

**Assurance Aspects of G3 — The
Global Reporting Initiative's
2006 Draft Sustainability
Reporting Guidelines**



REQUEST FOR COMMENTS

The International Federation of Accountants (IFAC) has issued this consultation paper, *Assurance Aspects of G3 – The Global Reporting Initiative’s 2006 Draft Sustainability Reporting Guidelines*, for publication in February 2006.

Professional accountants and IFAC member bodies are requested to:

- (a) Respond directly to Global Reporting Initiative (GRI) with comments on the proposed Sustainability Reporting Guidelines (G3), which can be viewed at <http://www.grig3.org>.
- (b) Send a copy of their response to IFAC, along with any further comments that are considered relevant to IFAC’s consideration of assurance issues but not to GRI’s consideration of G3.

Comments are requested by **March 31, 2006**, and should be submitted to the GRI through its online submission form, which can be accessed at: <http://www.grig3.org>. Please send a copy of your comments by email to Michael Nugent, staff support to IFAC’s Sustainability Experts Advisory Panel, at michaelnugent@ifac.org.

Copies of this consultation paper may be downloaded free-of-charge from the IFAC website at <http://www.ifac.org>.

This consultation paper has been authored by Roger Simnett and Michael Nugent. Any opinions expressed herein do not necessarily represent the views of either the International Auditing and Assurance Standards Board or the IFAC Sustainability Experts Advisory Panel.

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Background

The Global Reporting Initiative has released the latest version of its Sustainability Reporting Guidelines (known as G3) for public comment. Individual accountants (whether in business or public practice), accounting firms, and IFAC member bodies are encouraged to play an active role in developing the Guidelines by reviewing G3 and providing comments to GRI by March 31, 2006. The draft G3 Guidelines are available at www.grig3.org.

GRI's mission is to make sustainability reporting as routine and comparable as financial reporting. It does this through the development and continuous improvement of a reporting framework that can be used by any organization to report on its economic, environmental, and social performance.

At the heart of the GRI reporting framework lie the Sustainability Reporting Guidelines. These Guidelines were released for the first time in 2000, and a second version was released at the World Summit for Sustainable Development in 2002. The 2002 Guidelines have steadily become the basis for reporting sustainability performance by many hundreds of organizations worldwide.

GRI is now updating and upgrading the 2002 Guidelines. The third generation of the Guidelines ("G3") is available in draft form at www.grig3.org for public comment until March 31, 2006.

The draft G3 Guidelines consist of:

- Principles for defining report content (e.g., completeness, relevance and materiality, and sustainability context) and for ensuring the quality of reported information (balance, comparability and assurability);
- Standard disclosures, including
 - Disclosure items such as strategy, governance, and management approach that provide a context for understanding organizational performance; and
 - Specific indicators of economic, environmental, and social performance; and
- Guidance on technical issues, such as setting the report boundary, and determining the frequency and medium of reporting.

Professional accountants are well placed by virtue of their training and experience with financial reporting processes, and with the use and analysis of business information generally, to help GRI achieve its mission by providing comments on G3. Through IFAC's Sustainability Experts Advisory Panel, accountants from a range of member bodies joined working groups that have been assisting GRI in drafting G3, but now is the time for a broader cross section of the accounting community to become involved.

How to Comment

Professional accountants and IFAC member bodies are requested to:

- (a) Respond directly to Global Reporting Initiative (GRI) with comments on the proposed Sustainability Reporting Guidelines (G3), which can be viewed at <http://www.grig3.org>. In doing so, professional accountants are asked to:
 - Consider the issues raised in this consultation paper, but not necessarily limit their comments on assurance aspects to these issues; and
 - Include comments relevant to the perspective of professional accountants as preparers and users of sustainability reports in addition to assurance issues.
- (b) Send a copy of their GRI response to IFAC, along with any further comments that are considered relevant to IFAC's consideration of assurance issues but not to GRI's consideration of G3. This will assist IFAC in understanding professional accountants' views. Depending on such things as the significance of issues raised in comments received and the level of consensus on those issues, this process may also lead to:
 - A possible IFAC response to GRI on G3;
 - A further consultation paper or other project on sustainability in a broader context than G3; and/or
 - Revisions to the Framework and the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, in due course (in this context, additional comments on the application of the Framework and ISAE 3000 to sustainability reports would be most welcome).

