

STANDARD FOR ASSURANCE ENGAGEMENTS 3410 – EXPOSURE DRAFT

ASSURANCE ENGAGEMENTS RELATING TO SUSTAINABILITY REPORTS

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Readers are kindly invited to send their comments **before 31 July 2005** to:

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ASSURANCE ENGAGEMENTS RELATING TO SUSTAINABILITY REPORTS

Introduction

- 1 The purpose of this Standard is to establish specific basic principles and essential procedures for, and to provide guidance for the performance of, an assurance engagement relating to a sustainability report. This engagement can be performed on two levels, namely audit and review. Definitions of these two levels are provided in paragraph 7¹. This Standard is based partly on the Standard for Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”, the General Framework for Assurance Engagements and the Standard for Assurance Engagements 3010 “Practitioners Working With Subject Matter Experts From Other Disciplines on Non-financial Assurance Engagements.” The general principles formulated in other Standards also apply to this Standard 3410. Without being exhaustive, these include the general principles set out in RAC 210 “Engagement conditions”, RAC 220 “Quality management” and RAC 230 “Documentation”.
- 2 If an assurance report is prepared by internal auditors, the provisions in accordance with paragraph 1A of the Standard for Assurance Engagements 3000 apply to them. These provisions are derived from the Dutch Code of Professional Conduct for Accountants (*Gedrags- en Beroepsregels voor Accountants, or GBA*). In that case, the lack of independence must be disclosed in the text of the assurance report³.
- 3 The approach described in this Standard has parallels with the approach to the audit of financial statements. There are, however, important differences which, to a great extent, determine the content of this Standard:
 - a A sustainability report is not comparable with financial statements as a subject matter for an assurance engagement. For further details, see paragraphs 8 to 10.
 - b A sustainability report is aimed at a wider group of stakeholders than financial statements, with more differentiated intended uses. For further details, see in particular paragraphs 9 and 10.
 - c Reporting criteria for a sustainability report are not as clearly defined and authoritative. See in particular paragraph 9 and paragraphs 46 to 50.
 - d There is no statutory audit.

¹ For the use of the terms ‘audit’ and ‘review’, see also footnote 3.

³ Paragraph 1A of the Standard for Assurance Engagements 3000 reads as follows: “In the Netherlands, all practitioners acting as professional accountants within the meaning of the GBA are subject to the Standard for Assurance Engagements 3000). However, assurance reports to be made available to the general public may be issued only by professional accountants in public practice. Other professional accountants, who do not act as professional accountants in public practice, such as internal auditors and government auditors, are subject to specific provisions contained in the GBA for that particular group of accountants.”

- 4 Compared with an audit or review of financial statements, the provisions of paragraph 3 lead to the following characteristics of an audit and/or review of a sustainability report:
- a Because the engagement must always be performed with adequate expertise, in the case of assurance engagements relating to sustainability reports, practitioners usually work alongside experts from other disciplines (experts), whether or not in a form of joint responsibility (see paragraphs 51 to 70).
 - b Subjective factors of the reporting organization (including the application of the term materiality in relation to the targeted groups of stakeholders), and consequently the professional judgment of the practitioner (team), play a wider role.
 - c It may be economically viable to omit certain elements from the scope of the engagement, for example, elements which could only be audited at great expense (see paragraph 18).
 - d Targeted groups of stakeholders may not require the same level of desired assurance in relation to all the information in the sustainability report.
 - e The engagement has greater technical and economic limitations, which need to be clearly explained to avoid an expectation gap.
 - f The risk approach as part of planning and performing the engagement is still important, but is implemented slightly differently. Examples include:
 - * a sharper focus on the interests of the various targeted groups of stakeholders and their opinions on the concept of materiality;
 - * fewer opportunities to rely on internal controls (systems approach) and consequently greater emphasis on substantive procedures;
 - g The wording of the assurance report cannot be standardized into uniform texts, at least not for the time being.
- 5 The differences referred to in paragraph 4 determine the rest of this Standard. They also determine the added value of this type of assurance engagement. It is important to state here that there are many reporting criteria or standards for sustainability reports, such as the 'Sustainability Reporting Guidelines' of the Global Reporting Initiative (GRI), which advocate the provision of assurance.
- 6 This Standard does not provide guidance for assurance engagements in relation to:
- compliance with laws, rules and codes of conduct regarding the sustainability report; or
 - the quality of internal control systems in respect of issues raised in the sustainability report.

Although both aspects are always included in an assurance report relating to the sustainability report (insofar as they are relevant for reporting purposes), for a full audit (or review) of the aforementioned aspects, separate assurance engagements are required involving more in-depth and different work than intended in this Standard.

Definitions

7 The following definitions apply in this Standard:

Practitioner: the responsible practitioner and the team members working with him/her from the accountancy discipline, who together have the required specialist knowledge, experience and skills to perform an assurance engagement relating to sustainability reports.

Explanatory note: Formally, this definition differs slightly from the definition of ‘Practitioner’ given in the glossary of terms listed in RAC volume, 2002 edition (where the term ‘auditor’ is used). That definition is as follows: ‘The auditor is the person with final responsibility for the audit. This term is also used to refer to an audit firm’. In this Standard for Assurance Engagements 3410 Exposure Draft (and also in the Standard for Assurance Engagements 3010 Exposure Draft), a slightly different definition is used. Because multidisciplinary cooperation is one of the important issues in this Standard, where necessary, it should be easy to make a distinction between the accountancy discipline of the practitioner and the discipline of an expert. In addition, the definition in this Standard raises the necessity of specialization within the accountancy discipline in terms of performing this type of non-financial assurance engagement.

Team: the team consisting of a practitioner and the experts working with him/her. More than one model is available for the type of cooperation.

Explanatory note: In practice, when practitioners perform an assurance engagement relating to sustainability reports, they usually work together with experts. In many paragraphs of this Standard, it is not relevant to distinguish between the practitioner and the expert. In such cases, the term ‘the practitioner (the team)’ is used. The possible forms of cooperation between the disciplines are set out, in principle, in the Standard for Assurance Engagements 3010 Exposure Draft. The actual details for assurance engagements relating to sustainability reports are dealt with in paragraphs 51-70 of this Standard.

Sustainability report: a report in which a reporting organization provides information to relevant targeted groups of stakeholders and accounts for the economic, environmental and social aspects of the organization and the effects of its business activities on society. The sustainability report consequently offers a platform for dialogue between the organization and its stakeholders.

Expert: a professional from a discipline other than accountancy, who through education and experience has gained specialized subject matter knowledge of the subjects covered by a sustainability report, such as experts in the field of the environment and/or social aspects of the business activities.

Audit of a sustainability report⁴: the performance of an assurance engagement aimed at obtaining a reasonable level of assurance, in accordance with the provisions of this Standard. This engagement leads, in principle, to a *positive form of expression* in the conclusion of the practitioner and/or the team, which is based on systematic and thorough evidence-gathering procedures.

Review of a sustainability report⁴: a review engagement provides a limited level of assurance. The work carried out as part of a review engagement is by its nature and scope more limited than an audit engagement and focuses on obtaining an opinion on the *plausibility* of the information obtained. In a review engagement, the work does not focus on the systematic gathering and verification of evidence in respect of the information provided in the sustainability report. The main aim of planning and performing the engagement is to answer the question of whether there are reasons to conclude that the sustainability report does not comply with the requirements which the targeted groups of stakeholders could reasonably expect, assuming that they are aware of the limitations in the extent of the work in the case of a review engagement. The work to be carried out within the scope of the review engagement should enable the practitioner (the team) to substantiate sufficiently a *negative form of expression*.

Explanatory notes for the terms audit and review

- a The difference between an audit engagement and a review engagement lies chiefly in the nature and scope of the work. This has an impact on the acceptable level of the engagement risk. The original English version of the International Framework for Assurance Engagements makes a distinction between ‘*reasonable assurance engagements*’ (referred to in this Standard as ‘audit engagements’) and ‘*limited assurance engagements*’ (‘review engagements’). The explanation of these terms is fairly abstract in the Framework (General Framework for Assurance Engagements). ‘The level of assurance engagement risk is higher in a limited assurance engagement than in a reasonable assurance engagement. In a reasonable assurance engagement, the practitioner reduces assurance engagement risk to an ‘acceptably low level’. These assurance risk differences are connected with the differences in the work the practitioner is required to perform.’ Paragraph 48 of the Framework (General Framework for Assurance Engagements) adds that in a limited assurance engagement ‘the combination of the nature, timing and extent of evidence-gathering procedures is at least sufficient for the

⁴ For pragmatic reasons, this Standard uses the terms ‘audit’ and ‘review’ to characterize the two different types of assurance engagement that were mentioned in paragraph 1. The terms ‘audit’ and ‘review’ are therefore not restricted to audits of historical financial information. This does not correspond entirely with the International Framework for Assurance Engagements (version December 2003), which uses the terms ‘reasonable assurance engagements’ and ‘limited assurance engagements’ and reserves the terms ‘audit’ and ‘review’ exclusively for engagements that address historical financial information. In Dutch, there are currently no practical alternatives. The wider use of the terms ‘audit’ and ‘review’ is not considered problematic.

- practitioner to obtain a meaningful level of assurance as the basis for a negative form of expression.’
- b The above is implemented in this Standard as follows: The nature and extent of the work performed in a review engagement should always be such that it is entirely sufficient for the purpose of the review engagement, namely to obtain a limited level of assurance on the reliability and sufficiency of the report (which have to be given a negative form of expression in the assurance report). In a review engagement, the systems approach to the work focuses chiefly on the key managerial controls and the irreplaceable internal controls (measurements and primary registrations) and the main aim is to be able to plan professionally the further review work by a mix of a systems approach and a substantive approach. In a review engagement, the application of ‘professional skepticism’ (see RAC 200, paragraph 6) is considerably less dominant than in an audit engagement. After all, what is important in a review engagement of all or part of the sustainability report is that the practitioner (the team) does not have to test the effectiveness of internal controls.
 - c The review engagement leads to a negative form of expression in the practitioner’s (the team’s) conclusion, whereas the conclusions in an audit engagement are, in principle⁵, given in a positive form of expression (see General Framework for Assurance Engagements, paragraphs 58 and 59). The differences in the work are discussed in greater detail in paragraphs 71 to 119 of this Standard.

Target groups of stakeholders: the groups of interested parties in the sustainability report of the reporting organization (groups of intended users).

Explanatory notes for the term target groups of stakeholders:

- a The target groups of stakeholders of the reporting organization include in any event:
 - * employees of the reporting organization;
 - * customers or end users of delivered goods and services (the sales market);
 - * financial and economic stakeholders, such as shareholders and other investors;
 - * suppliers of goods and services (the procurement market), including any partners on the procurement market for the joint procurement of goods or services;
 - * interested parties in respect of the impact the reporting organization has on the environment;
 - * interested parties in respect of the impact the reporting organization has on the social aspects within society as a whole.
- It should be pointed out that the term ‘target groups of stakeholders’ is so broad in scope that essentially it includes all groups of users of the sustainability report. A user will fall under at least one of the aforementioned categories at any given time. This applies specifically to the members of the many non-governmental organizations (NGOs).
- b A sustainability report cannot, in principle, comply with *all* conceivable information requirements of members of a specified group of stakeholders. A number of prerequisites

⁵ This Standard leaves open the options for a negative form of expression for an audit engagement for certain aspects of the opinion (see paragraph 135 and example assurance report number 3 in Appendix 3.3)

apply to the choice of subjects to be dealt with and the level of detail and accuracy applied. The most important prerequisite is that the information requirements are 'justified' for 'the average representatives' of each group. Whether or not the information requirements of targeted groups of stakeholders are 'justified' is determined in a social and economic context. The justified information requirements can be coded in generally accepted reporting guidelines or can be determined via case law. If certain information requirements of targeted groups of stakeholders relate to what the company considers to be 'sensitive' information, which it wishes to keep confidential (for example, tax payments in various parts of the world), the information in question will not be provided. If there is a conflict of interests between the targeted groups of stakeholders and the reporting organization, the practitioner (the team) should examine, as part of the audit of the completeness aspect, whether he/she believes the reporting organization is justified in invoking its right to confidentiality on the grounds of sensitive information. If it is, there is no question of incompleteness. If it is not, the practitioner (the team) will consider the consequences for the assurance report.

- c To comply with the prerequisites referred to under (b), adequate reporting criteria are necessary. The term 'justified' includes the necessity of balancing the interests of all possible individual stakeholders and the 'target groups' of stakeholders'. For example, a sustainability report will not generally contain all the detailed environmental information required for local government agencies within the context of the registration of emissions or to comply with its supervision and enforcement duties. Another example is that 'extreme' information requirements are sometimes placed on an organization by certain pressure groups. It can be justifiable for the reporting organization not to want to comply with all these kinds of requirements in its sustainability report.

From this definition of the term 'target groups of stakeholders' and the three explanations of it, in anticipation of the rest of this Standard, it should be pointed out at this juncture that the practitioner (the team) should always properly weigh up whether the most important justified interests of the targeted groups of stakeholders of the sustainability report have been sufficiently taken into account by the reporting organization.

Reporting organization: an organization which is responsible for preparing and publishing a sustainability report and which grants an assurance engagement to a practitioner (the team) relating to the sustainability report.

The sustainability report as the subject matter of the engagement

- 8 This Standard has similarities to, and differences from, the audit (and review) of historical financial information (financial statements). For this reason the differences that are of major importance for the approach to the assurance engagement of the sustainability report are listed below:

- a The quantitative information is not generally measured in uniform monetary units, but in factors which are independent of one another (for example performance indicators such as tons of carbon dioxide emissions are entirely separate from the number of women in management positions in the company).
- b The quantitative information to be reported cannot usually be derived from a self-balancing registration system. The double-entry bookkeeping system, which in many respects determines the approach of the audit of financial statements, is not applicable to information gathering procedures for sustainability reports; the circular flow of goods and cash values within the company is not considered suitable to support the audit of a sustainability report.
- c In addition to quantitative information, the qualitative information is of equal importance. Auditing qualitative information is not as clearly defined as an audit of quantitative information.
- d Given the nature of the sustainability report, certain information is often difficult to measure or cannot be measured at all. In that case, the management of the organization should ask itself how the qualitative information and its limitations can best be described.
- e Internal control systems for risk management and information gathering comparable with the available systems for managing risks and gathering financial information are not available for all subjects raised in a sustainability report. The report may include stand-alone registrations whereby the internal control systems are relatively weak or where internal controls are hardly in place at all (for example, energy consumption in service organizations). Even where systems for risk management and information gathering are in place, they often contain fewer guarantees of completeness and accuracy than a financial reporting system.
- f A sustainability report is aimed at a wider audience than a set of financial statements and the audience can have more disparate objectives and expectations regarding the reported information.

