



UPDATE ON THE US

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## TRENDS IN External Assurance of Sustainability Reports





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## INTRODUCTION

Global Reporting Initiative (GRI) is the leading organization in advancing the disclosure of economic, environmental, social, and governance performance by organizations worldwide. Its roots lie in the United States (US), having been founded by the US non-profit organizations Ceres and the Tellus Institute in Boston, Massachusetts in 1997.

GRI pioneered and continues to promote the use of a comprehensive Sustainability Reporting Framework, consisting of Sustainability Reporting Guidelines and sector disclosures, to help enable organizations identify and better manage their key risks and opportunities.<sup>1</sup>

More than 5,000 organizations in over 88 countries globally use GRI's Sustainability Reporting Framework to publish sustainability reports—from multinational corporations and cities to government agencies and universities.<sup>2</sup> Now in its fourth generation, the current Sustainability Reporting Guidelines (G4) support greater organizational transparency in order to facilitate the integration of sustainability into core business strategy, and to ensure organizational profitability and viability in today's global economy.<sup>3</sup>

GRI's mission calls for more reporters, and better quality reporting. Next to GRI's main executive and development body in Amsterdam, the Netherlands, GRI's seven<sup>4</sup> regional offices play a crucial role in advancing the practice of sustainability disclosure worldwide. GRI's North American office works on the ground in the US and Canada to help local organizations focus on what matters, and where it matters, in their reporting practices.

Since the launch of GRI's North American office at the New York Stock Exchange (NYSE) in 2011, the NY-based team has witnessed tremendous and rapid uptake of sustainability reporting in the US and Canada. Over the past five years, the number of organizations based in the US and reporting with the GRI Guidelines has more than doubled from 115 to 266 reports in total, according to the GRI Sustainability Disclosure Database.

This growth in reporting reflects the increasing demand for extra-financial/sustainability information by investors, regulators, and the public alike—and as this demand rises, so does the demand for more reliable data.

GRI recognizes the value of robust external assurance engagements to strengthen the quality of a sustainability report, as well as to promote the correct application of the GRI Guidelines.

While long-established procedures for financial accounting exist, and the criteria for what financial reporting is intended to measure are clearly established, sustainability reporting covers diverse topics that often involve a mix of quantitative and qualitative information, and that can vary across sectors and regions.

As with financial reporting, external assurance can provide both report readers and internal management with increased confidence in sustainability reporting, making it more likely that the data disclosed will be used for decision-making by internal and external stakeholders alike.<sup>5</sup>

In order to better understand this growing practice, GRI's North American office began exploring trends in the external assurance of GRI-based sustainability reports, which included a GRI Content Index, were published by US companies in 2011, and registered in the GRI Sustainability Disclosure Database.<sup>6</sup>

As reflected in the publication *Trends in External Assurance of Sustainability Reports: Spotlight on the US*, released in April 2013, approximately 10 percent (26 out of 269) of the GRI-based reports published by US companies in 2011 underwent an external assurance engagement, compared with 38 percent (884 of 2,327) on a global scale.<sup>7</sup>

<sup>1</sup><https://www.globalreporting.org/reporting/reporting-framework-overview/Pages/default.aspx>

<sup>2</sup>Data from GRI's Sustainability Disclosure Database; [www.database.globalreporting.org](http://www.database.globalreporting.org)

<sup>3</sup><https://www.globalreporting.org/reporting/g4/Pages/default.aspx>

<sup>4</sup>Australia; Brazil; Colombia; China; India; South Africa; United States of America & Canada.

<sup>5</sup><https://www.globalreporting.org/resourcelibrary/GRI-Assurance.pdf>

<sup>6</sup>The GRI Database was launched in November 2011, and draws upon years of data gathering by GRI and its Data Partner network, based on reports registered directly with GRI, through one of GRI's Data Partners, through GRI's Application Level Check process, or as an outcome of internet searches. The Database has provided GRI with the opportunity to further expand its Data Partner network. Since reports continue to be added to the Database, the trends included within this report should be viewed as dynamic, rather than static. [www.database.globalreporting.org](http://www.database.globalreporting.org)

<sup>7</sup><https://www.globalreporting.org/resourcelibrary/GRI-Assurance-Survey-2013.pdf>

As evidenced by 2013 data, the external assurance of sustainability reports is a growing trend in the US. The number of US companies publishing externally assured GRI reports rose to approximately 16 percent (41 of 266) in 2013, compared with 45 percent (1,033 of 2,313) on a global scale.<sup>8</sup>

GRI’s North American office aims to keep a pulse on this trend towards increased disclosure and increased demands for improved disclosure quality. In this year’s report, data from GRI-based reports published in 2012 and 2013 are compared with those published in 2011 to track and provide insights into developments in this field; to showcase how trends from the last edition of this study have evolved; and to feature and compare US-market trends to global trends.