All comments to GRI must be on the web-based form available from <http://www.grig3.org> and submitted by March 31, 2006. To send a copy of your comments to IFAC: click "Print" on the last page of the form when your comments are complete; the content of your submission will appear – save a copy of this page and e-mail it to IFAC; click the "back" button on your browser; click "Submit." General comments on assurance issues may be put at Question D21 in the space titled "Auditable or assurable."

The addresses to which comments for IFAC should be sent are set out on the inside cover.

Introduction and Acknowledgements

A recent survey of sustainability assurance shows that accounting firms prepare more than half of assurance reports on sustainability reports¹. In recognition of the increasing demand for assurance reports about non-financial information, the International Accounting and Auditing Standards Board (IAASB) released its revised International Framework for Assurance Engagements, and International Standard for Assurance Engagements (ISAE) 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”² in early 2004.

The Framework describes the purpose and elements of an assurance engagement, and provides a frame of reference for professional accountants and others involved with assurance engagements, such as those engaging a professional accountant and the intended users of an assurance report. The Framework distinguishes two types of assurance engagement: (a) a “reasonable assurance” engagement, which is similar to a financial statement audit and results in a positive expression of conclusion, e.g., “In our opinion, XYZ’s sustainability report is presented fairly in accordance with the 2006 GRI Guidelines”; and (b) a “limited assurance” engagement, which is similar to a financial statement review and results in a negative expression of conclusion, e.g., “Based on the procedures described in our report, nothing has come to our attention that causes us to believe XYZ’s sustainability report is not presented fairly in accordance with the 2006 GRI Guidelines”³. ISAE 3000 establishes basic principles and essential procedures for both types of assurance engagement.

Since release of the Framework and ISAE 3000, the IAASB has monitored the development of broader assurance services, and in particular initiated IFAC’s Sustainability Experts Advisory Panel (SEAP) to advise it on sustainability assurance issues. A primary activity of SEAP has been to monitor and contribute to the development of G3 (the Global Reporting Initiative’s Draft Sustainability Reporting Guidelines⁴). This Consultation Paper is an extension of that activity.

The purpose of this Consultation Paper is to:

- Stimulate interest in G3 amongst professional accountants.
- Encourage professional accountants to respond directly to GRI on G3.
- Encourage professional accountants to consider whether G3 would be acceptable as “suitable criteria” for an assurance engagement; and
- Provide the IAASB with feedback on aspects of ISAE 3000’s application to sustainability assurance.

¹ “KPMG International Survey of Corporate Responsibility Reporting 2005” available for free download at <http://www.kpmg.com/news/index.asp?cid=1040>. See also CPA Australia’s “An Investigation of TBL Report Assurance Statements: International Evidence” available on request from tbl@cpaaustralia.com.au.

² Available for free download at <http://www.ifac.org/Store/>

³ The Framework also provides for professional accountants to express different levels of assurance (i.e. either reasonable assurance or limited assurance) on different elements of a sustainability report within the one assurance engagement.

⁴ Available for free download at <http://www.grig3.org/>

ASSURANCE ASPECTS OF G3 — THE GLOBAL REPORTING INITIATIVE'S
2006 DRAFT SUSTAINABILITY REPORTING GUIDELINES

This Consultation Paper is primarily aimed at professional accountants who have some familiarity with sustainability reporting, and assumes a reasonable knowledge of G3, the Framework, and ISAE 3000⁵. As described more fully above (under How to Comment), readers are requested to respond directly to the Global Reporting Initiative on G3, and to send a copy of their response plus any further comments to IFAC.

Appendix A to this Consultation Paper includes references to a number of additional resources that respondents may find of assistance when preparing comments on G3.