- 9 It is the responsibility of the management of the reporting organization to determine the actual content of the sustainability report. There are content-related requirements (reporting criteria or reporting guidelines) prepared by third parties. However, these criteria are still being developed.

The primary responsibility of the management and the availability of reporting criteria do not detract from the fact that the practitioner (the team) should independently – where necessary supplementary to the reporting criteria applied – set certain minimum requirements for the content of the sustainability report. This is particularly important if these minimum requirements are not yet fully incorporated into the reporting criteria applied. These minimum criteria include the following in any event:

- a The reporting organization lists all target groups of stakeholders in the sustainability report. In accordance with paragraph 7, the targeted groups of stakeholders include in any event:
 - * employees of the reporting organization;

- * customers or end users of delivered goods and services (the sales market)
 - * financial and economic stakeholders, such as shareholders and other investors;
 - * suppliers of goods and services (the procurement market), including any partners in the joint procurement of goods or services;
 - * interested parties in respect of the impact the reporting organization has on the environment;
 - * interested parties in respect of the impact the reporting organization has on social aspects within society as a whole.
- b The reporting organization should deal with all aspects that are of material importance to the targeted groups of stakeholders. Which aspects are dealt with, and how they are dealt with, depends on the type of organization, the organization's corporate social responsibility policy, its reporting policy in general, the targeted groups of stakeholders it recognizes, its reporting criteria, the requirements in the applicable laws, rules, etc. and any codes of conduct accepted by the organization, whether or not voluntarily. The assessment of whether this minimum requirement is met requires a significant amount of professional judgment on the part of the practitioner (the team).
- c A sustainability report contains an adequate description of the reporting policy of the reporting organization (see paragraph 40). If applicable, reasons are also provided for any missing information that could be considered important for certain stakeholders or groups of stakeholders.
- 10 The scope and the accuracy of the information depend on its relevance for the targeted groups of stakeholders and the level of reporting (by location, region or worldwide). These information characteristics can differ by reporting organization. Furthermore, it should be pointed out that the definition of the term 'stakeholder group' relates to the 'justified information requirements of the average representatives of that group'. This means that regardless of the requirements and recommendations of existing reporting guidelines, the reporting organization will have to make its own choices with respect to the information requirements of the average representative of its targeted groups of stakeholders and the reporting materiality applicable to those users.

Objectives of the assurance engagement

- 11 The aim of the assurance engagement relating to a sustainability report is that the independent practitioner (the team):
- examines whether the information in the sustainability report complies with the requirements that can reasonably be set by the targeted groups of stakeholders, partly on the basis of the generic and/or the specifically developed reporting criteria used (see paragraph 40); and
 - reports on his/her findings by means of an assurance report, which corresponds with the objectives of the engagement.

- 12 When formulating the objective of the assurance engagement, there are two possible variants, namely an audit engagement and a review engagement. The management of the reporting organization is free to choose. Considerations that can be made include:
- the extent to which the reporting organization considers itself to be sufficiently organized to enable an audit or review to be conducted rationally;
 - the information requirements of the targeted groups of stakeholders and the extent to which the reporting organization wishes to accommodate them.
- 13 In general, an audit of a sustainability report includes an investigation into the following assertions:
- the reporting principles are acceptable and they have consistently been applied;
 - the historical information contained in the report is reliable; and
 - the information provided is complete and the presentations and disclosures are sufficient.⁶
- 14 Given the status of sustainability reporting and given the interests of the parties involved, it is acceptable for the management of the reporting organization to grant an audit engagement for part of the sustainability report, while for other elements of the engagement, the engagement is limited to a review engagement. In that case, there should be a rational distinction between the elements to be audited and reviewed for the engagement as a whole.
- 15 There are inherent limitations to each audit engagement, which lead to an ‘axiomatic restriction’. RAC 200 provides a general description of these limitations for an audit of financial statements in the explanation of paragraph 9. In this paragraph, a distinction is made between a qualitative and a quantitative axiomatic restriction. Furthermore, paragraphs 10 and 11 of Standard 200 refer to other factors, which lead to inherent limitations in the audit and the conclusions to be drawn from it. By their nature, these limitations also apply to the audit of sustainability reports. From the definition of a review engagement, it follows that these inherent limitations apply to a greater extent to review engagements. Paragraph 126 of this Standard requires the practitioner to refer to these inherent limitations in his/her assurance report, either by including a direct description in the assurance report or by referring to generally accessible explanations of these limitations, for example on Royal NIVRA’s website.

Engagement acceptance

- 16 **The practitioner (the team) should accept an assurance engagement relating to a sustainability report only if the conditions of the General Framework for Assurance**

⁶ The use of the term ‘true and fair view’ to describe the objective of the audit and/or the formulation of the conclusions in the assurance report is not advised because this term is reserved for the reporting of an opinion of the auditor on financial statements. The term has a generally accepted meaning, but only in this context

Engagements and the Standard for Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.” have been met.

In this connection, the practitioner (the team) examines specifically whether:

- a he/she is independent of the engaging party. To assess the independence, all relevant professional rules apply;
- b he/she has the required subject matter knowledge, experience and skills, or can obtain these via third parties;
- c the reporting criteria are sufficient (see paragraphs 46 to 50);
- d the reporting organization is willing to include all information in the sustainability report that the practitioner (the team) considers necessary as a minimum requirement for the targeted groups of stakeholders (see also paragraph 10);
- e the reporting organization has an adequate information and reporting system in place to gather the information to be audited and/or reviewed for the sustainability report; and
- f the expectation is justified that sufficient audit evidence can be obtained for an audit and/or review engagement.

- 17 If the engaging party is considering granting an audit engagement (without granting a review engagement for certain elements – see paragraph 14), this audit engagement will preferably be conducted on the entire content of the sustainability report. However, in certain circumstances, it is considered acceptable for an engaging party to limit an audit engagement to certain elements of the sustainability report (and therefore to omit certain elements from the engagement entirely), subject to the following conditions:

- a the reasons for the limitation of the audit engagement by the reporting organization are explained in the sustainability report;
- b complete information is in any event included in the report on all the subjects considered essential for the targeted groups of stakeholders;
- c the audit engagement serves an economically viable goal and therefore has sufficient added value for the various groups of stakeholders to justify the contribution of the practitioner (the team); and
- d the limitation of the audit engagement is not misleading for the targeted groups of stakeholders.

Subject to the aforementioned conditions, it is also possible to limit the scope of a review engagement, which is not combined with an audit engagement.

- 18 Examples of situations that could lead to the acceptance of the limitations in the scope of the audit engagement referred to in paragraph 17 are:

- for audit or review purposes insufficient generic criteria are available for certain elements of the sustainability report, while adhering to specifically developed criteria does not offer a solution either;
- elements of internal information systems that are considered essential for certain aspects of the sustainability report are missing, or they have not yet been implemented at all

relevant locations, so that it is not possible or economic to audit or review them (for example, there are no sound procedures to determine compliance with certain codes of conduct);

- in addition to the limited scope of the audit engagement granted to the practitioner, the engaging party grants an engagement to a subject matter expert for the rest of the sustainability report;
- the limitation of the scope of the audit engagement to certain elements of the sustainability report is based on justifiable cost/benefit considerations by the engaging party.

- 19 **If the audit engagement is limited to certain elements of the sustainability report on account of the provisions of paragraph 18, and if in that case, the other elements are not reviewed either (paragraph 14), the practitioner (the team) should always at least take a critical look at the elements that are entirely outside the scope of the audit (and review) engagement.** The practitioner (the team) should, however, determine by reading critically that he/she does not believe that these aspects are in contravention of the knowledge and insights obtained during the investigation. **The assurance report should clearly state which elements of the sustainability report have been audited, which elements have been reviewed using the guidance for review engagements contained in this Standard and which elements have been omitted from the engagement.** No mention of this ‘critical reading’ is made in the assurance report.
- 20 **The engagement should always focus partly on the completeness aspects. This includes the completeness of the targeted groups of stakeholders, the report content relevant to these groups and the performance indicators and disclosures provided.** It is not permitted to focus the assurance engagement exclusively on the accuracy of the information contained in the sustainability report because for the reader this constitutes the danger of unbalanced and perhaps misleading conclusions. This applies equally to an audit and a review engagement..
- 21 **When accepting the engagement, the practitioner (the team) should reach proper agreements with the management of the reporting organization on what should happen if the audit or review produces negative findings.** These findings will always be reported to the Board of Directors of the reporting organization in writing and, preferably also to the Supervisory Board, where there is one. The practitioner (the team) should be free to formulate his/her conclusions and any qualifications in the assurance report. If the management decides not to publish the assurance report that was issued by the practitioner, the practitioner will consider not continuing this assurance engagement in subsequent years. The primary aim of the engagement is, after all, to inform third parties about the findings of the investigation.
- 22 **If an engaging party wishes to reduce the scope of an existing audit engagement to a review engagement during the performance of the engagement, the practitioner (the team) should consider whether he/she believes the reasons for this limitation are acceptable and are not prompted purely to avoid one or more negative conclusions or**

qualifications in the assurance report. Where necessary, the reasons will be explained by the reporting organization in its sustainability report.

- 23 **The practitioner (the team) should agree with the engaging party that, depending on the nature of any fraud detected, he/she can bring this to the attention of the practitioner charged with the audit of the financial statements of the reporting organization (partly under Article 32 of the Dutch Code of Professional Conduct for Accountants (GBA)).** The practitioner is bound by Standard 240 'The responsibility of the practitioner to take into consideration fraud and misstatements as part of an engagement to audit financial statements.'
- 24 The conditions of the engagement are laid down in a written engagement letter. Subjects that should be dealt with in the written engagement letter are included in Appendix 1.

Materiality

- 25 There are two dimensions to the concept of materiality:
- a the importance of materiality for the reporting organization and its targeted groups of stakeholders ('reporting materiality');
 - b the importance of materiality for planning and performing the assurance engagement ('tolerance': this term is used for audit and review engagements). Tolerance has to be reconciled with reporting materiality.
- Paragraphs 26 - 33 provide guidance on determining reporting materiality. Paragraphs 34 - 36 provide guidance on tolerance.

Reporting materiality

- 26 Quantitative and qualitative information is of material importance if it should reasonably be assumed that any incorrect representation or omission of information is so important that the error or omission will have an impact on the judgment of one or more of the targeted groups of stakeholders of the organization and/or on concrete decisions they take based on this information. This is referred to in this Standard as 'reporting materiality'.
- 27 The application of reporting materiality will be:
- a determined by the justified information requirements of the targeted stakeholder groups in respect of subjects they consider relevant; and
 - b affected by the subject matter of the report (a location report differs substantially from a group report of a multinational in terms of the necessary accuracy and detail).
- 28 The reporting materiality can differ for each of the aspects dealt with in the sustainability report. For example, it is logical for information on the production of extremely hazardous waste to be more important for certain targeted groups of stakeholders and for there consequently to be a lower materiality threshold for errors and omissions in that information – than, for example, for information on the average number of employee training hours.

- 29 The management of the reporting organization is responsible for making adequate decisions with respect to the application of the term ‘reporting materiality’ and its effects on the content of the sustainability report. The management should preferably apply a structured and substantiated process to determine what information it considers to be of material importance for its targeted groups of stakeholders and therefore for inclusion in its sustainability report.
- 30 The practitioner (the team) will urge the reporting organization to include in the sustainability report the considerations it applies when applying the materiality concept to its reporting in relation to its targeted groups of stakeholders. It will also be encouraged to state how it decides what information to include in the sustainability report and what degree of accuracy and detail is applied.
- 31 **The practitioner (the team) should review the process adopted by the management of the organization when deciding on materiality for its reporting.** The following questions can be asked:
- Has there been sufficient consultation throughout the process with responsible officers and with the Supervisory Board and/or the audit committee?
 - What effort has the organization made to identify important categories of stakeholders to whom information is provided and/or to whom it reports?
 - Have the most important stakeholder groups been consulted?
 - When preparing the sustainability report, has the organization also taken account of the current issues that play a role in politics and public debate associated with its activities, products and locations?
 - Has the organization taken account of the reporting criteria applied to the industry if applicable?
 - Have important elements of the business activities or organization been excluded from the scope of the report?
 - Has the process been applied consistently over the years?
 - Is the decision-making process about reporting materiality sufficiently transparent and understandable for third parties?
 - Does the organization report explicitly on limitations in or incompleteness of its report? For example, the reasons why the organization does not consider certain subjects to be relevant for inclusion in the report, reasons why no reliable information is yet available on a specific subject, disclosures of and reasons for amendments to its reporting policy, etc.
- 32 **In addition to this process review, the practitioner (the team) should review independently the outcome of the process for acceptability. It is essential that all subjects considered to be materially important are dealt with in the report to an adequate level of accuracy and detail.**

- 33 **In his/her ultimate review of the considerations used to determine the reporting materiality (the process) and the relevant decisions taken (the results of the process), the practitioner (the team) should establish that the report is not, or could be, misleading by underemphasizing or overemphasizing certain subjects or stakeholder groups.** The inclusion of less relevant or irrelevant information (which could be correct), or of information that gives readers/users the impression that it has been included purely for PR purposes, can give a distorted or incorrect image of the reporting organization, even if it is unintended. This is particularly the case if it is at the expense of the treatment of other, more important subjects.

Tolerance

- 34 The practitioner (the team) applies a certain tolerance when planning the engagement approach and procedures, so that he/she obtains a sufficient level of assurance that the detected and undetected errors and omissions do not exceed the reporting materiality. The consequence of what is stated in paragraph 28 is that the tolerance must also be set for each subject.
- 35 The tolerance adhered to during the planning and performance of an assurance engagement should be placed in the context of the reporting materiality. This requires the application of professional judgment. By definition tolerance is not as wide in scope as the reporting materiality.
- 36 It is not possible to give any generally acceptable quantitative ‘calculation rules’ for setting tolerance; it is a question of professional judgment. The tolerance depends on the relevance of information for the targeted groups of stakeholders, which is determined by the nature of the data.

Responsibilities of the management and of the practitioner

- 37 The responsibilities of the management of the reporting organization in respect of the responsibilities of the practitioner (the team) are set out below. This distinction should be clear to all parties involved .

