

AA1000 APS & AS FAQs (August 2010)

Introduction

We have outlined below Frequently Asked Questions (FAQs) relating to the AA1000 APS (2008) and AA1000 AS (2008). These FAQs have been identified and based on issues raised directly with AccountAbility and our partners (e.g. corporateregister.com) as well as through our survey on the AA1000 APS (2008) and the AA1000 AS (2008) conducted in April 2010.

This initial set of FAQs has been reviewed by the AA1000 APS & AS Technical Committee. Where guidance already exists, we have provided signposts to this guidance.

These FAQs are intended to be used by assurance providers, and may also be informative for reporting organizations and report users. These FAQs aim to address questions relating to AA1000 APS (2008) and AA1000 AS (2008) standards and do not cover AA1000 SES (currently under revision). For details of AA1000 SES please visit (<http://www.accountability.org/aa1000ses>).

We will update these FAQs on a quarterly basis and welcome your input into this process. If you would like to submit a FAQ for consideration by the AA1000 APS & AS Technical Committee, please click on this [link](#).

Technical Questions

AccountAbility Principles

1. To what extent should stakeholders be involved in organizational decision-making?

AA1000 APS (2008) states that the stakeholder participation process should establish ways for stakeholders to be involved in decisions that will improve sustainability performance. This involvement can range from articulating views through stakeholder engagement processes that inform decision-making to more formal involvement in decision-making (e.g. existence of non-executive directors etc). The involvement of stakeholders in decision-making does not mean that stakeholders should make organizational decisions.

2. What criteria can be used to assess the material issues for a complex and multi-sector organization (e.g. identify the most important products or services)?

AccountAbility recognizes that identifying material issues for complex and multi-sector organizations will need to take account of varied operating environments and diverse businesses (each with different issues relating to operations, products and services). AccountAbility recommends that reporting organizations develop criteria to determine materiality in a systematic way that is defensible to stakeholders. As such, the criteria for determining material issues can be applied in a consistent way across the organization; however, the material issues identified may vary from one part of the organization to the next. AA1000 APS (2008) outlines criteria for the determination of material issues and additional guidance can be found in Redefining Materiality and the Materiality Report. (<http://accountability.org/publications.aspx?id=560>
<http://accountability.org/uploadedFiles/publications/Redefining%20Materiality%20-%20Full%20Report.pdf>)

<http://accountability.org/uploadedFiles/publications/AA1000APS%202008.pdf> Signpost to AA1000 APS (2008), Redefining Materiality, the Materiality Report)

3. Materiality is defined in both AA1000 AS (2008) and ISAE 3000, is it possible to use either of these definitions in conducting our assurance work and developing our conclusions?

Yes. In considering materiality, ISAE 3000 'requires the practitioner to understand and assess what factors might influence the decisions of the intended users'. Similarly, AA1000AS (2008) considers 'an issue, concern or impact material if it could influence the decisions and behaviour of stakeholders or the organization itself. The definition used by ISAE 3000 is more limited as it refers only to the intended users of a report, while the AA1000 definition applies to stakeholders more broadly. In whichever definition is applied, the determination of materiality needs to be systematic and defensible. The guidance for assurance providers discusses the definitions of materiality included in AA1000 AS (2008) and ISAE 3000. AccountAbility has also published two studies that look at the materiality determination process: Redefining Materiality, and The Materiality Report. These studies provide a benchmark against which processes for determining materiality may be evaluated.

http://accountability.org/uploadedFiles/publications/Guidance%20for%20AA1000AS_2008_%20Assurance%20Providers.pdf

<http://accountability.org/uploadedFiles/publications/Redefining%20Materiality%20-%20Full%20Report.pdf> Signpost to Guidance for AA1000 AS (2008) Assurance Providers section 4.2.1, *Redefining Materiality, the Materiality Report*)

4. What is the difference between the definitions of materiality in AA1000 AS (2008) and G3 Guidelines?

The principle of materiality is defined in different words in AA1000 AS (2008) and the G3 guidelines; however, the substance is not significantly different. The G3 guidelines definition of materiality is: 'The information in a report should cover topics and indicators that reflect the organization's significant economic, environmental, and social impacts or that would substantively influence the assessments and decisions of stakeholders'. Whereas the AA1000 AS (2008) defines a material issue as 'an issue that will influence the decision, actions and performance of an organization or its stakeholders.' The AA1000AS definition of materiality can be applied more broadly and is not restricted exclusively to apply to the information in a report.