The authors would like to thank the following individuals for their time and effort in contributing their ideas on a draft of this document:

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Susan Todd, Solstice Sustainability Works Inc., Canada

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⁵ It also approaches sustainability assurance engagements from the point of view of an assertion-based engagement rather than a direct reporting engagement (Framework paragraph 10).

Discussion of Issues

1. G3 Discussion of Assurance

G3 primarily mentions assurance in 3 places:

- (a) Disclosure Item 3.15 (page 14), which asks for disclosure of:

Policy and current practice with regard to seeking independent assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any independent assurance provided as well as nature of the relationship with the assurance provider.

Discussion:

Many of the readers of sustainability reports and accompanying assurance reports are likely to be unfamiliar with the role and purpose of assurance in the sense used/understood by professional accountants. Is the provision of the information noted above adequate to prevent such readers over-relying on the assurance report or otherwise misunderstanding the nature, level and quality of the assurance obtained? Are other mechanisms needed to protect the interests of such readers, e.g., prescription of particular standards?

If an assurance or related service (e.g., agreed-upon procedures) engagement has been undertaken, but the resulting report is not attached to the sustainability report because its use is restricted to management: (a) is it appropriate for it to be referred to by the organisation; and (b) should the organisation be considered to have met the G3 recommendation of using independent assurance?

Where an independent assurance report is published with the sustainability report, is it appropriate for the organisation to explain the “scope and basis” of that assurance, or should such information be included in the assurance report itself?

Regardless of whether such information is provided by the organisation or is included in the assurance report, is the phrase “scope and basis” sufficiently descriptive to ensure a report’s intended readers can discern the nature, level and quality of assurance obtained, or should specific disclosures be required, e.g. some or all of the elements of an assurance report noted in ISAE 3000.49, which include:

- The addressee of the assurance report and any restriction on the use of the assurance report.
- The criteria, particularly where they include any extension or restriction of G3.
- The relative responsibilities of the reporting organisation and of the assurance practitioner.
- The standards in accordance with which the assurance engagement was performed.
- A summary of the work performed.
- The practitioner’s conclusion(s) including the level of assurance attaching thereto.

- (b) The section on “Guidelines use and report compilation” (page 24), which notes:

Organizations seek to add credibility to their reports through a variety of approaches, which involve internal and external resources. The use of independent, external assurance for sustainability reports is recommended. The use of internal audit processes is also important for supporting the management of information and the preparation of a sustainability report. The term assurance is widely used, but can be understood by different groups in varying ways. The use here is intended to refer to activities undertaken by independent, impartial, and competent parties to provide opinions about a sustainability report.

It also notes that: “Supporting resources to help explain issues and options associated with assurance will be developed as part of the ongoing G3 work,” and asks “What further resources would be most useful, including key questions and topics to address?”

Discussion:

- (i) Do you agree with the recommendation to use independent, external assurance? Should it be supported by guidance regarding the minimum scope and level of assurance? Should the same level of assurance pertain to the sustainability report as a whole, or is it appropriate, on the grounds of cost versus benefit, to distinguish between different classes of information? If you consider it appropriate to distinguish between different classes of information, should there be a “standard” breakdown of information and associated assurance levels, such as:
- “Reasonable assurance” regarding the reliability of performance indicators;
 - “Limited assurance” regarding the reliability of other disclosures required by the Guidelines, and the completeness of issues and indicators covered by the report; and
 - No assurance regarding the effectiveness of management systems and the reliability of future oriented information that is reliant on the organisation’s intentions, expectations and assumptions about uncertain future events.
- (ii) Should further resources be provided by GRI in the form of objective information that helps reporting organisations and report readers to distinguish between different assurance processes and providers, and understand the differences in the nature, level and quality of the resulting assurance? For example:
- There are various ways to categorise assurance services. Would an explanation of categories such as the following, which are not mutually exclusive, be helpful?
 - Some assurance service providers (e.g. professional accountants) use professional engagement standards developed through a rigorous, independent and transparent due process, whereas others (e.g. some individuals whose primary expertise is in sustainability rather than assurance) rely on individual judgement alone to determine the nature, timing and extent of procedures and the content of the assurance report.