Responsibility of the management of the reporting organization

- 38 The management of the reporting organization is responsible for the reporting policy. This policy determines, among other things, the targeted groups of stakeholders to which the organization reports, the subjects reported on and the level of accuracy applied for each subject. In this context, it is logical for the management to provide an explanation of the organization’s business principles with respect to its application of the concept of corporate social responsibility. This explanation will normally be placed in the context of the discussion of the organization’s standards and values, its codes of conduct and relevant laws and regulations.

- 39 The reporting policy must be explained adequately in the sustainability report. Important elements include:
- translating the business principles into subjects to be reported;
 - describing the targeted groups of stakeholders in relation to their information requirements and how these are provided for;
 - reporting, and where necessary, explaining and giving reasons for the reporting criteria used, in particular if no generic criteria are available and the report is prepared based on specifically developed criteria (see under Review of the reporting criteria);
 - defining the scope of consolidation (see paragraph 42);
 - explaining the source data gathering process and the degree of accuracy of the reported data;
 - stating the considerations which lead to determining the content of the report, including the accompanying considerations relating to reporting materiality and accuracy, the levels of aggregation and detail of the information, viewed from the perspective of information requirements of the targeted groups of stakeholders;
 - explaining the extent to which 'supply chain effects'⁷ of the product or service are included in or excluded from the reporting.
- 40 The reporting policy is influenced, among other things, by the business sector and the associated risks in respect of, for example, the environment, health and safety and socio-economic and cultural aspects in the countries in which the business operates. This is particularly important for the social information as part of the sustainability report. Issues such as human rights, child labor and freedom of access to a trade union are more important in some countries than in others.
- 41 The management of the reporting organization determines the justified information requirements of the targeted groups of stakeholders by applying suitable procedures. This is important for the identification of the subjects to be dealt with in the report, the level of detail of the treatment and the detail in general. Tools and sources available, in addition to those mentioned above, include:
- conducting stakeholder dialogue, whether explicit or implicit;
 - consulting experts;
 - industry agreements;
 - covenants between the industry and government;
 - generic or specifically developed reporting criteria.
- 42 Defining the consolidation scope involves determining and setting out:
- the organizations covered by the information (data) in the report;
 - the locations about which (separately or together) information is provided;

⁷ Chain effects are the current and future effects of the product or the service experienced by suppliers, customers or employees.

- the way in which newly acquired and sold business units or subsidiaries of the reporting organization are reported.

Responsibility of the practitioner (the team)

- 43 The practitioner (the team) is responsible for the sound performance of the engagement, exercising due professional care, based on the principles and guidance laid down in this Standard for Assurance Engagements. He/she is also responsible for submitting an assurance report on this basis, which is so clear in its wording that no misunderstandings can reasonably arise among the targeted groups of stakeholders regarding the significance of the assurance engagement and the conclusions contained in the assurance report.
- 44 **As part of the engagement, the practitioner (the team) should determine, in any event, whether the minimum reporting requirements and elements of reporting referred to in paragraphs 9 and/or 39 are met.**
- 45 If the practitioner (the team) receives information during the performance of the engagement that fraud may have been committed, he/she should consider reporting this to the management of the reporting organization. **If the practitioner has identified an incidence of fraud, depending on the nature of the fraud, he/she should bring this to the attention of the practitioner charged with the audit of the financial statements of the reporting organization..** The reporting organization is bound by Standard 240 'The responsibility of the practitioner to take into consideration fraud and misstatements as part of an engagement to audit financial statements.' **If the practitioner is working with experts, he/she should instruct the experts how to act if they discover or suspect that a person has acted unlawfully or if fraud had been committed.**

Review of the reporting criteria

- 46 The practitioner (the team) accepts an assurance engagement to audit or review a sustainability report only if in his/her opinion, the reporting criteria conditions set in the General Framework for Assurance Engagements and the Standard for Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" are met. Within the context of professional judgment, suitable criteria are required for reasonably consistent evaluation or measurement, testing and reporting with regard to the sustainability report. The reporting criteria referred to can be divided into 'established' and 'specifically developed' criteria in accordance with paragraph 37 of the General Framework for Assurance Engagements.
- 47 The practitioner (the team) must decide whether the reporting criteria used are suitable for the purpose of the report and to perform the assurance engagement. The decision on whether there

are suitable criteria to perform an assurance engagement relating to a sustainability report involves having to examine whether the criteria are sufficiently objective for the reporting organization in terms of determining the content of the sustainability report and whether they are suitable for the practitioner (the team) to evaluate and test this report based on these criteria. Paragraph 36 of the General Framework for Assurance Engagements lists the following characteristics for the criteria: relevance, completeness, reliability (defined as consistency and transparency in the application by various practitioners), neutrality and understandability.

- 48 Various organizations⁸ have published criteria for the preparation and content of sustainability reports. Because these reporting criteria are often still being developed, the practitioner (the team) needs to be aware of their limitations. It is sometimes necessary in the assurance report to focus on any limitations, in the view of the practitioner (the team), in the reporting criteria used by the reporting organization. This applies without prejudice to the provisions in paragraphs 9 and 44.
- 49 As mentioned in paragraph 46 above, in addition to the application of established criteria, the International Framework for Assurance Engagements, paragraph 37, offers the option of using ‘specifically developed’ criteria, being criteria that are designed for the purpose of a specific engagement. **The practitioner (the team) should determine in any event that the application of specifically developed criteria does not lead to a sustainability report that can be misinterpreted by the targeted groups of stakeholders or could even be misleading to them. The practitioner (the team) should in this context also evaluate whether the notes and other disclosures given by the reporting organization are sufficiently comprehensive and clear for the targeted groups of stakeholders. Whether the reporting company uses ‘specifically developed’ criteria or ‘established’ criteria, the practitioner (the team) should consider inserting a separate sentence in the assurance report on the adequacy of these reporting criteria and any limitations he/she believes still exist.**
- 50 **The practitioner (the team) should also involve the views of the Supervisory Board, and/or the Audit Committee, on the reporting policy of the organization when evaluating the adequacy of the reporting criteria.**

Expertise and working with experts

- 51 Before accepting and engagement to audit or review a sustainability report, the team should have sufficient subject matter knowledge to challenge all the information to be audited or reviewed (environmental, social and economic) with sufficient authority with the responsible experts of the reporting organization. The package of expertise that the engagement team is

⁸ For example, the (Dutch) Council for Annual Reporting (Guide to Sustainability Reporting) and Global Reporting Initiative (Sustainability Reporting Guidelines). See also the summary in Appendix 4.

required to have includes audit knowledge, specialized subject matter knowledge, knowledge of management and information systems and knowledge of reporting standards and issues.

Audit knowledge

- Knowledge and experience of providing assurance on information other than financial information in general and in the field of sustainability reports in particular, including the application of the valid IFAC and/or Royal NIVRA assurance standards;
- A general understanding of assurance standards of non-accounting organizations, such as the AA1000 Assurance Standard published by the Institute of Social and Ethical Accountability (“AccountAbility”);
- Knowledge of the sector;
- Familiarity with the social and political environment of the reporting organization.

Specialized subject matter knowledge

- Knowledge of the relevant environmental issues, and of the associated technical risks;
- Knowledge of the social and economic aspects raised, or which should be raised, in the sustainability report;
- Knowledge of the relevant environmental, social and/or employment law and of sectoral, national and/or international agreements, rules, conventions and/or protocols.

Knowledge of management and information systems

- General understanding of relevant management systems, such as environmental management systems or health and safety systems and applicable standards, such as ISO 14001 and SA 8000;
- Knowledge and experience of evaluating the adequacy of internal information systems to gather and report on the intended information, including the internal control aspects.

Knowledge of reporting standards and issues

- Knowledge of the relevant reporting standards, such as the (Dutch) Council for Annual Reporting’s “Guide to Sustainability Reporting”, the GRI’s “Sustainability Reporting Guidelines” and comparable national or international reporting standards and recommendations;
- Understanding of the important social and political issues of the day in the field of corporate social responsibility, nationally and/or internationally;
- Understanding of the opinions, views and interests of relevant groups of external stakeholders.

- 52 If and insofar as the practitioner does not have the required subject matter knowledge, notwithstanding the provisions and conditions referred to in the Standard for Assurance Engagements 3010 Exposure Draft. The Cooperation of practitioners with experts from other disciplines on non-financial assurance engagements, the expertise is obtained by engaging in-house or external experts. **In any event, the practitioner should have a level of understanding of the subject matter of the sustainability report and the relevant**

associated issues, so that he/she can perform his/her tasks as an expert in audit and assurance services. He/she should, for example, in relation to the subject area “environment”, have a general understanding of the environmental issues relevant to the engagement and the client’s sustainability report, and of the assumptions, principles and methods used by the environmental expert as part of the engagement, if any. This requires the practitioner to have a subject matter related specialization, but without being classified as a (technical) environmental expert.

53 The Standard for Assurance Engagements 3010 Exposure Draft differentiates essentially between two models of engaging specialists, although, however, another variant is recognized as a third model:

- Model 1: the engagement is performed by the practitioner, with the involvement of experts for certain, separate aspects of the work, but the practitioner continues to have full and *undivided responsibility*⁹;
- Model 2: the engagement is performed by means of cooperation in a multidisciplinary team with *joint responsibility*¹⁰;
- Model 3: *separate engagements* are granted to the practitioner and to the experts, which, in principle, are entirely separate from one another.

It should be pointed out that Model 3 does not involve cooperation with experts in the strictest sense of the word. But given that model 3 does sometimes arise in practice, some guidance is given in paragraph 70. This Standard concentrates, however, on the cooperation in accordance with either model 1 or 2.

54 Cooperation with experts is virtually always necessary in practice when auditing or reviewing a sustainability report, but this Standard does not recommend which form to choose. The choice between models is made in consultation between the engaging party, practitioner, and where applicable, the expert or experts. The choice depends, among other things on:

- the nature of the assurance engagement;
- the type and the complexity of the engaging party;
- the subjects which have been (or should be) raised in the sustainability report to be audited or reviewed and the level of subject matter knowledge required in that context;
- the level of subject matter knowledge available within the practitioner’s organization;
- the information requirements of the targeted groups of stakeholders;
- the estimate of the engagement risk and the potential business risks for the practitioner¹¹;

⁹ This model is to a certain extent comparable with the situation described in RAC 620 Using the work of experts and RAC 621N Cooperation between Auditors and Actuaries in the Auditing of Insurance Companies. There are, however, some differences in the practical implementation of this Standard. They relate to the reference to the work of the subject matter expert in the assurance report.

¹⁰ In model 2, both are fully responsible (legally, there is joint and several liability for the entire engagement).

- the insurability of any loss or damage in the event of suspected professional errors or other shortcomings.

For example, model 2 will often be chosen when auditing or reviewing a sustainability report of a complex chemical group, while model 1 is more likely to be chosen for the audit or review of a sustainability report of an insurance company.

- 55 In all cases in which cooperation with in-house or external experts is involved, the practitioner should evaluate whether the expert is independent of the reporting organization. In addition, the subject matter expert must be competent and objective. The Standard for Assurance Engagements 3010 Exposure Draft provides general guidance for this evaluation in paragraphs 11, 17, 18 and 19.
- 56 The allocation of the work and responsibilities between the practitioner and the expert or experts and the focus of the involvement of the practitioner in the work of the expert or experts varies according to the model chosen. The involvement of the practitioner is considerable for model 1 and model 2 as well, but the focus is different. Appendix 2 contains a table, for both models, of the responsibilities for the work in the various phases of the engagement.
- 57 **Paragraph 13 of the Standard for Assurance Engagements 3010 Exposure Draft requires the allocation of the work and responsibilities between the practitioner and the expert to be laid down properly in a contract between the parties, while the content of the agreements must also be made known to and accepted by the engaging party. This applies to both models. The agreements should be summarized in the written engagement letter.** The subject matters to be settled in the aforementioned contract chiefly contain the agreements on team leadership, independence, the allocation of work, confidentiality, quality control, documentation and procedures for managing the business and liability risk. The Appendix to the Standard for Assurance Engagements 3010 Exposure Draft provides a more comprehensive summary with recommendations. Paragraph 14 of this Standard recommends that lawyers and insurance advisors should be consulted when drawing up this contract.

Activities of the practitioner in respect of the expert for model 1

- 58 Based on his/her general understanding of the subject matter, the practitioner evaluates whether the work of the expert is sufficient to be used as audit evidence for the relevant aspects of the sustainability report. This evaluation involves:
- risk analyses which the expert has applied within the framework of the instructions he/she has been given;

¹¹ Business risk is defined in paragraph 48, footnote 9, of the General Framework for Assurance Engagements as follows: 'a risk through loss or injury from litigation, adverse publicity or other event arising in connection with the subject matter reported on'.

- compliance with the instructions and the extent and quality of the work carried out in that context;
- source data used;
- assumptions, principles and methods applied and their consistency in respect of other investigations of sustainability reports and/or previous periods;
- accuracy and tolerable error thresholds of the measuring methods used, including potential inherent limitations to these measuring methods;
- any calculations and estimates made by the expert;
- working papers kept by the expert;
- conclusions of the expert.

- 59 **The practitioner should have a general understanding of the assumptions, principles and methods used by the expert, so that he/she is able to evaluate whether they are sufficient and acceptable for the purpose of the engagement.** The practitioner uses his/her knowledge of the reporting organization, his/her general understanding of the subject matter referred to in paragraph 52 and the results of other work he/she has carried out as part of the engagement or of any other engagements, for example, the audit of the financial statements.
- 60 The practitioner evaluates whether all the work of the expert allows him/her to take undivided responsibility for the entire engagement and whether this gives him/her an adequate basis to draw conclusions on his/her own.
- 61 **If the results of the work of the expert do not provide sufficient appropriate audit evidence, or if the results are inconsistent with other audit evidence, the responsible practitioner should take suitable actions in consultation with the reporting organization and the expert.** This could mean engaging another expert or issuing a qualified assurance report.
- 62 The practitioner is advised to refer in the assurance report to the contribution of the expert with respect to the relevant elements of the engagement, for example, by including a description of the work. This reference is expected to be useful to the targeted groups of stakeholders and can boost the credibility of the conclusions of the practitioner. In accordance with the provisions of paragraph 22 of the Standard for Assurance Engagements 3010 Exposure Draft, this reference does not adversely affect the undivided responsibility of the practitioner towards the targeted groups of stakeholders of the assurance report. Nor does this reference affect the unqualified nature of the assurance report (if and insofar as this applies). If the contribution of the expert to the assurance report is stated, it should be added that the practitioner nevertheless takes undivided responsibility for the entire engagement and therefore also for the contribution of the expert. In this model, the assurance report is signed by the practitioner only. See also paragraph 140.