5. To what extent should organizations include their responses to material issues in their public reports?

AA1000 APS (2008) requires that reporting organisations 'respond to stakeholder issues that affect its performance' and communicate their 'responses in a manner that meets the needs and expectations of its stakeholders so they can take informed decisions'. As such, reporting organizations are required to outline their responses to material issues in their public reports and / or provide a link / reference to their responses. The level of detail for each response should be sufficient to allow stakeholders to make informed decisions; often this will involve outlining the organization's response, rather than the detailed plans for implementing the response.

Accepting an engagement: Level of Assurance

6. Are the terms high level assurance and reasonable assurance compatible?

Yes. The terms high level and reasonable assurance are compatible. AA1000 AS (2008) defines high level assurance as: 'The assurance provider achieves high assurance where sufficient evidence has been obtained to support their statement such that the risk of their conclusion being in error is very low but not zero. High assurance will provide users with a high level of confidence in an organization's disclosures on the subject'. ISAE 3000 defines reasonable assurance as: 'The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive

form of expression of the practitioner's conclusion'. The guidance for assurance providers discusses levels of assurance included in AA1000 AS (2008) and ISAE 3000. (Signpost to Guidance for AA1000 AS (2008) Assurance Providers section 2.2)

7. What is the distinction between high and moderate levels of assurance?

High assurance is intended to provide report users with a high level of confidence in an organization's disclosures. For high level assurance, the assurance provider's aim is for reliability, and they need to obtain sufficient evidence such that the risk of their conclusion being in error is very low but not zero. For moderate level assurance the assurance provider's aim is for plausibility, and they need to provide sufficient evidence such that the risk of their conclusion being in error is reduced, but not reduced to very low.

High and moderate level of assurance differ in their objectives, evidence characteristics and on the extent of their conclusions.

(<http://accountability.org/uploadedFiles/Issues/AA1000AS%202008.pdf> Signpost to AA1000 AS (2008) section 3.1.3. p.11)

Conducting an engagement

8. For high-level assurance engagements, are assurance providers required to conduct external stakeholder interviews?

Although external stakeholder interviews are not a formal requirement for high-level assurance, they represent good practice and should be undertaken. Both the AA1000 AS (2008) standard and guidance note encourage good practice of conducting interviews with external stakeholders; however, it is the assurance provider's responsibility to determine the sufficiency and appropriateness of evidence.

(<http://accountability.org/uploadedFiles/Issues/AA1000AS%202008.pdf> Signpost to AA1000 AS (2008) and

http://accountability.org/uploadedFiles/publications/Guidance%20for%20AA1000AS_2008_%20Assurance%20Providers.pdf Guidance for AA1000 AS (2008) Assurance Providers section 4.2.1)

9. How does an assurance provider determine whether sufficient appropriate evidence has been obtained on which to base their conclusions?

Appropriateness relates to the quality of evidence (i.e. relevance and reliability) and sufficiency relates to the quantity of evidence. The assurance provider uses professional judgment and exercises professional scepticism in evaluating the quantity and quality of evidence to support the conclusions outlined in the assurance report.

(http://accountability.org/uploadedFiles/publications/Guidance%20for%20AA1000AS_2008_%20Assurance%20Providers.pdf Signpost to Guidance for Assurance Providers section 4.2.3)

Assurance Statement

10. If there were no limitations relating to an assurance engagement, is it still necessary to include a disclosure within the assurance statement on limitations?

No it is not necessary. However assurance providers may wish to include this information in their assurance statements if they so wish.

11. For assertion-based assurance, does the nature and extent of adherence to the principles need to be described in the assurance statement?

No. For assertion-based assurance, the reporting organisation states the nature and extent of adherence to the principles and the assurance provider provides a conclusion on the reliability of the reporting organisation's statements.

12. Does the assurance statement need to include recommendations and / or observations, even if these are normally included in the report to management?

Yes. AA1000 AS (2008) requires that recommendations and/or observations are included in the assurance statement. A more detailed set of recommendations and/or observations may be included in the report to management, but these should not be materially different from those included in the assurance statement.

13. Which recommendations should be included in the assurance statement?

The statement must include observations and/or recommendations in the most material areas. As noted in question 12, a more detailed set of observations and / or recommendations may be included in the report to management.

http://accountability.org/uploadedFiles/publications/Guidance%20for%20AA1000AS_2008_%20Assurance%20Providers.pdf Signpost to Guidance for AA1000 AS (2008) Assurance Providers section 4.3.1)

14. Does a statement indicating that the assurance work was conducted in accordance with the IFAC Code of Ethics comply with the AA1000 AS (2008) requirements for independence?