- Some assurance reports are provided by individuals/firms who are professional assurance service providers. This can be contrasted with such mechanisms as stakeholder panels and NGO reviews, which are sometimes referred to as assurance.
- In some cases, the professional judgements made by the assurance service provider are based on explicit criteria, i.e. a particular frame of reference used for the preparation of the sustainability report (which leads to conclusions like: “in my opinion, the sustainability report is a balanced and reasonable representation of the entity’s sustainability performance in accordance with the GRI Guidelines”). In other cases, the assurance service provider’s professional judgements are based on their own expectations, judgments and individual experience alone (which leads to conclusions like: “in my opinion, the sustainability report is a balanced and reasonable representation of the entity’s sustainability performance”).
- The level of assurance can vary. As noted in the Introduction to this Paper, assurance reports prepared by professional accountants are at either a level similar to a financial statement audit (“reasonable assurance”) or a financial statement review (“limited assurance”).
- In some cases, an expert’s assessment of how well an organisation has performed is labeled assurance. Should this be distinguished from assurance about information reported by an organisation, which enhances the credibility of that information as a basis for readers to make their own assessment of the organisation’s performance?
- Should G3 discuss the characteristics of firms/individuals that are relevant to assessing the nature, level and quality of assurance they provide? While it may not be appropriate to disclose such information in either the sustainability report or the assurance report, it could be helpful to organisations in selecting an assurance service provider. For example, what are the provider’s professional obligations to:
 - Disclose any departures from the professional engagement standards that they follow.
 - Comply with quality control standards.
 - Comply with a code of ethical conduct (including specific independence requirements).
 - Be subject to peer review and other profession-wide quality control procedures.
 - Participate in continuing professional development.
 - Have an adequate level of professional indemnity insurance.
 - Subject themselves to investigation and disciplinary procedures should the need arise.

- Ensure the skills, knowledge and experience of the engagement team are adequate for the engagement. Sustainability assurance requires a multi-disciplinary approach with specialists in both sustainability issues and assurance.

Also, should “internal audit,” which is mentioned in the quoted text above, be more clearly distinguished from independent, external assurance?

- Would an objective comparison of performance standards commonly used by sustainability assurance practitioners (i.e. ISAE 3000 and AA 1000 AS) be helpful?
- Would a discussion of the costs and benefit of sustainability assurance, the relative responsibilities of the reporting organisation and of the assurance practitioner, and the limitations of assurance be helpful? For example, the publication “Benefits of Sustainability Assurance” by the European Federation of Accountants (FEE)⁶ includes a discussion of such matters.

- (c) The principle of “assurability” (page 12), in the context of ensuring the quality of reported information, which has obvious relevance for assurance.

Discussion:

- Is the term “assurability” appropriate, or would another term be better?
- Are the G3’s definition, explanation and tests for assurability appropriate?
- What improvements could be suggested? For example,
 - Should the concept of “internal control” be mentioned and explained?
 - Should the relationship of assurability with other principles that G3 identifies as having an affect on the quality of reported information, such as comparability and accuracy, be elaborated upon?
 - Are there further references that should be made, e.g., to the treatment of “subsequent events,” the need for adequate management representations, or the consistency of information in the sustainability report with other information published by the organisation, such as management commentary accompanying financial statements?
 - Should concepts such as “representational faithfulness” and “substance over form” be included in the principles and guidance that describe the quality of information reported under the G3?
- Which improvements, if any, are necessary before G3 is finalised, and which could be produced at a later date as supporting guidance?

⁶ Available for free download at http://www.fee.be/publications/default.asp?library_ref=4&content_ref=265

2. Suitable Criteria

Suitable criteria exhibit the following characteristics (extracted from paragraph 36 of the International Framework for Assurance Engagements). Do you consider the Guidelines, if issued in their current form, together with the accompanying technical protocols would be suitable as criteria for an assurance engagement? If not, what specific changes do you think would be required?