Activities of the practitioner in respect of the expert for model 2

- 63 Characteristic of this cooperation model is that the cooperation is focused entirely on issuing one assurance report for which both the practitioner and the expert take full responsibility towards the targeted groups of stakeholders. Internally, however, the work can be allocated in accordance with the specific areas of expertise of those involved.
- 64 **The practitioner does not accept an engagement to audit or review a sustainability report in accordance with model 2 if the involvement of the accountancy discipline is not significant enough for the engagement as a whole.**
- 65 **The ‘Agreement on the allocation of work and responsibilities’ referred to in paragraph 57 and in the Standard for Assurance Engagements 3010 Exposure Draft is of crucial importance, especially for model 2.**
- 66 **To take joint responsibility for the entire engagement, it is necessary for the practitioner and expert to both be involved in all important aspects of the engagement. In addition, there must be an adequate system of mutual quality control.** Further general guidance is provided in the Standard for Assurance Engagements 3010 Exposure Draft.
- 67 **The conclusions should be formulated jointly when model 2 is applied. This is also true of the assurance report and the management letters to be issued.**
- 68 **The conclusions relating to all important aspects of the engagement should be documented in the file, including the considerations underlying the conclusions. For each part of the work, it should be stated in any event under whose primary technical responsibility the aforementioned work has been performed, while the file should also demonstrate that the conclusions have been evaluated and supported by the other party.**
- 69 **The joint responsibility for the entire engagement should be clear to each reader of the assurance report**, for example, from the type of signature or from the explanation of the manner of cooperation.. Paragraph 139 of this Standard provides further guidance.

Model 3

- 70 The engaging party can choose model 3 (see paragraph 53; note that in that case there is essentially no ‘cooperation with the expert’ because two separate engagements are involved). In that case, the instructions for mutual agreement and coordination of the engagement and reporting contained in paragraphs 31 – 34 of the Standard for Assurance Engagements 3010 Exposure Draft apply. The practitioner can, in accordance with paragraph 34 of the aforementioned Standard, consider including an explanatory paragraph in the assurance report,

which refers to the explanation by the engaging party of the existence of the various investigations and the various responsibilities for those investigations.

Planning and performing the engagement

Basic concepts and assumptions for the approach

- 71 The practitioner (the team) applies, in principle, the same concepts, methods and procedures to an assurance engagement as to the audit (or review) of historical financial information (financial statements). Consequently, the Audit Standards that apply to the audit or review of financial information apply from a conceptual perspective in any event, unless the special characteristics of a sustainability report lead to the prescription of other basic principles and/guidance in this Standard. An important difference is that, under certain conditions, it is possible to ‘audit’ a certain part of the sustainability report and to ‘review’ the other elements or to omit them from the scope of the engagement altogether (see paragraphs 17-19). Other differences are addressed below
- 72 There are a number of notable differences between a sustainability report and reports containing historical financial information (financial statements); see paragraph 8. These differences are crucial to the approach to the assurance engagement relating to the sustainability report.
- 73 The difference between an audit engagement and a review engagement is defined in paragraph 7. Paragraphs 71 to 119 focus on the work involved in both types of engagement.
- 74 The following paragraphs deal successively with:
- A investigating the targeted groups of stakeholders and their justified information requirements – see paragraphs 78 - 80;
 - B gathering knowledge about the reporting organization and its environment and planning and performing the work – see paragraphs 81 - 104;
 - C differences between review engagements and audit engagements – see paragraphs 105 – 108;
 - D multi-location investigation – see paragraphs 109 - 116;
 - E obtaining additional audit evidence – see paragraphs 117 - 119.

For the guidance in respect of the work referred to under (B), the terms of Standard 315 “Understanding the Entity and Its Environment and Assessing the Risk of Material Misstatement”, Standard 330 “The Auditor’s Procedures In Response to Assessed Risks” and Standard 500 “Audit Evidence” are applied.

- 75 If the reporting organization has an internal auditor, the basic principles and guidance of Standard 610 “Considering the Work of Internal Auditing” is applied by analogy to any assurance engagement relating to the sustainability report. Consultation with the internal auditor at an early stage is essential.
- 76 If the assurance engagement relates to an organization with various entities or locations (multi-location investigation), special aspects apply. The basic principles and guidance of Standard 600 “Using the Work of Another Auditor” apply in principle to a group auditor who audits or reviews a group sustainability report. See paragraphs 109 - 116 for further information.
- 77 Paragraphs 78 to 104 first of all adopt the guidance for an audit engagement. The differences in the performance of an audit engagement in respect of a review engagement are dealt with in paragraphs 105 - 108.
- A Investigation of the intended groups of stakeholders and their justified information requirements**
- 78 **The practitioner (the team) should ascertain whether the most relevant stakeholders are actually classified as the target group (of the report) by the reporting organization. He/she should then form an opinion on the question of whether the justified information requirements of the average representatives of each targeted group of stakeholders have been met, in conjunction with the materiality of the various subject matters and the risks of errors or omissions in the sustainability report.**
- 79 To form this opinion, the practitioner (the team) has various sources at his/her disposal. The reporting organization can conduct a formalized stakeholder dialogue, but other sources are conceivable, such as the organization’s standard communications with its targeted groups of stakeholders via its website or correspondence about complaints. Any complaints can be registered internally or be submitted via third parties, for example via a central contact point. In the Netherlands the so-called ‘Works Council’ can act as an important source to define the information requirements of the employees. The views of targeted groups of stakeholders can also be gleaned from the media. Finally, discussion between the practitioner (the team) and the Audit Committee is important for forming this opinion.
- 80 For the purpose of ascertaining that the justified information requirements of the targeted groups of stakeholders have been met, the practitioner (the team) should carry out at least the following procedures:**
- He/she should establish that the reporting criteria adhered to by the organization answer sufficiently the justified information requirements of the targeted groups of stakeholders.
 - He/she should ensure that the internal complaints handling process is adequate, both locally and for the organization as a whole and any resulting effect on the content of the sustainability report.

- He/she should examine whether other internally and externally sources of information on targeted groups of stakeholders' interests should also lead to inclusion in the sustainability report.

B Accumulating knowledge about the reporting organization and its environment and planning and performing work

- 81 **The practitioner (the team) should obtain a good understanding of the business in which the reporting organization operates and of the characteristics of the organization itself, including the most important business risks which could be connected with sustainable development or corporate social responsibility and how related aspects are reported. The practitioner (the team) should also identify the relevant laws, regulations, etc. and assess their implications insofar as he/she considers them to be material to the report.** Sources for this identification process could be the local or central compliance officers and the local or central environmental coordinators. The relevant laws, regulations, etc. are also understood to imply the applicable internal codes of conduct and the external codes of conduct, such as the OECD code. The practitioner forms his/her own opinion on compliance with the codes of conduct within the reporting organization. Possible loopholes in laws, regulations, business principles or codes of conduct may never be used as an excuse for conduct that essentially must be considered to contravene the objective of the sustainability report as formulated by the reporting organization.
- 82 Appendix 4 contains a summary of the most important laws, rules, codes of conducts and standards that are in force and/or available globally in this field.

Inherent risk

- 83 The practitioner (the team) estimates the inherent risk for the sustainability report. This risk can be affected by factors such as:
- the size and the complexity of the organization, its business processes and the possible effects of those processes on the environment and on society (for example environmental risks as a result of raw materials used, the consumption of energy and water and the impact on biodiversity);
 - operations in various countries or in areas with different cultures, statutory provisions, legal systems, etc.;
 - the sensitivity of information as perceived by the business on the one hand and the targeted groups of stakeholders on the other. Widely ranging interests can lead to risks of a difference of opinion on the completeness of the information provided, among other things;
 - the perception of the targeted groups of stakeholders with respect to the direct and indirect economic influences on them and/or on the economic systems. It should be pointed out that the 'indirect' influences above all cannot always be determined accurately;

- the extent to which assessments and estimates have been used for measuring some information that is included in the report.

Investigation into control environment, information systems and internal controls (system audit based on its design)

- 84 In many organizations that grant an assurance engagement relating to their sustainability report, an accountant will also be engaged for the audit of the financial statements. The practitioner who audits the financial statements may not be the same person as the practitioner (individual or accounting firm) who is responsible for the assurance engagement relating to the sustainability report. Practitioners who have been granted an engagement to audit the financial statements carry out a risk analysis at the start of the engagement. **If the same practitioner audits both the sustainability report and the financial statements, when carrying out a risk analysis for the assurance engagement for the sustainability report, he/she should make use of the risk analysis carried out for the audit of the financial statements. Consequently, the practitioner (the team) should examine which elements of the information covered by the assurance engagement relating to the sustainability report require a more detailed risk analysis. If the practitioner audits the sustainability report only, he/she should consult the accountant who audits the financial statements to determine whether it is necessary to carry out an additional risk analysis.** This will normally be the case for all elements of the sustainability report where the information is not subject to the company's financial control systems.
- 85 The internal control systems regarding the information that is included in a sustainability report are, in practice often not as developed as those used for the control of financial information. This means that the system audit often has a more limited significance for all the work to be performed, than for an audit or review the financial statements. If this is the case, the practitioner (the team) should determine whether, and to what extent, substantive procedures can deliver sufficient appropriate audit evidence. **If he/she is unable to obtain sufficient appropriate audit evidence, the practitioner should not express an unqualified conclusion.**
- 86 Sometimes the company has relatively strong internal control systems for quantitative information included in the sustainability report. For example, the control of emissions in companies with high environmental risks will generally be relatively well organized. In other cases, these systems may be weaker, or may not be in place at all (for example, information on 'near misses' in production processes is virtually always ad hoc information).
- 87 The practitioner (the team) always focuses his/her work first of all on the evaluation of how the responsible management controls its business risks. Where necessary, he/she gathers relevant audit evidence.
- 88 **The practitioner (the team) should, in all cases, obtain an understanding of the control environment that is adequate to evaluate the integrity of the organization, and the**

attitude of those who supervise the activities over which information is provided in the sustainability report.

- 89 When obtaining an understanding of the control environment, the practitioner (the team) examines the attitude of management responsible for maintaining the balance between achieving the economic objectives and the societal consequences of the decisions taken within the organization. This is necessary to determine that societal interests are correctly weighed up when the management of the reporting organization takes decisions. The practitioner (the team) also examines whether there are adequate procedures for processing information to be represented in the sustainability report and whether those responsible for supervision and management deal adequately with all socially important issues. The practitioner (the team) should ascertain that there is a proper balance in respect of the company strategy, the business principles, the codes of conduct, the attitude of senior management and the awareness within the organization. Aspects that should be taken into account also include:
- The way in which these forms of information are controlled by the responsible management (for example, by the use of ISO 14000 and SA 8000¹²).
 - The adequate allocation of responsibilities to company management to control the socially important aspects of the company.
 - The way in which legislation and regulations in the environmental and social field are implemented in practice, including the requirements for reporting, regulations and international treaties (for example, the Kyoto Protocol, the Universal Declaration of Human Rights), codes of conduct, industry conventions on reporting, voluntary and otherwise, on the environment (such as the Responsible Care program in the chemical industry).
 - The way in which management, or departments specifically responsible for control activities, operate, such as Internal Auditors, Operational Auditors and/or Compliance Officers.
- 90 It is important that – where necessary for an effective audit – there are adequate systems in place to gather information for the sustainability report, including a sufficient degree of internal control. The practitioner (the team) obtains a good understanding of these information systems. The types of information-gathering that require this internal control depend on the justified information requirements of the targeted groups of stakeholders, the materiality aspect of the information, and the associated risks. In general, there must be an adequate segregation of duties and an internal system of monitoring the collection and documentation of source data. For some parts of the sustainability report, an independent audit is impossible without a good information system and minimum internal control (for example, the information in the

¹² ISO issues standards on quality (ISO 9000 series) and the environment (ISO 14000 series). SA 8000 has been issued by the human rights organization, Social Accountability International (SAI) and contains standards for the rights of employees. These standards include the requirements documented in conventions of the International Labor Organization (ILO).

sustainability report about compliance with internal codes of conduct). For other elements, it is necessary, or the most efficient option, to conduct the audit virtually entirely substantively.

- 91 If the practitioner (the team) establishes that the relevant information systems do not fully comply with his/her quality requirements, the practitioner (the team) determines the consequences for the engagement by investigating whether:
- a there is a weak point in the design or operation of the information system which needs to be discussed with the management or with the officers responsible for supervision; and
 - b as a result of performing substantive procedures, he/she is able to obtain sufficient appropriate audit evidence. If he/she is unable to obtain sufficient appropriate audit evidence, the practitioner should not express an unqualified conclusion.
- 92 If the practitioner (the team) is of the opinion that the relevant elements of internal controls are of an acceptable quality and that he/she wishes to use them in his/her work, he/she should obtain an understanding of the design and operation of these controls so that he/she is able to estimate control risk. When obtaining an understanding, the practitioner (the team) should focus initially on the controls used by the management of the reporting organization for its own purposes, the so-called key managerial controls. The practitioner (the team) can also draw on the knowledge he/she has accumulated whilst obtaining an understanding of the control environment and the relevant internal controls and information systems. Examples of internal controls in relation to subjects to be represented in the sustainability report are the availability of procedures for:
- supervising compliance with general laws and rules, environmental and/or health and safety legislation and compliance with business principles and codes of conduct, whether or not by separate compliance officers.
 - conducting internal audits as part of ISO 14000 and SA 8000, and monitoring the effects in practice.
 - documenting audit trails.
 - internal analytical procedures, for example, with respect to relationships between quantities of production and/or energy consumption, waste production and emissions including, where possible, relationships with the financial accounting records.
 - sample taking by recognized external laboratories or competent in-house employees.
- 93 The level of detail of the understanding of the internal controls referred to in paragraph 92 depends on the nature and scope of the report: in the case of a sustainability report that is chiefly aimed at local or regional groups of stakeholders, the results of local ISO and SA audits, for example, could be more important than in the case of a global report of a multinational.
- 94 The work referred to in paragraphs 92 and 93 includes interviews with the highest level of management responsible for the environmental and social policy of the reporting organization, focusing attention on the internal supervision of compliance with applicable laws and rules, codes of conduct, etc. Where necessary (only in audit engagements), interviews are also held

with 'internal outsiders' (officers within the organization who have no direct interest in the results of the audit, such as R&D officers).

- 95 If the practitioner (the team) does not wish to or cannot use the internal controls, he/she will examine the effects on his/her substantive procedures.

