Assurance can provide both intended users' and the organization with increased confidence in the quality of sustainability information, making it more likely that the data will be useful for decision making.

An organization may determine that the entire sustainability report will be subject to assurance, if the organization's objectives include increasing the confidence in how the organization has applied the GRI Reporting Principles which are fundamental to achieving high quality sustainability reporting. In addition, subjecting the entire sustainability report to assurance, may result in enhancing the organization's own processes, controls and governance with respect to sustainability.

It is important that the sustainability information presented, and the associated scope of the assurance engagement are not misleading (for example, the organization requests assurance only on the aspects of a sustainability program that have positive outcomes).

Any limitations on the reported information, and associated reasons, need to be clearly and transparently disclosed (for example, if the sustainability report does not address all relevant groups of users, does not include information for all countries in which the organization operates, or does not include all sustainability information and metrics of relevance and interest to users). If an organization narrows the scope of an engagement to purposefully avoid reporting certain information, the subject matter may not be considered appropriate, and an assurance practitioner may conclude that the subject matter is not likely to meet the information needs of intended users and may not be able to perform the assurance engagement.

11. What levels of assurance services do CPAs provide?

CPAs provide two levels of assurance services in accordance with AICPA Attestation Standards:

- Examination engagements - In an examination engagement, the CPA obtains reasonable assurance (a high but not absolute level of assurance) and expresses an opinion about whether the subject matter as measured or evaluated against the criteria is free from material misstatement, or
- Review engagements - In a review engagement, the CPA obtains limited assurance and expresses a conclusion about whether any material modifications should be made to the subject matter in order for it to be in accordance with the criteria. Review engagements consist of more limited procedures that result in a meaningful but lower level of assurance than examination engagements.

12. How do organizations decide what level of assurance is appropriate when using a CPA to perform a sustainability assurance engagement?

Determining the level of assurance is a choice based upon the extent of assurance an organization prefers, and how significant the sustainability information is to decision-makers (internal and external) who will use it. Organizations who present sustainability information alongside their financial information may want to obtain a reasonable level of assurance,

commensurate with the level provided for their financial reporting. There may also be legal and regulatory requirements that determine the level of assurance required over some or all of the sustainability information reported.

Another consideration that may be of relevance is a cost-benefit analysis of the different levels of assurance in conjunction with expectations of users of the sustainability information and their desired level of assurance. It is possible for different levels of assurance to be provided for different elements of the reported information or the systems or procedures used in producing that information.

13. Does reporting under the GRI Core option, the Comprehensive option or the ‘GRI-referenced’ claim option impact the level of assurance required?

No, the chosen option does not affect the level of assurance that can be provided. Organizations can report in accordance with two options when using the GRI Standards:

- i. GRI Core option – compliance with all requirements in GRI 101: Foundation 2016, specified disclosures in GRI 102: General Disclosures 2016, and all reporting requirements in GRI 103: Management Approach 2016. For each material topic covered by a topic-specific Standard, the organization reports on the Management Approach requirements and at least one topic-specific disclosure; or
- ii. GRI Comprehensive option – same as for Core, but all disclosures in GRI 102 are required to be reported, as are all Management Approach disclosures and topic-specific disclosures for each material topic covered by a topic-specific standard.

Organizations may also use selected GRI Standards or parts of their content and make a ‘GRI-referenced’ claim; however, making a GRI-referenced claim is not considered to be reporting in accordance with the GRI Standards.

The chosen option does not affect the level of assurance that can be provided.

For more information refer to [GRI 101: Foundation 2016](#), specifically:

- [Section 3. Making claims related to the use of the GRI Standards](#)
- [Table 1 Criteria for claiming a report has been prepared in accordance with the GRI Standards](#) for the requirements of reporting using the Core and Comprehensive options, and
- [Clause 3.3 Using selected Standards with a GRI-referenced claim](#)

14. Does the type of engagement performed by the CPA affect how the sustainability information is measured, collected and reported?

No. Entities who report sustainability information are responsible for the appropriate measurement, collection, and reporting of the information. The assurance provider gathers evidence to support the reasonable assurance opinion or limited assurance conclusion on the information. If the information is appropriate for limited assurance, it is also appropriate

for reasonable assurance. Conversely, if the sustainability information is not appropriate for reasonable assurance, then it is also not appropriate for limited assurance. Examples of situations where a CPA may not be able to perform the assurance engagement include where certain preconditions specified in the attestation standards, such as available evidence, have not been met.

15. Which organization representatives are typically involved in the decision-making process of engaging the assurance provider?

Given the importance of this information and its use by investors for investment decision-making, individuals at the highest level of governance (e.g., Board, C-suite (CFO), audit committee) in the organization, as well as those who are involved in preparing the sustainability information (e.g., sustainability department, internal audit), are typically involved in the decisions concerning the hiring of an assurance provider.

16. How does an organization prepare for an assurance engagement on its sustainability reporting?

An organization needs to have considered:

- the sustainability information it will report (through identifying its stakeholders and applying a materiality assessment) and the standards used to report that information and the use of internally developed metrics, if any
- how the sustainability information will be reported (e.g., stand-alone report posted on organization's website, an integrated report)
- the scope of the assurance engagement
- the level of service it is planning to obtain (i.e., examination or review)
- the related processes and internal controls that support the reporting of that information
- the responsibilities of management regarding the reported information (i.e., management's responsibility for measuring and evaluating the reported sustainability information in accordance with the GRI Standards)
- the extent of governance and board level involvement in the sustainability reporting process
- the access and evidence to be supplied to the assurance provider to support their work
- timeline and resources.

17. What role could internal audit play in improving the quality of the reported sustainability information?

If an organization has an internal audit function it can request it to perform procedures to assist the organization, for example, by identifying risks, monitoring and evaluating the effectiveness of controls, and verifying data as it is gathered for sustainability reporting purposes. Internal audit can provide feedback throughout the year and assist an organization in preparing for its external

assurance engagement. A strong internal audit function can reduce the risk of misstatements in the sustainability information, whether or not it is subject to external assurance.

18. How does an assurance engagement performed by a CPA differ from services that GRI offers such as its [Materiality Disclosures Service](#)?

In an examination engagement, the CPA expresses an opinion about whether the reported sustainability information as measured or evaluated against the GRI Standards is free from material misstatement. In a review engagement, the CPA expresses a conclusion about whether any material modifications should be made to the reported sustainability information in order for it to be in accordance with the GRI Standards.

GRI's [Materiality Disclosures Service](#), on the other hand, is designed to help organizations clearly present the materiality disclosures in their GRI content index. GRI services do not verify, check or pass judgment on the quality of the disclosures within a report nor the process of preparing the disclosures. That responsibility remains with the reporting organization. GRI's services are not an external assurance engagement, although are complementary.

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