- (a) *Relevance: relevant criteria contribute to conclusions that assist decision-making by the intended users.*
- Does the multistakeholder process employed by GRI in developing the Guidelines ensure that they are relevant? Are there any situations where the Guidelines would not be relevant?
- (b) *Completeness: criteria are sufficiently complete when relevant factors that could affect the conclusions in the context of the engagement circumstances are not omitted. Complete criteria include, where relevant, benchmarks for presentation and disclosure.*
- A sustainability report prepared in accordance with G3 includes:
 - (i) “Standard Disclosures” comprising: (a) required “Disclosure Items”, and (b) “Disclosures on Management Approach and Performance Indicators.” Indicators may be “core” or “additional,” and each indicator is supported by a technical protocol that provides basic guidance on interpreting and compiling information for the indicator (described in Part II of the Guidelines); and
 - (ii) Other information in accordance with the principles and guidance for determining report content (described in Part I of the Guidelines).

G3 also provides principles for ensuring report quality, and other guidance.

Is this configuration sufficiently complete, and is each of its components (disclosure items, disclosures on management approach, core and additional indicators, technical protocols, principles, and other guidance) sufficiently complete? Potentially incomplete criteria could be supplemented by:

- Further information disclosed by the entity, e.g. descriptions of measurement methods for calculating organisation-specific indicators, and/or
- Other sources available to readers of the report, e.g. ILO conventions.

The more supplementation that is needed, the more likely it is that G3 would not gain universal acceptance as being sufficiently complete.

If you think the Guidelines may not be complete, could they nonetheless be used as criteria for an assurance engagement that is restricted in scope to reporting on, e.g., “disclosure items and performance indicators specifically identified in the GRI Guidelines”?

- G3 allows an organisation to not report on core indicators if they are demonstrated not to be material on the basis of the GRI reporting principles. Do these circumstances for omitting core indicators impair the suitability of G3 in terms of completeness?

- The explanatory document “Everything you need to know about the DRAFT G3 Guidelines – past present, and future,” notes at page 14 that “there are no reporting or disclosure expectations” associated with the tests attached to each of the Principles. Are there any disclosures implied by the tests, or explanations of the principles that are not included as Standard Disclosures and may therefore be overlooked by preparers?
- (c) *Reliability: reliable criteria allow reasonably consistent evaluation or measurement of the subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by similarly qualified practitioners.*
- Is each of the components of G3 (disclosure items, disclosures on management approach, core and additional indicators, technical protocols, principles, and other guidance) sufficiently robust for it to be considered reliable? For example, is the wording of each component sufficiently precise/detailed to limit individual interpretation to that which is reasonable?
 - Much of the information in a sustainability report prepared in accordance with G3 will be qualitative, e.g., descriptions of policies, processes, risks, opportunities and approaches, and some will be future oriented. Does G3 provide enough guidance to ensure disclosure of such information will be reasonably consistent across all reporting organisations confronted by similar circumstances?
 - A number of choices or alternatives are offered in G3, for example:
 - Variations in reporting boundary “based on the specific issue or type of information being reported” (page 9).
 - Restating current disclosures “whenever practicable” when changes in boundary, scope, length of the reporting period or content occur (page 11).
 - Determining the “level of aggregation at which to present information” (page 24).
 - Non-disclosure of information because of “practical challenges such as the availability of data, the cost of gathering it, the confidentiality of information, privacy or other legal concerns, the reliability of the available information, and other factors”.
 - Inclusion of some disclosures “in other reports - such as the financial report or previous sustainability reports” (page 26).

Are the choices/alternatives offered reasonable, and should they be explicitly regulated under a “catchall” requirement aimed at ensuring the sustainability report adequately communicates the organisation’s sustainability performance? Is sufficient guidance offered for disclosure of choices made, period-to-period variations in choices made, and for determining which choices are appropriate in particular situations etc?

In practice, some organisations will use measurement techniques that differ from those included in technical protocols. Assuming the techniques used are properly disclosed, is it still appropriate to cite the Guidelines as criteria?