Control risk

- 96 Control risks arise, among other reasons, because:
- there are no relevant internal controls in the design of the internal control system, or existing controls are not complied with;
 - the company fails to identify important differences on a timely basis;
 - measurement systems have not been designed to respond adequately to exceptional circumstances (such as starting up a plant, which can lead to incompleteness of the available environmental data);
 - the management of the reporting organization circumvents or ignores the correct application of important internal procedures by overruling the relevant officers, for example:
 - * certain occasions when emission (permit) limits are exceeded are not followed-up adequately by the senior management because it is known that the government enforcement agencies tolerate these;
 - * sensitive information is deliberately omitted.

Control risk and tests of operating effectiveness of internal systems

- 97 The auditor (the team) decides that the combined inherent and control risk with respect to the information included in parts or all of the sustainability report is 'high', unless he/she can provide supporting evidence in the form of positive results of testing the operating effectiveness of controls (system test) that a lower assessment of the combined risk is acceptable.
- 98 When performing this kind of system test, the practitioner (the team) will examine at least:
- which officer is responsible for this aspect;
 - how this officer determines whether the requirements are consistently met;
 - how the officer receives feedback on compliance with the requirements;
 - whether the measures taken by the company are adequate in the case of non-compliance.
- 99 Where necessary, the practitioner (the team) must consider whether the preliminary assessments of control risk is confirmed and whether the initial planning of the approach requires modification including the consequences for the nature, timing and extent of the substantive procedures.
- 100 If the practitioner (the team) concludes that he/she is unable to compensate for shortcomings in the systems of internal control by carrying out substantive procedures, he/she should inform the engaging party on a timely basis of the consequences for the assurance report.

Substantive procedures

- 101 The practitioner (team) examines on a timely basis whether the nature of the information represented in the sustainability report has an impact on the nature, timing and the extent of the substantive procedures to be performed. A considerable amount of that information is generally *qualitative* (for example, information on the strategy of the organization, its business principles, codes of conduct and its relationship with the targeted groups of stakeholders). For this kind of information, the practitioner (the team) obtains audit evidence using a combination of procedures, which often involves:
- conducting interviews with the top level management responsible for the environmental and social policy of the reporting organization (see paragraph 94) and with the officers responsible for internal supervision and/or independently assessing the acceptability of the information obtained in this way. Findings from this kind of interview should, in the case of audit engagements, be supported as much as possible by other audit evidence which confirms the picture obtained (corroborative evidence), for example by holding discussions or interviews with certain staff, including the internal outsiders, as referred to in paragraph 94, or third parties;
 - inspecting internal and external documents and verifying to what extent these documents and data provide sufficient appropriate audit evidence for the information included in the sustainability report;
 - assessing how the management of the reporting organization handles corporate social responsibility and how it is reported;
 - examining the minutes of the meetings of the Board of Directors, the Supervisory Board, the Audit Committee and other meetings which could have a bearing on the sustainability report, such as meetings relating to human resources and social policy.
- 102 **The auditor (the team) should always carry out substantive procedures on assertions that are materially important, irrespective of the identified level of inherent risk and control risk.** There are two different types of audit tests:
- a analytical procedures; and
 - b tests of details.
- 103 Examples of analytical procedures are:
- analytical reviews of performances in relation to available standards or formulated objectives and data trend analyses;
 - benchmarks;
 - examination of the relationship between financial data and the data in the sustainability report (for example, the relationship between the quantity of natural gas consumed and the quantity of carbon dioxide emissions).
- 104 Examples of tests of details are:
- investigating documentation and data that substantiate the relevant information (verification). This documentation and data can consist of internal and external

- documents. Verification using external documentation can be used relatively often in the audit of the environmental data as part of the sustainability report (but not exclusively for environmental data). Examples are invoices for waste removal, regularly or occasionally. Verification using internal documentation involves examining minutes, comparing the results of emission registrations with data contained in documents published by the organization (for example, via the internet or filed with supervisory authorities), etc.;
- evaluating the assumptions and methods used to measure relevant information (for example assumptions of management used in the development of formulae to calculate the quantity of heavy metals in discharged waste water);
 - re-calculating and/or re-performing measurements of important emissions discharged into the air or the production of hazardous waste.

C Differences between review engagements and audit engagements

- 105 Review engagements and audit engagements are defined in detail in paragraph 7 together with three notes to that definition, to which reference is made. The definitions and the notes reveal that the work involved in review engagements is by definition less comprehensive and less detailed than in audit engagements. The main aim of a review engagement is to provide supporting evidence for the *plausibility* of the information provided. It is not aimed at the systematic gathering and verification of evidence, and the application of professional skepticism is considerably less dominant than in an audit engagement. In a review engagement, the acceptable level of engagement risk is by definition higher than in an audit engagement (see the explanation in paragraph 7, note a).
- 106 Unless the practitioner (the team) believes one or more of the following activities to be indispensable to the adequate acquisition of supporting evidence of the plausibility of the information to be reviewed, the following *limitations* apply to review engagements compared with audit engagements:
- Systems work is limited to a high level review of the design of the systems. The work performed in this context is discussed in further detail in paragraph 107 c, d and e. The risk analysis conducted as part of the audit of the financial statements is, in principle, not relevant to a review engagement of the sustainability report (see for the audit, paragraphs 84 and 90 - 93);
 - It is generally not necessary to hold interviews with ‘internal outsiders’ as referred to in paragraph 94;
 - The operating effectiveness of internal controls is not tested (see for the audit, paragraph 97);
 - The substantive procedures are, by definition, also less comprehensive and less detailed. The minimum requirements for substantive procedures are set out in further detail in paragraph 107 f.

- 107 For a review engagement of the sustainability report (or elements of it), the following guidance applies to the nature and extent of the work to be performed, compared with an audit engagement:
- a investigating the targeted groups of stakeholders and their justified information requirements is the same (see paragraphs 78 - 80);
 - b the work on understanding the business and its environment is the same (see paragraph 81);
 - c the practitioner (the team) makes an estimate of the inherent risk in a similar way and in similar detail (see paragraph 83);
 - d interviews with responsible officers are held for both types of engagement (see paragraph 94);
 - e exploring the control environment and investigating the information systems and the design of the internal controls (see paragraphs 94 - 96) are chiefly limited to a review of the value of the key managerial controls (including the irreplaceable internal controls) for compliance with the objective of the engagement;
 - f analytical procedures are performed in any event in review engagements. Examinations of the relationship between financial data and the data in the sustainability report (or any other relationships between data) are only carried out if considered necessary as part of the objective of the review engagement and if this is effective and efficient.
- 108 **For both audit and review engagements the practitioner (the team) should always evaluate the overall picture that will be evoked by readers of the sustainability report. He/she should examine whether the information provided is not misleading and whether the subject matters dealt with are sufficiently transparent and complete.** It may be useful to carry out an independent media investigation into the completeness of the information.

D Multi-location investigation

- 109 The assurance engagement relating to a sustainability report of a multinational, which comprises a global spread of locations and/or various legal entities or business units, summarized under the term multi-locations, has various special factors in addition to the above. These special factors are connected in part with differences in cultures, statutory provisions and case law. In addition, there are special factors connected with the structure of the organization. Examples include:
- the degree of centralization or decentralization of powers;
 - the availability of central guidelines;
 - the organization of internal control of the local processes;
 - the availability of centralized or decentralized compliance officers.

The aforementioned special factors can relate to the sustainability report as a whole and to elements of it.

- 110 For the performance of the work, a distinction is made between group entities or locations that:
- a need individual attention in the planning and performance of the engagement owing to their nature or extent and/or their specific risks;
 - b individually are of less importance for the sustainability report as a whole than the group entities referred to under a, but with respect to which the aggregated information can lead to a material misstatement in the group sustainability report as a whole;
 - c individually are of less importance for the sustainability report as a whole than the group entities referred to under a and with respect to which the aggregated information cannot reasonably lead to a material misstatement in the group sustainability report as a whole.

When applying this distinction to the work planning, the practitioner (the team) takes into account the considerations of materiality and intended user interests dealt with elsewhere in this Standard. In this respect, there are no real differences compared with a single entity engagement.

- 111 In all cases referred to in paragraph 110, there is as much cooperation as possible with the internal auditors, if present (see paragraph 75).
- 112 When planning the work, the practitioner (the team) determines which group entities, as a result of their nature or size and/or their specific risks, are so important individually that the work plan has to be structured so that all the system-based and substantive procedures contain at least all the relevant aspects of these individual group entities (full scope approach). Under this approach, the practitioner (the team) should ensure that the special factors referred to in paragraph 109 are adequately addressed. This applies to both an audit and a review engagement.
- 113 The group as a whole may, in addition to the entities referred to in paragraph 112 requiring a full scope approach, also include relatively many group entities that, individually, are of less importance to the group sustainability report. However, the practitioner (the team) will examine whether the aggregated information in respect of these group entities can lead to a material misstatement in the group sustainability report as a whole. It can be acceptable to adopt a 'limited scope approach' for the group entities where there is a risk of an aggregated material misstatement.
- 114 The following guidance applies to the audit (and review) work for a 'limited scope approach':
- a When determining the planning and performance of the engagement (nature, extent and timing), the practitioner (the team) will examine whether there are relevant entity-wide controls for these group entities or for the specific information elements generated by these group entities.¹³

¹³ Entity-wide controls are centralized internal controls, the aim of which is to monitor the relevant information at that level for accuracy, completeness and reliability, either substantively or via an evaluation of the design and operating effectiveness of the decentralized systems of internal control, supplemented by substantive controls.

- b If there are entity-wide controls, the practitioner (the team) evaluates their design and the available documentation and examines whether the operating effectiveness can be demonstrated by the responsible officers.
- c The operating effectiveness of these entity-wide controls must be tested in the case of an audit engagement using a limited number of judgmental sampling procedures performed by the practitioner (the team). In the case of a review engagement, this individual testing does not, in principle, apply.
- d If there are no entity-wide controls, the practitioner (the team) must carry out sufficient decentralized system-based and/or substantive procedures to conclude that the aggregated information for relevant group entities does not lead to a material misstatement in the group sustainability report as a whole.

- 115 The choice between whether or not to test the group entities separately and the specific information elements to be generated by the group entities as referred to in paragraph 114 will depend on all the circumstances, such as:
- a the nature and the comparability of the business processes;
 - b the effectiveness of the control environment, in particular the direct involvement of the central management in monitoring the activities relevant to the sustainability report for the respective group entities;
 - c the quality of the local (and where applicable, centralized) internal controls.
- 116 If the aggregated information in relation to the group entities cannot reasonably lead to a material misstatement in the sustainability report of the group, the practitioner (the team) does not have to carry out any specific system-based or substantive procedures in respect of these group entities. The evaluation of the specific information generated by these group entities is included in all the other work at group level. In that case, interviews and analytical procedures are particularly important. This applies to an audit and a review engagement.

E Obtaining additional audit evidence

- 117 **The practitioner (the team) should ascertain that the management recognizes its responsibility for the content of the sustainability report. He/she should receive representation from the management, preferably in writing, in which the management declares that all information it believes to be of material significance to the targeted groups of stakeholders is included in the report.** This representation letter should also include confirmation that no information has been withheld from the practitioner (the team) and that from the end of the calendar year until the date of the assurance report, no events have taken place whose consequences have been erroneously excluded from the sustainability report.
- 118 The practitioner (the team) can consider requesting additional information from enforcement agencies, in-house lawyers, external lawyers of the reporting organization, or others.

- 119 The procedures described in paragraphs 117 and 118 apply to both an audit and a review engagement.

Reporting

- 120 **The assurance report should be understandable and clear to all targeted groups of stakeholders and must contain clear conclusions.** If an assurance engagement is conducted by internal auditors, the provisions of paragraph 2 of this Standard apply. In that case, it should be clear from the text of the assurance report that there is no independence. In accordance with paragraph 48 of the Standard for Assurance Engagements, either a short form or long form style of assurance report can be issued. A short form report ordinarily includes the basic elements only, often using standard wording. In addition to the basic elements, a long form report includes more details on, for example, the terms of the engagement, the reporting criteria used and can also include findings and/or recommendations. This Standard allows the practitioner (the team) to decide the format and the wording he/she considers most understandable and clear. In practice, a long form report will often be the preferred option.
- 121 **An assurance report should contain the following basic elements¹⁴:**
- a title;**
 - b addressee;**
 - c description of the subject matter of the investigation and its inherent limitations;**
 - d description of the scope of the engagements and its inherent limitations;**
 - e identification of reporting criteria, including an opinion of their acceptability for the purpose of the engagement;**
 - f inherent limitations - see c and d;**
 - g where applicable, a statement that the targeted groups of stakeholders of the assurance report are limited (for example, if the reporting criteria used are only familiar to specific groups of stakeholders or are only suitable for a specific purpose);**
 - h where applicable, a statement of the method of cooperation between the practitioner and the subject matter expert (see paragraphs 62, 69 and 79);**
 - i description of the responsibilities of the reporting organization compared with the responsibilities of the practitioner (the team);**
 - j statement that the engagement was performed in accordance with this Standard;**
 - k summary of the work performed;**
 - l conclusions of the practitioner (the team);**
 - m date of the assurance report;**
 - n signature: name (names) of the firm or the practitioner (and the expert) and the address (addresses) of the signatories.**

¹⁴ Taken from paragraph 49 of the Standard for Assurance Engagements 3000.

- 122 If he/she wishes, the practitioner (the team) can supplement a long form assurance report with findings relating to special aspects of the engagement or with recommendations, provided they do not affect the scope of the conclusions.

a Title

123 The recommended title is ‘Assurance Report’¹⁵.

b Addressee

124 It is recommended to address the assurance report to ‘the stakeholders of the reporting organization’. This makes it clear that their interests are essentially indicative for the planning and performance of the work and the associated reporting.¹⁶

c Description of the purpose of the investigation and its inherent limitations

125 The description of the purpose of the investigation and its inherent limitations includes at least:

- Name of the sustainability report, name of the reporting organization and the year under review.
- Reference to the part of the report in which the reporting policy (including the identification of targeted groups of stakeholders) and the inherent limitations on the reliability of the information contained in the report are included (for example, information on the direct and indirect employment aspects of a proposed closure of a business unit are based on estimates made by the management of the reporting organization).
- If the sustainability report is limited in scope (for example, it does not yet cover all the countries in which the organization operates, or the report does not yet contain all the indicators that are relevant to the targeted groups of stakeholders), reference should be made to the pages of the sustainability report in which the reasons for the scope limitation of the report are given.

d Description of the scope of the engagement and its inherent limitations

126 The description of the scope of the engagement and its inherent limitations includes at least:

- The purpose of the engagement, stating the level of assurance the practitioner is striving for in the investigation. In the case of an audit engagement, this is reasonable assurance and in the case of a review engagement, limited assurance. **In the case of a review engagement (full or partial), it should be clearly stated that the extent of work is more limited than in an audit engagement, as a result of which the practitioner obtains less assurance than in an audit engagement.**
- **In conformity with paragraph 19, the assurance report should clearly state, when applicable, which elements of the sustainability report have been audited and which elements have been reviewed.**

¹⁵ The Standard for Assurance Engagements 3000 suggests in paragraph 49 (a) that the title should be ‘Independent assurance report’. In the Netherlands, this has not been customary to date because a public accountant should be independent by definition. The independence is nevertheless incorporated into the text of the assurance report. See also paragraph 2 for information on the use of this Standard by internal auditors.