Yes. The IFAC Code of Ethics stipulates that assurance providers must comply with requirements relating to independence. A statement indicating that an engagement has been conducted in accordance with the IFAC Code of Ethics implies that the assurance provider has assessed and met these requirements. However, AccountAbility encourages assurance providers to provide an explanation of their independence within the body of the assurance statement.

Licensing Questions

Assurance providers who use AA1000AS (2008) are required to pay a licensing fee to AccountAbility for each commercial use of the standard.

15. What are the costs?

The license fee is £500 per commercial assurance engagement when the annual turnover of the assurance client is £2 million or more. If the annual turnover of the assurance client is less than £2 million, the fee is £200. AccountAbility will invoice the assurance provider unless it is otherwise mutually agreed that the reporting organisation will pay directly. Non-licensed statements are not noted as compliant to the AA1000AS (2008).

16. Who can use the AA1000AS (2008) licensed assurance provider Logo?

All assurance providers who have signed a licensing agreement. Licensed Assurance providers are listed on the AccountAbility website under the link:
<http://www.accountability.org/default2.aspx?id=4494>.

17. Where can I use the AA1000AS (2008) licensed assurance provider Logo?

The logo can then be used on any AA1000AS (2008) assurance statement that meets all the

BEIJING LONDON NEW YORK SAO PAULO WASHINGTON D.C.

requirements of AA1000AS (2008). It can also be used on promotional materials and letterhead of licensed providers in good standing.

18. What is the relationship between AccountAbility and Corporateregister.com?

AccountAbility has a partnership with Corporateregister.com, as creator and proprietor of the Corporateregister.com sustainability reporting and assurance database, to independently monitor the compliance of assurance statements with the 15 criteria outlined in AA1000 AS (2008).

19. How can the assurance provider be sure the statement meets the requirement of the standard?

There is a pre-check service available (for the assurance providers who have paid the license fee) to help ensure statements meet the requirements of the standard. If the statement does not meet the requirements the pre-check will let you know why so you may change it. The pre-check will be available by sending your statement to info@corporateregister.com. It will be checked and returned to the sender within 1 week. It is not necessary to use this pre-check service in order to use the logo and those who are confident their statements meet the requirements (perhaps after having had the first few checked) are able to use the logo without the check. For more details, see FAQ on the assurance statement review process below.

20. How can we get on the AA1000AS listing on www.CorporateRegister.com

All statements that: a. are licensed; and b. meet all the requirements for AA1000AS will be listed on www.CorporateRegister.com, no other statements will.

21. Who pays the license fee?

The fee is paid by the office conducting and signing off on the assurance engagement. If this is a local office within a multinational organization, the local office will pay the license fee, not the head office.

22. When do we pay the license fee?

The license fee becomes payable when the assurance report is published. AccountAbility will invoice licensed providers on a quarterly basis.

23. What happens if the assurance provider fails to pay the licensing fee?

If an unlicensed assurance provider publishes an AA1000AS (2008) Assurance Statement (either in print or in electronic/PDF format), they will be contacted and asked to sign the licensing agreement. If the assurance provider does not become licensed or does not pay its license fees, their clients will be contacted and informed that they are using an unlicensed provider.

24. Why is AccountAbility introducing a license fee?

There are two reasons for the introduction of a fee: a. to provide finance to continue developing and maintaining AA1000 standards and supporting materials; and b. through monitoring of reporting to provide the first step on the road towards increasing the quality and consistency of AA1000 assurance delivery.

25. What are the implications for non-licensed assurance providers referencing the AA1000 AS (2008) standard in their assurance statements?

An assurance provider must be licensed to use AA1000 AS (2008). AccountAbility and Corporateregister.com actively monitor non-licensed assurance providers using AA1000 AS (2008). Same as question 24, if an unlicensed assurance provider publishes an AA1000AS (2008) assurance statement they will be contacted and asked to sign the licensing agreement

retroactively. If the assurance provider does not become licensed or does not pay its license fees, AccountAbility will contact the reporting organization to inform them that they are using an unlicensed provider.

26. How regularly is the listing of licensed assurance providers updated?

The listing of currently licensed assurance providers appears at:
<http://www.accountability.org/default2.aspx?id=4494> More assurance providers are joining every month and this list is updated on a continuous basis, as and when new license agreements are signed.

27. If an assurance provider obtains a retroactive license and pays the royalties for an assurance statement, can the statement be included on the website listing of compliant assurance statements?