- (d) *Neutrality: neutral criteria contribute to conclusions that are free from bias.*
- Is G3 sufficiently neutral? That is, do the components of G3 (disclosure items, disclosures on management approach, core and additional indicators, technical protocols, principles, and other guidance) limit the extent to which preparers can introduce undue bias into the preparation of a sustainability report that a professional accountant could still conclude is in accordance with G3?
- (e) *Understandability: understandable criteria contribute to conclusions that are clear, comprehensive, and not subject to significantly different interpretations.”*
- Is each of the components of G3 (disclosure items, disclosures on management approach, core and additional indicators, technical protocols, principles, and other guidance) understandable, e.g. is their drafting sufficiently clear?

3. Stakeholder Engagement

Stakeholder engagement is discussed under G3's Inclusivity principle (pages 6-7), and is the subject of a number of required Disclosure Items (3.10-3.11, and 4.14-4.17).

- Does the discussion in the Inclusivity principle make sufficiently clear (a) the nature, timing and extent of stakeholder engagement required by G3, and (b) how the entity should use the outcome of the stakeholder engagement process?
- How does stakeholder engagement affect the suitability of G3 as criteria, particularly with respect to completeness? For example, is it expected that a large proportion of the indicators and other information to be included in a sustainability report will be beyond that required by the G3 Standard Disclosures (which may reduce the extent to which G3 are regarded as complete criteria, and weaken the link between the report content and G3 as the criteria). Alternatively, is stakeholder engagement more of a final check on completeness and fair presentation, similar to how “true and fair” is used in many jurisdictions as a final check on financial statements prepared in accordance with Accounting Standards?
- How does stakeholder engagement affect the evidence the assurance service provider needs to gather to be in a position to conclude on the sustainability report? For example, there are various options for the professional accountant's involvement with the stakeholder engagement process. The professional accountant could:
 - Engage directly with the entity's stakeholders,
 - Participate in stakeholder engagement undertaken by the entity or others on the entity's behalf,
 - Observe stakeholder engagement without participating, or
 - Obtain evidence from other sources, e.g. documentation and inquiry.

Which option(s) do you consider most appropriate? Do you consider any to be inappropriate? Are there other appropriate options a professional accountant should consider?

4. Relevance and Materiality, and other Principles

- (a) Relevance and materiality are particularly important concepts to the preparation of a sustainability report, and to both the planning of an assurance engagement and reporting conclusions reached.
- Does G3's discussion of relevance and materiality (pages 7-8) adequately facilitate application of ISAE 3000's requirement for the auditor to consider materiality when planning and performing an assurance engagement (ISAE 3000.22)? For example, are the definition and explanation of relevance and materiality consistent with the accounting concept of materiality as a threshold: "Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."⁷
 - The explanatory document "Everything you need to know about the DRAFT G3 Guidelines – past present, and future," notes at page 14 "The working groups debated at length what the definition of relevance and materiality should be. Do you think it should be defined in terms of the organization's sustainability impact OR in terms of information that would influence the decisions of an organization's stakeholders?" How do these different views affect the assurance function, and are they necessarily mutually exclusive? For example, the FEE Paper "Towards a Generally Accepted Framework for Environmental Reporting"⁸ appears to contemplate elements of both – while it notes that "to be useful, information must be relevant to the decision-making needs of usergroups" it goes on to say that "the most relevant information is likely to be useful for attention-directing, knowledge-building and opinion-forming rather than clear decision-making".
- (b) With respect to the other principles included in Part 1:
- Are the definition, explanation and tests for each appropriate from an assurance perspective, e.g.: is it appropriate to identify inclusivity as a separate principle, or is it merely a step towards achieving relevance?
 - Is the distinction between principles for defining report content and principles for ensuring the quality of reported information appropriate, and what, if anything, is the affect of this distinction on the process of obtaining assurance?