¹⁶ The addressee could also be ‘intended’ stakeholders, although this is a duplication because it is assumed that the reporting organization specifies in the sustainability report the audience that it intends to address. The practitioner can refer to this explanation in the assurance report (see Appendix 3.1, example 1).

- If the objective of the engagement is not to investigate the full sustainability report, reference is made to the part of the report in which the extent and the limitation in the scope of the engagement are described and explained, and to where it is stated which elements are omitted from the scope of the investigation.
- The inherent limitations of a technical nature associated with the investigation.¹⁷

127 **If the sustainability report contains information on years that have not been audited or reviewed, this should be clearly stated in the assurance report.**

128 **If prospective information is included in the report, it should be clearly stated whether this information is part of the assurance engagement.** If it is, it can only relate to the evaluation of the reasonableness of the assumptions underlying that information. In some cases, this will lead to a negative form of expression in the practitioner's conclusion on the reasonableness of the assumptions expressed in the assurance report.

e Reporting criteria and the opinion of the practitioner

129 **The assurance report should state which reporting criteria have been used by the reporting organization, indicating whether they are established or whether they are specifically developed, and whether the practitioner (the team) believes the reporting criteria to be acceptable given the purpose of the engagement. It is compulsory for the practitioner (the team) to give this opinion if specifically developed criteria are used by the reporting organization.** It is, however, also recommended that this opinion should be included if the reporting organization has used established criteria.

i Responsibilities

130 The responsibility of the reporting organization should be stated explicitly in the assurance report. The responsibility of the practitioner (the team), by contrast, may only be stated implicitly. This is, after all, included in the description of the approach to the investigation, referred to in h and i below.

j and ki Summary of the key aspects of work performed

131 The summary of the key aspects of the work performed should in any event include:

- Reference to the GBA and to the application of this Standard for Assurance Engagements.
- .
- Where applicable, the statement that the engagement was performed in a multidisciplinary team and that the cooperation with experts has taken place under joint responsibility (model 2 referred to in paragraph 53 et seq.). If required, the statement can be supplemented by a further identification of the disciplines involved (see also paragraph 69).

¹⁷ If required, this aspect can be explained in full, or reference can be made to a generally accessible description, for example on Royal NIVRA's website (see the examples in Appendix 3).

If work is performed with the contribution of subject matter experts in accordance with model 1 referred to in paragraph 53 et seq., it is recommended to make reference to this contribution. See also the relevant provisions of paragraph 62.

l Conclusions

- 132 The formulation of a single, all-encompassing conclusion might be the preferred option. However, it is also possible to draw several conclusions, for example, a separate conclusion for each subject or group of subjects that has or have been addressed in the sustainability report. In this case, it is possible to have both unqualified and qualified opinions. **In the case of a review engagement, the conclusion should be given using a negative form of expression.**
- 133 An overall unqualified assurance report can be issued if the investigation has led to the conclusion that the sustainability report as a whole complies with all the relevant requirements. The practitioner can decide how to word the opinion. He/she can, for example, use the wording that 'the report is a reliable and sufficient representation of the policy, the performance, the business activities and the events in the year under review.' The use of the term 'true and fair' view is not recommended (see footnote 6).
- 134 Where required, an explanatory paragraph refers to information in the sustainability report that is of major importance to the correct interpretation of the overall image evoked by the sustainability report.

Conclusions - Qualified Conclusions, Disclaimers of Conclusion, or Adverse Conclusions

- 135 If, during the investigation, it becomes clear that an adequate information system or subsystem is not available and/or has not met the minimum internal control requirements - if and insofar as this is indispensable from an internal control point of view - the practitioner (the team) cannot form an unqualified opinion on the sustainability report as a whole or on certain parts of it. In that case, a qualified conclusion or a disclaimer of conclusion should be expressed. If applicable, the practitioner (the team) can consider adding a statement to his qualification that the engagement did not reveal, however, any evidence that significant shortcomings have actually occurred (negative assurance).¹⁸
- 136 This Standard prescribes no standard wording for the formulation of a qualified conclusion, a disclaimer of conclusion or an adverse conclusion.¹⁹ **The only requirements are:**

¹⁸ Often, the practitioner is able to verify the correctness of information, but in certain cases, it can only be falsified (that is an attempt is made to evidence that an assertion is false, which conclusion cannot always be drawn). If an assertion cannot be falsified, in principle, only negative assurance can be given. This does not necessarily lead to 'expectation gaps'. See example in Appendix 3.3.

¹⁹ This provision differs from Article 14 of the GBA, which sets out compulsory wording for unqualified audit reports (on financial statements). This is connected with the different 'state of the art' in the investigation of sustainability reports. The only condition an assurance report is required to meet is that it is clear to the intended groups of stakeholders. It is not considered desirable to create a 'straightjacket' of compulsory wording.

- it should be clear to the reader that it is certainly not an unqualified conclusion; and
- the reasons for the qualification of conclusion, disclaimer of conclusion or adverse conclusion should be clearly stated.

m Date

- 137 The assurance report is dated on the date on which the engagement is completed, after a discussion of the findings with the management of the reporting organization. This means that important subsequent events occurring after the end of the financial year up to the date of the report are also evaluated for their possible impact on the sustainability report.

n Signature

- 138 The report can be signed by stating the names of the practitioner and, where applicable, the name of the expert, including the name of the signatory's firm. The place should also be stated.
- 139 In the case of multidisciplinary cooperation under joint responsibility (model 2 as discussed in paragraph 63 - 69) with 'in-house' experts, it is up to the practitioner organization to decide how to sign. **The practitioner should sign the assurance report in any event.** It is, however, recommended that the in-house expert co-signs the report in this situation. **In the case of cooperation with external experts under model 2, the assurance report should always be signed jointly.** Because a joint signature implies joint responsibility, the assurance report does not also have to explicitly state that there is joint responsibility. However, it is recommended that the assurance report states that a multidisciplinary team has worked together; the manner of cooperation could be included in that case, at the discretion of the reporting parties.
- 140 Where there is undivided responsibility (model 1), the assurance report is signed by the practitioner only. It is recommended, however, in paragraph 62 that in this case the contribution of the experts is mentioned in the description of the work.

Examples

- 141 Appendices 3.1 to 3.7 contain several examples of assurance reports for various situations. They can be used at the discretion of the reporting parties given their views on the best way of reporting. The examples demonstrate the necessity of flexibility in reporting procedures. In practice, it will be necessary to depart from these examples if, in the opinion of the practitioner (the team), it enhances understandability and transparency of the assurance report.

Public Sector Perspective

This Standard focuses on the audit (and review) of sustainability reports, so that an organization renders account of economic, environmental and social aspects of the organization and the effects of its business activities on society. The audit of performance data and related disclosures included in

the annual reports of central government, the financial statements of the legal entities with a statutory duty and the financial statements of local authorities bear a resemblance to the audit of sustainability reports. It is therefore recommended that when conducting these audits, practitioners should act in accordance with this Standard, as far as possible.

Appendix 1

Issues for inclusion in the engagement letter

As stated in this Standard for Assurance Engagements relating to sustainability reports, there are parallels in the purpose of the investigation and the approach to the assurance engagement as well as important differences compared with the audit of financial statements.

In view of the various options for determining the scope of the assurance engagement, it is vital to have a transparent engagement letter, focusing on the specific situation. This appendix includes a list of minimum subject matters for inclusion in the engagement letter, with reference to the Standard.

The basic requirements are set out in paragraphs 16 to 24. In addition, subject matters that should be incorporated in the engagement letter are mentioned in various other places in this Standard.

1 *Objective and scope of the assurance engagement*

- When formulating the objective of the assurance engagement, two variations are possible, namely an audit engagement and a review engagement (paragraph 12). However, it is also possible to have a combination of both forms of engagement (paragraph 14).
- The assurance engagement does not specifically focus on compliance with relevant laws, rules and codes of conduct, nor is the quality of the internal control systems the purpose of the investigation (paragraph 6).

2 *Responsibilities of the management and of the practitioner*

Responsibilities of the management

- The sustainability report is the responsibility of the management. The management decides to which group of targeted stakeholders it reports, the subject matters it reports on and the degree of reporting accuracy (paragraphs 37 to 42).
- In the sustainability report, the management should provide an adequate explanation of the reporting policy (paragraph 39). If information considered to be important for certain targeted groups of stakeholders is missing, the reason for its exclusion should be included in the sustainability report (paragraphs 17 to 20).
- The management is responsible for setting the reporting criteria to be used.
- The management will ensure that there is an adequate information and reporting system for gathering the information to be audited and/or reviewed in the sustainability report (paragraph 16).

- The management is responsible for setting the reporting materiality and for how this is communicated in the sustainability report (paragraphs 25 to 33).

Responsibilities of the practitioner

- The practitioner should make clear agreements with the management about how to act if negative findings arise from the audit or the review (paragraph 21), as well as if the engaging party decides to limit an audit engagement to a review engagement while it is being performed (paragraph 22).
- The practitioner will perform the engagement in accordance with the Standard for Assurance Engagements relating to sustainability reports (paragraph 43). Specific attention should be given to the aspect of ‘completeness’ as an important issue in the investigation (paragraph 20).
- Where necessary, the practitioner can set additional requirements for the content of the sustainability report. Essential information may not be omitted (paragraphs 9, 39 and 44).
- Where necessary, the practitioner will give his/her opinion on the adequacy and any limitations with respect the reporting criteria used by the management (paragraphs 49 - 50).
- Where necessary, the practitioner can set additional requirements for communications about the reporting materiality in the sustainability report (paragraph 28).
- The practitioner should agree with the engaging party that he/she can inform the practitioner charged with the audit of the financial statements of the reporting organization if fraud is discovered during the performance of the work (paragraphs 23 and 45).

3 Cooperation with experts

If the engagement is performed in cooperation with in-house or external experts, it should be explicitly raised in the engagement letter. The allocation of responsibility and how this cooperation is reported in the assurance report are crucially important (paragraphs 51 to 70).

4 Planning and performing the work

- The engagement letter should set out the general approach of the work (paragraphs 71 to 119). If the scope of the assurance engagement does not cover the full sustainability report, the engagement letter should also state the ‘marginal’ responsibility of the practitioner for the parts of information that are not part of the investigation.
- Specific attention needs to be paid on the evaluation of how management identifies the information requirements of the targeted groups of stakeholders and the associated reporting materiality (paragraphs 78 to 80).
- If required, the practitioner can involve “internal outsiders” in his/her investigation (paragraph 94).

- In the case of a multi-location investigation, the engagement letter should clearly explain the scoping (full scope versus limited scope approach) (paragraphs 109 to 116).
- In addition to the assurance report with the sustainability report, the practitioner will inform the management and/or Supervisory Board about any inadequacies identified during the performance of the work by means of a management letter.
- The practitioner should receive notification from the management (preferably in writing), confirming that the report contains all information it believes to be of material importance for the targeted groups of stakeholders (paragraph 117).

5 *Reporting*

- It is recommended that the underlying philosophy of reporting is explained in advance, so that the general form and content (wording) and the reference to the inherent limitations of an assurance engagement are discussed. The assurance report must be understandable and clear to all targeted groups of stakeholders and will contain clear conclusions (paragraph 120).
- Clear agreements must be made about publishing the assurance report, independently of the findings of the investigation.

Appendix 2

Summary of the allocation of work and responsibilities when working with experts.

	Model 1	Model 2
	Undivided responsibility of practitioner	Joint responsibility of multidisciplinary team
Engagement acceptance (audit or review engagement)		
Analysis of stakeholder information requirements	Practitioner	Together
Preliminary risk analysis	Primarily practitioner (with expert contribution)	Together
Evaluation of suitability of reporting criteria	Practitioner	Together
Engagement acceptance (incl. preparation of engagement letter)	Practitioner	Together
Preparation of Agreement on the allocation of work and responsibilities	Primarily practitioner	Together
Team leadership	Practitioner	Preferably practitioner (given experience of managing audit processes)
Planning		
Understanding business processes and business environment	Practitioner	Together
Identification of business risks	Practitioner	Together
Evaluation of considerations of reporting materiality and setting tolerance	Practitioner	Primarily practitioner (with expert contribution)
Evaluation of the quality of internal control in the widest sense (including external factors)	Practitioner	Primarily practitioner (with expert contribution)

Initial analytical review (where relevant)	Practitioner	Primarily practitioner (with expert contribution)
Design of work approach and work program	Practitioner	Together
Performance of work program		
Risk analysis (assessing inherent risk and control risk; evaluation of design of internal controls)	Primarily practitioner (with expert contribution)	Primarily practitioner (with expert contribution)
Test of effectiveness of relevant internal control measures (where necessary)	Practitioner	Primarily practitioner (with expert contribution)
Substantive procedures: analytical reviews	Practitioner	Primarily practitioner (with expert contribution)
Substantive procedures: interviews, verifications using internal and external documents, own observations, etc.	Primarily practitioner; involvement of expert only for specifically designated aspects	Each person according to field of expertise
Request and evaluation of management's letter of representation	Practitioner	Practitioner
Quality control		
Risk analyses	Practitioner reviews expert intensive	Primarily practitioner (with expert contribution)
Compliance with instructions and/or provisions of agreement	Practitioner reviews expert intensive	Reciprocal
Source data used	Practitioner reviews expert intensive	Reciprocal
Applied assumptions, principles, methods, tolerances	Practitioner reviews expert intensive	Reciprocal
Evaluation of calculations and estimates	Practitioner reviews expert intensive	Primarily practitioner
File review, including review of audit trail	Practitioner reviews expert intensive	Primarily practitioner

Evaluation of audit evidence obtained	Practitioner reviews expert intensive	Primarily practitioner
Formulation and evaluation of conclusions	Practitioner	Together
Reporting		
Preparation of management letter	Practitioner	Together
Preparation of assurance report	Practitioner	Together
Statement of role of experts in assurance report	Preferably state expert's role and specific tasks	Make clear joint responsibility for all work (can via joint signature)
Signature of assurance report	Only practitioner	If working with in-house experts: choice of practitioner organization; if working with external experts: always sign jointly
Note: this schedule sets out the general responsibilities and work only. Consult the text of the Standard for further details.		