Yes. An assurance statement can be listed on the Corporateregister.com site if it complies with the 15 criteria detailed in AA1000 AS (2008) and the assurance provider has obtained a license. For more details, see FAQ on the assurance statement review process below. (Signpost to Corporateregister.com site <http://www.corporateregister.com/aa1000as/licensing/>)

28. What is the difference between a licensed assurance provider and CSAP?

AccountAbility, as creator and proprietor of AA1000 AS (2008), can grant licenses to an assurance provider wishing to use the AA1000 AS (2008) standard for its sustainability assurance services. The license agreement stipulates that assurance providers must comply with the requirements of AA1000 AS (2008), including those relating to competency. Within the License Agreement, there are mechanisms for quality control and the licensee is expected to 'cooperate with AccountAbility, in good faith, by providing information that AccountAbility may reasonably require in order to ascertain compliance with the AA1000 Assurance Standard (2008) requirements'. The CSAP qualification is available to assurance practitioners to develop, validate and communicate their competence in delivering AA1000 AS (2008) assurance engagements. CSAP certification is not currently a pre-requisite for licensing.

Monitoring assurance statement compliance

29. What criteria are used to assess assurance statements?

Each assurance statement is assessed against the 15 criteria outlined in the AA1000 AS (2008). Additional guidance on these criteria has been developed by AccountAbility and Corporateregister.com. The criteria are :

- intended users of the assurance statement;
- the responsibility of the reporting organization and of the assurance provider; assurance standard/s used, including reference to the AA1000AS (2008);
- description of the scope, including the Type of assurance provided;
- description of disclosures covered;
- description of methodology;
- any limitations;
- reference to criteria used;
- statement of level of assurance;
- findings and conclusions concerning adherence to the AccountAbility Principles of Inclusivity, Materiality and Responsiveness (in all instances);
- findings and conclusions concerning the reliability of specified performance
- information (for Type 2 assurance only);
- observations and/or recommendations;

- notes on competencies and independence of the assurance provider;
- name of the assurance provider, and
- date and place.

(Signpost to Corporateregister.com guidance for assurance statements
<http://www.corporateregister.com/aa1000as/licensing/>)

30. Does corporateregister.com assess the competency of assurance providers in their review of assurance statements?

No. Corporateregister.com assesses whether or not assurance statements include a description of the assurance provider's competency. It lists the assurance providers however does not assess their competency.

31. How will I know if my assurance statement is compliant?

Enhanced guidance on the 15 criteria has been developed by AccountAbility and Corporateregister.com for assurance providers. In addition, Corporateregister.com offers a pre-check service for licensed assurance providers.. (Signpost to Corporateregister.com guidance for assurance statements <http://www.corporateregister.com/aa1000as/licensing/>)

32. Are all reports and statements reviewed irrespective of the language in which they are published?

Yes. Corporateregister.com has the capability to review statements in all languages.

33. Is there an appeal process for statements assessed as non-compliant?

Yes. An informal appeal process exists whereby assurance providers can discuss compliance with assurance statement criteria directly with AccountAbility and Corporateregister.com.

36. What steps are involved in the assurance statement pre-check?

The process of the assurance statement pre-check evaluation is outlined below:

- Assurance Provider submits assurance statement to info@corporateregister.com pre-check.
- Corporateregister.com evaluates the statement against the 15 criteria included in AA1000 AS (2008).
- Corporateregister.com provides feedback to the assurance provider on statement compliance with the criteria.
- Assurance provider has the opportunity to discuss the evaluation with Corporateregister.com, appeal non-compliant evaluations and amend the statement prior to publication.

Published statements:

- Corporateregister.com monitors all published sustainability reports referencing AA1000 AS (2008).
- Corporateregister.com confirms that the assurance provider holds an AA1000 AS (2008) license and evaluates the statement against the 15 criteria included in AA1000 AS (2008).
- Corporateregister.com assesses statement as compliant or non-compliant and informs AccountAbility.
- Compliant assurance statements are listed on the Corporateregister.com website.

In cases of non-compliant statements, AccountAbility and Corporateregister.com contact the assurance provider to inform it that the statement is non-compliant. The assurance provider has an opportunity to discuss and appeal the evaluation directly with AccountAbility and Corporateregister.com. Non compliant statements are not included on the Corporateregister.com website.

37. Does Corporateregister.com also review template assurance statements as well as draft assurance statements? [NB. Template assurance statements are defined as 'generic' assurance statements that do not relate to a specific assurance engagement.]

No, Corporateregister.com does not review template statements. Corporateregister.com does provide a pre-check service for assurance statements that have been drafted for assurance engagements.

For any queries or comments please contact us at +44 (0)20 7549 0400 or email us at standards@accountability.org.