⁷ "Framework for the Preparation and Presentation of Financial Statements," The International Accounting Standards Board, 2001. For a free summary, see http://www.iasb.org/uploaded_files/documents/8_63_fw-sum.pdf

⁸ Available for free download at http://www.fee.be/search/default_view.asp?content_ref=284

Other Activities of the Accounting Profession Regarding Sustainability

The accounting profession has been, and continues to be, involved in a range of activities regarding sustainability reports that respondents may find of assistance when preparing comments on G3. Activities include the following⁹.

IFAC itself has recently published an [International Guidance Document: Environmental Management Accounting](#) authored for IFAC by Division of Sustainable Development of the United Nations Department of Economic and Social Affairs ([UNDESA / DSD](#)).

The [Professional Accountants in Business \(PAIB\) Committee](#) of IFAC develops publications, including “good practice guidance”, for accountants working in business as well as the public / not for profit sectors. The PAIB Committee will shortly launch a three-year sustainability work plan covering education and awareness building, the development of good practice guidance, research and liaison/partnership activities.

The International Education Standards (IES) issued by IFAC’s [International Accounting Education Board](#) now address sustainability issues. [IES 2](#) prescribes the accounting and finance knowledge, plus business knowledge required of professional accountants, and now includes "the use of non-financial performance measures in business" and "an understanding of environmental issues and sustainable development." Some national accounting bodies have gone further and introduced more precise requirements identifying issues such as environmental accounting and sustainability assurance. The European Federation of Accountants ([FEE](#)) has recently conducted a survey amongst its members of environmental / sustainability issues in the curriculum.

IFAC member bodies in Germany ([IdW](#)), the Netherlands ([Royal NIVRA](#)), Sweden ([FAR](#)) and France ([CNCC](#)) have developed, or are in the process of developing, standards or guidance for sustainability assurance, and in Japan, [JICPA](#) has released a research paper about assurance on environmental reports.

The International Accounting Standards Board ([IASB](#)) has a research project that is examining the benefits of issuing a new standard or guidance for the disclosure of a “[Management Commentary](#)” to accompany financial statements. The [Discussion Paper](#) suggests ways that public disclosure of sustainability risks and drivers, to the extent they are relevant to investors’ information needs, could be improved.

[FEE](#) has produced a number of publications and studies on various sustainability related topics, including [sustainability assurance](#), [green house gases](#) and [emissions trading](#), and the [supply chain](#).

⁹ Based on "[Industry as a partner for sustainable development – Report Card of the sector: ACCOUNTING](#)" prepared by IFAC and ACCA for the United Nations Environment Program.

The Association of Chartered Certified Accountants ([ACCA](#)) has also published numerous discussion papers and research reports, including “[The Big Picture – how the environment influences corporate profit](#),” and runs a sustainability reporting award scheme in many countries.

CPA Australia ([CPAA](#)) maintains a [database of sustainability assurance reports](#) and, in conjunction with the University of Sydney, has recently announced a major project to improve the effectiveness of internal mechanisms for [gathering data for inclusion in sustainability reports](#).

A [joint project](#) of the American Institute of Certified Public Accountants ([AICPA](#)) and the Canadian Institute of Chartered Accountants ([CICA](#)) developed guidance on [assurance regarding emissions information](#).

The Institute of Chartered Accountants in England and Wales ([ICAEW](#)) published a study “[Sustainability: The Role of Accountants](#)” as part of its “[Information for Better Markets](#)” project.

Certified General Accountants (CGA) Canada has launched a major study of the [sustainability reporting experience in Canada](#), and the Canadian Performance Reporting Board of the [CICA](#) has issued a Discussion Brief on [MD&A disclosure about the financial impact of climate change and other environmental issues](#).

Accounting firms are also undertaking significant initiatives that establish them as key players in sustainability related services, including the triennial [KPMG International Survey of Corporate Responsibility Reporting](#), published most recently in 2005, the [Deloitte Sustainability Reporting Scorecard](#), and [PwC's Sustainability Yearbook](#). In 2002 [Ernst & Young](#) published a survey on [Corporate Social Responsibility](#) within global companies and continues do national level surveys.

Appendix B

Members Of IFAC's Sustainability Experts Advisory Panel

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