Appendix 3

Examples of assurance reports

This appendix contains the following examples:

Audit engagement

- Example 1: Multidisciplinary approach (Model 2). Entirely unqualified assurance report, with two different descriptions of the work (long and short).
- Example 2: Assurance report with two qualifications and an explanatory paragraph.
- Example 3: Alternative form and wording, qualified combined with qualification in respect of elements and negative assurance.
- Example 4: Limited scope of the sustainability report.
- Example 5: Limitation in scope of the assurance engagement.

Review engagement

- Example 6: Full review engagement, with a qualification.

Part audit, part review engagement

- Example 7: Part is audit and the other part is review engagement.

NB These examples are not intended to be a fixed pattern for reporting. Standard wording cannot be applied to long form reporting, which is common in practice.

In practice, these examples must be departed from if the practitioner (the team) is of the opinion that it enhances understandability and transparency of the assurance report (see paragraph 141).

Appendix 3.1

EXAMPLE ASSURANCE REPORT 1 – Audit engagement, with the engagement being performed under the joint responsibility of a multidisciplinary team and there are no obstacles to issuing an unqualified conclusion.

Characteristics:

- The entire report is the subject matter of the assurance engagement, except for the prospective information.
- A ‘comprehensive’ work paragraph is included, as well as an alternative short paragraph.

ASSURANCE REPORT

To the stakeholders of XYZ NV

Scope of the engagement

We have been engaged by [the Audit Committee or other position held by the engaging party] of [name of client] to express an independent opinion on the [name of report] for [period of report]. The prospective information included on page xx of the report is outside the scope of our engagement (if applicable).

The reporting policy, including the specific inherent limitations that can influence the reliability of the information included in the report, is explained on page xx of the report. The [name of the report] has been prepared under the responsibility of the management of the organization.

Our work has focused on obtaining reasonable assurance that the report is a reliable and sufficient representation of the policy, the performance, the business activities and the events in the year under review. This objective includes an investigation into:

- the acceptability and consistency of the reporting principles;
- the accuracy of the policy information contained in the report;
- the reliability of the historical information contained in the report [possibly explicitly exclude unaudited years];
- the completeness of the information provided and the sufficiency of the presentations and disclosures.

Inherent limitations (optional²⁰)

The objective of the engagement ‘to obtain reasonable assurance’ relates to the quality and extent of audit evidence we are required to gather to conclude that the report as a whole is free of any material misstatement and that it is reliable and sufficient. There are, however, unavoidable limitations that are inherent to every assurance engagement and that have an impact on our possibilities to identify material misstatements. These limitations are the result of the following factors, among others:

- inherent limitations are associated with every accounting and internal control system, such as the deliberate circumvention of internal controls or the deliberate retention of information important to an independent audit;
- for economic reasons, an audit hardly ever examines all transactions and balances, but is performed by means of sampling.

Reporting criteria

In this assurance engagement, we have used [the Guide to Sustainability Reporting of the Council for Annual Reporting and/or the Sustainability Reporting Guidelines of the Global Reporting Initiative and/or customized reporting criteria specifically developed by XYZ NV], as described on page XX of the report. We have also taken into account the outcome of the communication of XYZ NV with its stakeholders, as explained on page XX of the report. We consider these reporting criteria to be relevant and sufficient to audit the report.

Assurance work (comprehensive description)

The assurance engagement was performed by a multidisciplinary team of professional accountants and experts in the environmental and social field, working under joint responsibility and in conformity with the Dutch Code of Professional Conduct for Registeraccountants (GBR-1994) [or if applicable – for Accountants-Administratieconsulenten (GBAA)] and the Assurance Standard “Assurance engagements relating to sustainability reports” drawn up by the professional bodies of Dutch accountants.

We have established the accuracy and detail of our audit subject to the basic assumptions of the management of XYZ NV on the information requirements of the intended groups of stakeholders (see page xx of this report), but we supplement these where necessary with our own understanding of the information requirements of the stakeholders.

Our work included the following principal procedures:

- Evaluating whether the information requirements of the targeted groups of stakeholders have been adequately met.
- Gaining an understanding of the industry, relevant social issues, relevant laws, rules, etc. and understanding the business.

²⁰ The inclusion of this paragraph with inherent limitations to the audit (in Dutch literature identified as the ‘axiomatic restriction’) is not compulsory, but is recommended for reasons of clarity towards readers. As an alternative, reference can be made to the Royal NIVRA website and/or the firm website, where these limitations (restrictions) are explained ‘in plain language’

- Recognizing risks in the business environment and the organization itself and investigating the extent to which these risks are covered by internal controls.
- Where relevant to our audit, testing the operating effectiveness of the internal controls during the year under review.
- Auditing the data contained in the report by means of a combination of audit procedures, such as analytical procedures and tests of details. We carried out the tests of details using judgmental sampling, both at group level and at entity or location level. Therefore we verified data with internal and external information sources, such as documents, minutes and third party confirmations.
- Investigating the acceptability of the reporting policy of XYZ NV in relation to the information requirements of the targeted groups of stakeholders.
- Evaluating the overall picture presented in the [name of report], including reviewing the consistency of the information, based on the above reporting criteria.

We believe that our work provides a reasonable basis for our conclusions.

Assurance work (alternative: short description of key aspects)

The assurance engagement was performed by a multidisciplinary team of professional accountants and experts in the environmental and social field, working under joint responsibility and in conformity with the Dutch Code of Professional Conduct for Registeraccountants (GBR-1994) [or if applicable – for Accountants-Administratieconsulenten (GBAA)] and the Assurance Standard “Assurance engagements relating to sustainability reports” drawn up by the professional bodies of Dutch accountants.

We have determined the precision and extent of our audit procedures with due consideration of the basic assumptions of the management of XYZ NV with regard to the information requirements of the targeted groups of stakeholders (see page xx of the report). However, we have supplemented these where necessary with our own understanding of the information requirements of stakeholders.

We conducted our audit on the basis of a risk analysis. This means that we have made an assessment of the inherent and control risks. Where possible, we have relied on the internal controls contained in the internal systems. In addition, we conducted verification work, which is directly targeted at establishing the reliability and sufficiency of the information in the report. The extent of our judgmental sampling depends on the results of our risk analysis. We believe that our work provides a reasonable basis for our conclusions.

Conclusions

In our opinion, the report is a reliable and sufficient representation of the policy, the performance and the business activities and the events in the year under review in accordance with the Council for Annual Reporting Guide to Sustainability Reporting (or the GRI Sustainability Reporting Guidelines) and the company's reporting policy described.

Place, date

Accounting firm ABC

Accounting firm ABC
Sustainability Services Department*
(or name of firm of independent third party)

Name of practitioner

Name of expert

- * The accounting firm is free to choose how to sign the assurance report. This is not the case if an external expert is engaged, see paragraphs 139 and 140.

Appendix 3.2

EXAMPLE ASSURANCE REPORT 2 – Audit, in which two qualifications are formulated and an explanatory paragraph

ASSURANCE REPORT

To the stakeholders of XYZ NV

Scope of the engagement
(see example 1)

Inherent limitations
(see example 1 or 3)

Reporting criteria
(see example 1)

Assurance work (long-form or short version)
(see example 1)

Conclusions

In our opinion, with the exception of the findings referred to under a) and b) below, the report is a reliable and sufficient representation of the policy, the performance, the business activities and the events in the year under review.

- a In the figures on the emission of greenhouse gases as reported on page x, the methane emissions have not been fully included because incidents occurred during maintenance work as a result of which unmeasured methane emissions occurred, the extent of which is not known. These one-off emissions could be of material importance to the reported total emissions of greenhouse gases in the year under review.
- b The code of conduct against discrimination has not yet been implemented in specific internal procedures for the recruitment of staff and compliance with such procedures is not yet systematically monitored. We cannot therefore obtain sufficient evidence in respect of compliance with this code of conduct in the year under review.

Explanatory paragraph

Without qualifying our conclusion, we would draw attention to page xx of the report, which explains how the reported emissions into water have been approximated. The consequence of the chosen method of approximation is that the actual emissions can differ significantly from the reported emissions.

Place, date

Accounting firm ABC Accounting firm ABC Sustainability Services Department*
(or name of firm of independent third party)

Name of practitioner

Name of expert

- * The accounting firm is free to choose how to sign the assurance report. This is not the case if an external expert is engaged, see paragraphs 139 and 140.

Appendix 3.3

EXAMPLE ASSURANCE REPORT 3 – Audit, reporting in an alternative model with²¹:

- different structure of the assurance report and use of less traditional wording aimed at understandability for the layman;
- technical details only stated in general terms, which are explained in further detail on the Royal NIVRA website, or the accounting firm website;
- report includes a qualification with negative insurance.

ASSURANCE REPORT

To the stakeholders of XYZ NV

Engagement and responsibilities

We have been engaged by ... [the Audit Committee or other position held by the engaging party] of XYZ NV to express an independent opinion on the content of this sustainability report and to communicate this opinion to the targeted groups of stakeholders of the company. For the identification of these groups and the way in which the company approaches them, we refer to page xx of this report. The management of XYZ NV is responsible for the content of the report.

Conclusions

In our opinion, – except for points a) and b) below – all important information is reliably and sufficiently represented in this report. In our opinion, no essential information is omitted. This opinion applies both to the quantitative data and to the descriptive, qualitative information.

The following information is not covered by our unqualified opinion as formulated above:

- a Chapter x of the report focuses extensively on the impact of the company on biodiversity. The internal systems for gathering and evaluating information on this issue appeared to contain significant shortcomings. For this reason, we have not examined this subject matter in further detail. We are therefore unable to express an opinion on the reliability and sufficiency of the information provided in chapter x.

²¹ This example is intended as an illustration of the basic principle of freedom of format in the reporting by the practitioner and the need to communicate with the readers of the assurance report in an understandable way and in plain language.

- b Chapter y deals with the importance of codes of conduct and compliance. We have found that XYZ NV does not monitor compliance with these of codes of conduct systematically. For this reason, we are unable to obtain sufficient evidence. During our investigation, however, we did not find that any significant breaches of the codes of conduct had occurred in the year under review.

Explanations

1 *Unavoidable limitations of investigation and opinion*

An audit of a sustainability report can never provide absolute assurance, but it can provide the highest feasible assurance, which we call ‘reasonable assurance’. Every audit has unavoidable technical and economic limitations. There is always a certain risk that errors in an audit that has been conducted with professional due care are not discovered. If they wish, readers can consult the website of Royal NIVRA (and/or NOvAA or the accounting firm) for a more detailed explanation of the limitations and other concepts referred to in this paragraph.

2 *Explanations of the aim and approach of our investigation and the standards applied*

The aim of our work was to obtain reasonable assurance on our conclusions for the report as a whole.

Our audit was conducted by a team of professional accountants, supplemented by experts from other disciplines. It was conducted under joint responsibility. The basis for our work is the Dutch Code of Professional Conduct for Registeraccountants (GBR-1994) [or if applicable – for Accountants-Administratieconsulenten (GBAA)] and the Assurance Standard “Assurance engagements relating to sustainability reports” drawn up by the professional bodies of Dutch accountants. Readers can consult the GBR-1994 (and/or GBAA) and the Standard on the website of ... (complete where applicable, for example Royal NIVRA, NOvAA or the accounting firm).

In this assurance engagement, we have used as a standard for our work ... [the Guide to Sustainability Reporting of the (Dutch) Council of Annual Reporting; the Sustainability Reporting Guidelines of the Global Reporting Initiative and/or customized reporting criteria

specifically developed by XYZ NV], such as explained further on page xx of this report. We have also taken into account the outcome of the communication of XYX NV with its stakeholders, as explained on page xy. Where necessary, we also apply our own judgments on the minimum content of the report. [where applicable, the following sentence is compulsory: We consider the customized reporting criteria developed by XYZ NV and described on page xy of this report to be relevant and sufficient for our work.]

Place, date

Accounting firm ABC

Accounting firm ABC Sustainability Services
Department *
(or name of firm of independent third party)

Name of practitioner

Name of expert

- * The accounting firm is free to choose how to sign the assurance report. This is not the case if an external expert is engaged, see paragraphs 139 and 140.

Appendix 3.4

EXAMPLE ASSURANCE REPORT 4 - Audit in the event of limited scope of the report

ASSURANCE REPORT

To the stakeholders of XYZ NV

Scope of the engagement

We have been engaged by the Audit Committee or other position held by the engaging party] of [name of client] to express an independent opinion on the [name of report] for [period of report]. The reporting policy, including the specific limitations that could affect the reliability of the information contained in the report, is explained on page xx of the report.

On page XX of the report, the management [name of client] has explained that the consequences of mining activities on the physical soil conditions are not dealt with in this report. In our opinion, this limitation and the reasons for it are acceptable, partly in view of the intention to report on this in the future. The [name of report] has been drawn up under the responsibility of the management of the organization.

Our work was aimed at obtaining reasonable assurance that the report ... (see other examples).

Inherent limitations

(see example 1 or 3)

Reporting criteria

(see example 1)

Assurance work

(see example 1 in the long-form or short version or as example 3)

Conclusions

In our opinion, the report is a reliable representation of the policy, the performance and business activities and the events in the year under review.²²

²² Because this involves a limitation of the scope of the report, we do not speak about a 'reliable and sufficient representation'

Explanatory paragraph

Without affecting the above, we would point out that the report is not yet complete because the consequences of the mining activities on the physical soil conditions have been ignored. In our opinion, the limitation is rational in the current circumstances.

Place, date

Accounting firm ABC

Accounting firm ABC Sustainability Services
Department *
(or name of firm of independent third party)

Name of practitioner

Name of expert

- * The accounting firm is free to choose how to sign the assurance report. This is not the case if an external expert is engaged, see paragraphs 139 and 140.

Appendix 3.5

EXAMPLE ASSURANCE RAPPORT 5 – Audit engagement with a pre-accepted limitation in the scope of the assurance engagement

ASSURANCE REPORT

To the stakeholder of XYZ NV

Scope of the engagement

We have been engaged by [the Audit Committee or other position held by the engaging party] of [name of client] to formulate an independent opinion on designated elements of the [name of the report] for [period of report]. The audited elements are marked with an asterisk (*) in the report.

The reporting policy and the inherent specific limitations that can influence the reliability of the information contained in the report are explained on page xx of the report. On page xy of the report, the management of [name of client] has explained and provided its reasons for the scope limitation of our assurance engagement. The management has also explained how the scope of our assurance engagement will be expanded in future years. The [name of report] has been prepared under the responsibility of the management of the organization.

Our work was focused on obtaining reasonable assurance that the identified elements of the report are a reliable and sufficient representation of the performance, the business activities and the events in the year under review. This objective includes an investigation of:

- the acceptability and consistency of the reporting principles;
- the accuracy of the policy information contained in the report;
- the reliability of the historical information contained in the report [possibly explicitly exclude any unaudited years];
- the completeness of the identified information and the sufficiency of the accompanying presentations and disclosures.

Inherent limitations

(see example 1 or 3)

Reporting criteria

(see example 1)

Assurance work

(see example 1 in the long-form or short version; or see example 3)

Conclusions

In our opinion, the elements of the report identified with an asterisk (*), are a reliable and sufficient representation of the performance, the business activities and the events in the year under review in accordance with the Council for Annual Reporting Guide to Sustainability Reporting (and/or the GRI Sustainability Reporting Guidelines and/or the company's reporting policy described).

Explanatory paragraph

For the sake of completeness, we would point out that the other information contained in the report was not part of our investigation.

Place, date

Accounting firm ABC

Accounting firm ABC Sustainability Services
Department *
(or name of firm of independent third party)

Name of practitioner

Name of expert

- * The accounting firm is free to choose how to sign the assurance report. This is not the case if an external expert is engaged, see paragraphs 139 and 140.

Appendix 3.6

EXAMPLE ASSURANCE REPORT 6 – Full review engagement and a qualification for a specific finding.

ASSURANCE REPORT

To the stakeholders of XYZ NV

Engagement and limited objective of a review

We have been engaged by ... [the Audit Committee or other position held by the engaging party] XYZ NV to review the content of the sustainability report prepared under its responsibility. A review engagement is aimed at obtaining limited assurance for our conclusions. The detail of the work of a review engagement is significantly less than for an audit engagement. Therefore, the level of assurance is lower than would be obtained in an audit engagement.²³

Reporting criteria

In this assurance engagement, we have used [the Guide to Sustainability Reporting of the Council for Annual Reporting and/or the Sustainability Reporting Guidelines of the Global Reporting Initiative and/or customized reporting criteria specifically developed by XYZ NV], as stated and/or described on page xx of the report. We have also taken into account the outcome of the communication of XYZ NV with its stakeholders, as explained on page xy of the report. We consider these reporting criteria to be relevant and sufficient to review the report.

Review work

The work was performed by a multidisciplinary team of professional accountants and experts in the environmental and social field, working under the joint responsibility and in conformity with the Dutch Code of Professional Conduct for Registeraccountants (GBR-1994) [or if applicable – for Accountants-Administratieconsulenten (GBAA)] and the Assurance Standard “Assurance engagements relating to sustainability reports” drawn up by the professional bodies of Dutch accountants.

Our most important procedures included:

- Gaining an understanding of the sector, relevant societal issues, relevant laws, rules, etc. and understanding the business.

²³ In this example of a review engagement, a conscious decision has been made not to repeat or specify the objective of the engagement given in example 1, because that could create a false interpretation of the purpose of the review engagement and the nature of our conclusion.

- Investigating the acceptability of the reporting policy, in relation to the information requirements of the targeted groups of stakeholders.
- Conducting interviews with responsible officers, targeted largely at:
 - Recognizing risks in the external environment and the organization itself and investigating to what extent these risks are covered by internal controls.
 - Evaluating the plausibility of the qualitative and quantitative information in the report.
- Evaluating the quantitative data, in particular, the performance of analytical reviews.
- Evaluating the overall picture presented in the [name of report], including evaluating the consistency of the information, based on the above-mentioned criteria.

In our opinion, this work provides a reasonable basis for our conclusions.

Conclusions

Chapter y of this report deals with the codes of conduct of the business and their impact on the entire business policy and business activities. We have found that XYZ NV does not supervise compliance with its codes of conduct systematically.

Apart from the possible effect of the above finding, we have no reason to assume that this report does not comply with the most important requirements of the stakeholders with regard to reliability and sufficiency.

Place, date

Accounting firm ABC

Accounting firm ABC Sustainability Services
Department *
(or name of firm of independent third party)

Name of practitioner

Name of expert

* The accounting firm is free to choose how to sign the assurance report. This is not the case if an external expert is engaged, see paragraphs 139 and 140.

Appendix 3.7

EXAMPLE ASSURANCE REPORT 7 – part of the report has been audited (in this case, the part that focuses on the most important environmental aspects) and the other part has been reviewed

ASSURANCE REPORT

To the stakeholders of XYZ NV

Engagement and limited objective

We have been engaged by ... [the Audit Committee or other position held by the engaging party] of XYZ NV to examine the content of the sustainability report in the following way:

- Auditing the most important environmental aspects; these are marked with an asterisk (*).
- Reviewing the other elements of the report.

Audit work focuses on obtaining reasonable assurance, substantiated by sufficient supporting evidence. Review work focuses on obtaining limited assurance, which – in contrast to the audit work – does not focus on the exhaustive gathering of evidence. In our opinion, this combined engagement fulfils a rational objective.

The [name of report] has been prepared under the responsibility of the management of the organization.

Reporting criteria

In this assurance engagement, we have used [the Guide to Sustainability Reporting of the Council for Annual Reporting and/or the Sustainability Reporting Guidelines of the Global Reporting Initiative and/or customized reporting criteria specifically developed by XYZ NV], as stated or described on page xx of the report. We have also taken into account the outcome of the communication of XYZ NV with its stakeholders, as explained on page xx of the report. We consider these reporting criteria to be relevant and sufficient for our engagement.

Work

The work was performed by a multidisciplinary team of professional accountants and experts in the environmental and social field, working under joint responsibility and in conformity with the Dutch Code of Professional Conduct for Registeraccountants (GBR-1994) [or if applicable – for Accountants-Administratieconsulenten (GBAA)] and the Assurance Standard “Assurance engagements relating to sustainability reports” drawn up by the professional bodies of Dutch accountants.

Review part of the engagement

Our most important review procedures involved:

- Gaining an understanding of the sector, relevant social issues, relevant laws, rules, etc. and understanding the business.
- Investigating the acceptability of the reporting policy, in relation to the information requirements of the targeted groups of stakeholders.
- Conducting interviews with responsible officers, targeted largely at:
 - Recognizing risks in the external environment and the organization itself and investigating to what extent these risks are covered by internal controls.
 - Evaluating the plausibility of the qualitative and quantitative information in the report.
- Evaluating the quantitative data, in particular, by performing analytical procedures.
- Evaluating the overall image of the [name of report], including evaluating the consistency of the information, based on the above-mentioned criteria.

Audit part of the engagement

With regard to the elements of the report to be audited - as mentioned above these are the identified most important environmental aspects which are marked with an asterisk (*) - we have gathered more and additional audit evidence, as follows:

- Testing the relevant internal controls for operating effectiveness during the year under review.
- Performing analytical procedures and test of details. We performed the tests of details using judgmental sampling, both at group and at entity or location level. Therefore we verified data with internal and external information sources, such as documents, minutes and third party confirmation.

Conclusions

With respect to audit part of the engagement

With regard to the most important environmental aspects, marked with an asterisk (*), in our opinion the information has been reliably and sufficiently represented. This means that for these aspects:

- The reporting principles are acceptable and consistent.
- The policy information contained in the report is correct.
- The historical information contained in the report [possibly explicitly exclude any unaudited years here] is reliable.
- The information provided in the report is complete and the presentations and explanations are sufficient.

With respect to review part of the engagement

With regard to the other elements of the report, we have no reason to assume that this information does not comply with the most important requirements of the stakeholders with regard to reliability and sufficiency.

Place, date

Accounting firm ABC

Accounting firm ABC Sustainability Services
Department *
(or name of firm of independent third party)

Name of practitioner

Name of expert

* The accounting firm is free to choose how to sign the assurance report. This is not the case if an external expert is engaged, see paragraphs 139 and 140.

Appendix 4

Summary of the most important laws, rules, codes of conduct and standards

Organization	Format	Date	Title	Subject	Scope	Reference
The Netherlands						
Council for Annual Reporting	CAR Standard (paragraphs about CSR)	Sept. 2003	Guideline 400 “The Annual Report”	Reporting about CSR in the directors’ report in the financial statements	The Netherlands – CSR in general	www.rjnet.nl
Council for Annual Reporting	Guideline	Sept. 2003	Guide to Sustainability Reporting	Guideline on Sustainability Reporting in a stand-alone document	The Netherlands – CSR in general	www.rjnet.nl
Dutch Government	Environmental Protection Act	1997	Chapter 12 Environmental Reporting	Compulsory environmental reporting for 250 locations since 1999	The Netherlands - environment	www.vrom.nl or www.wetten.nl
CSR Platform (NGOs)	Recommendation	2002	CSR benchmark	Recommendation of NGOs for CRS, including reporting	The Netherlands – CSR in general	www.mvo-platform.nl
Europe						
European Commission	Resolution	2002	European Resolution on the Commission Green	Recommendation for voluntary sustainability reporting and a	Europe – CSR in general	www.eu.nl COM (2001)366-C5-0161/2002-2002/2069(COS)

			Paper on Promoting a European Framework for Corporate Social Responsibility	stakeholder forum		
European Commission	Directive	2003	Directive 2003/51/EU	Amendment of fourth and seventh EU Directive, for true and fair view in annual report, also information on non-financial indicators, including information on environment and personnel issues.	Europe – CSR in general	www.eu.nl L178, 17-7-2003
European Commission	Recommendation	2001	Recommendation relating to the accounting, valuation and reporting of environmental issues in company financial statements and annual reports	Recommendations for financial statements, annual report and other information	Europe – the environment	www.eu.nl L156, 13-6-2001
European Commission	Directive	1995	Eco-Management and Audit Scheme	Scheme in which companies have been able to participate voluntarily since 1995	Europe - environment	www.eu.nl L168, 10-7-1993 en L114, 24-4-2001

				and under which requirements are set for environmental care and reporting		
International						
Global Reporting Initiative	Guideline	2002	Sustainability Reporting Guidelines	Guideline on separate sustainability reporting	International – CSR in general	www.globalreporting.org
Global Reporting Initiative	Guideline	2002 to date	Sector supplements	<ul style="list-style-type: none"> • Financial Services 2002 • Telecommunications 2003 • Automotive 2003 draft • Mining & minerals June 2004 • Public Agency December 2004 	International – CSR in general	www.globalreporting.org
World Business Council on Sustainable Development	Recommendation	2003	Sustainable development reporting, striking the balance	Booklet (67 pages) Recommendations and examples of best practice	International – CSR in general	www.wbcsd.org
Eurosif	Guideline	2003	Eurosif Transparency Guidelines pilot version	Guideline for transparency by funds in relation to ethical investment	International – CSR in general, specifically for banks	www.eurosif.org
French	Law	2002	French	Indicators for the	France – CSR in	

Government			Government Decree no. 2002-221	environment and employment issues	general	
International Process						
United Nations	Guidelines	From 1995 continuous update version 8/4/2003	Indicators for Sustainable Development: Guidelines and methodologies	Performance indicators, including definition and method of 'measurement'	International – CSR in general	www.un.org/esa/sustdev
Institute for Social and Ethical Accountability	Standard	1999	AccountantAbility 1000 Framework	“Standard” for the process of social and ethical accounting, Internal auditing and reporting	International – CSR in general	www.accountability.org
Institute for Social and Ethical Accountability	Standard	2003	AccountAbility 1000 Assurance Standard	“Standard” for the internal and external audit of the process of social and ethical accounting, internal auditing and reporting, and for the purpose of auditing GRI reporting	International – CSR in general	www.accountability.org
International Organization for Standardization	Standard	From 1996	ISO 14000 series for environmental assurance systems	Process Standard for environmental care	International - environment	www.iso.org

Social Accountability 8000	Standard	1998	Social Accountability 8000	Standard for employment issues, based on requirements in ILO conventions	International – social	www.cepaa.org
British Standards Institution (BSI)	Guideline	2003	Sigma Guidelines	Guidelines for sustainability management	UK/International-CSR in general	www.projectsigma.com
International Codes of Conduct						
United Nations	Code of Conduct	2000	Global Compact	Code of conduct for companies	International human rights - environment	www.unglobalcompact.org
OECD	Code of Conduct	2001	OECD Guidelines for multinationals	Code of conduct for CSR, including paragraph on transparency and reporting	International – CSR in general	www.oecd.org
ILO	Conventions	From 1948	Convention on Human Rights	Some 200 conventions on various aspects of human rights	International - social	www.ilo.org
Sullivan	Code of Conduct	2002?	The Global Sullivan Principles	Code of conduct for businesses	International – CSR in general	www.globalsullivanprinciples.org

Appendix 5

Example management representation with respect to its sustainability report

(letterhead of client)

To ABC Accountants
Attn name of practitioner
ADDRESS

Place, date

Reference

Dear ...[name of auditor],

This representation letter is provided to you at your request, within the framework of the assurance engagement granted to you to conduct an [audit/review] of the sustainability report [name of report] of [name of company]. The engagement is aimed at issuing an assurance report, and to obtain [reasonable/limited] assurance for your conclusions.

We acknowledge our responsibility for the content of the sustainability report. We confirm to the best of our knowledge and belief the following representations:

- We have given you access to the relevant data and procedures for the sustainability report [name of the report]. This includes the accounting records, the underlying source data, the minutes of meetings of the Board and the Supervisory Board, policy documents, descriptions of internal procedures and other internal guidelines.
- The sustainability report [name of report] does not contain any errors or omissions of material importance.
- The company has formulated business principles. Compliance with these principles is monitored internally. This process has not revealed any indications pointing to breaches that could be materially important to the content of the sustainability report [name of report].
- The company has complied with all legislation and rules, permit conditions, contractual obligations, as well as regulations issued by regulatory authorities, which if not complied with could be of material importance to the sustainability report [name of report]. If breaches have occurred, which are of material importance to the overall image evoked in

the sustainability report [name of report], they have been sufficiently explained in the sustainability report.

- After the end of the reporting period of [date of end of reporting period], no subsequent events have taken place that could require changes to the sustainability report [name of report] or which should have been mentioned to improve the understanding of the stakeholders of the report.

Finally, we confirm that we are not aware of any actions and/or facts which should be classified as fraud, the effect of which on the sustainability report [name of report] could be of material importance.

Yours sincerely,
[name of company]

Board of Directors