While the relative growth in the number of externally assured GRI reports published by US companies is lower than that on a global scale (see chart below), the number of externally assured GRI reports published by US companies has more than tripled between 2008 and 2013 from 11 to 41 reports, respectively.

GRI Reports Published by Organizations Worldwide and in the US by External Assurance, 2008 – 2013



This growth is both expected and welcome. One should consider that only in a few countries—not including the US—and for a few sectors, sustainability reporting and third party assurance of such reporting are either required or common practice.<sup>9</sup> Nevertheless, the overall increase in sustainability reporting and mounting interest in the accuracy of these reports by internal and external stakeholders is evidenced by such growth.

As Steve Leffin, Director Global Sustainability at UPS, expressed in his interview, “What drives transparency is information that is comprehensive, credible, and comparable. We achieve these qualities in our

sustainability reporting with a combination of hard work, rigorous assurance by a respected third party, and full application of global reporting frameworks such as GRI.”

Taking a closer look at this trend towards more and better disclosure, this research aims to assess and explain the different approaches to external assurance, and the use of different standards as developed by the accountancy profession; and to examine the market share of external assurance performed by different firms—accounting, consulting, and engineering—in the US.

<sup>8</sup>According to data included in GRI’s Sustainability Disclosure Database as of April 24, 2014.

<sup>9</sup><https://www.globalreporting.org/resourcelibrary/Carrots-And-Sticks-Promoting-Transparency-And-Sustainability.pdf>



# RESEARCH METHODOLOGY

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## RESEARCH METHODOLOGY

Similar to the approach taken for last year's report on external assurance, the research methodology for this year's report also consisted of two phases.

**The first phase** involved a quantitative analysis of data from GRI's Sustainability Disclosure Database, raw data from the Bloomberg Professional Service (referred to commonly as the "Bloomberg Terminal"),<sup>10</sup> and trend analysis from *The KPMG Survey of Corporate Responsibility Reporting 2013*.<sup>11</sup>

GRI's Data Partner for the US, Governance & Accountability Institute (G&A Institute), supported the analysis of data included in GRI's Database.

Analysis was performed on data from sustainability reports published in 2011, 2012, and 2013, and included in GRI's Database.<sup>12</sup> All data related to GRI reports published in 2012 and 2013 and analyzed for the purposes of this research was retrieved from the GRI Database on May 16, 2014; and all charts included in this report are based on this data. Analysis for reports published in 2011 is available in last year's external assurance report.<sup>13</sup>

### RESEARCH STEPS: PHASE 1

- Analysis of US and international trends was conducted by reviewing the GRI-based sustainability reports identified as externally assured in the GRI Sustainability Disclosure Database; a "+" Application Level in the database indicates that a reporting organization has obtained external assurance.<sup>14</sup>
- International trends presented in this report include the reporting period 2008 to 2013.
- Analysis focuses on GRI-based reports published by companies in the US in 2011 (data from previous study, published in April 2013<sup>15</sup>), 2012, and 2013.
- For reports published in 2012 and 2013, a larger subset of external assurance data was reviewed in detail, including: type of external assurance; type of assurance provider; assurance scope; level of assurance; assurance standards; and location of the external assurance statement/report by the assurance provider. The analysis involved a close examination of the external assurance statements in order to assess the use and prominence of different assurance standards.

<sup>10</sup><http://www.bloomberg.com/professional/systems-support/hardware/>

<sup>11</sup><http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/kpmg-survey-of-corporate-responsibility-reporting-2013.pdf>

<sup>12</sup>GRI's Database stores and tracks critical reporting and associated organizational data, which is freely accessible to the public. Launched in November 2011, the Database includes data collected via reports registered directly with GRI, as an outcome of internet searches, and through one of GRI's Data Partners or the GRI Application Level Check process. While GRI works to disseminate the most accurate and complete information, trends displayed in this report should be viewed as dynamic, rather than static.

<sup>13</sup><https://www.globalreporting.org/resourcelibrary/GRI-Assurance-Survey-2013.pdf>

<sup>14</sup>GRI's Application Level system—A, B, and C—defines the scope of reporting, or the amount of GRI standard disclosures that have been covered in the sustainability report. It operates under the premise that a "+" should only be declared by a reporting organization when it believes that the relevant assurance engagement has been conducted on the basis of GRI's qualities for assurance (see Table 1, Appendix B). By studying the reports with a declared "+" Application Level in 2011, 2012, and 2013, GRI does not confirm the validity of the "+" declaration.

<sup>15</sup><https://www.globalreporting.org/resourcelibrary/GRI-Assurance-Survey-2013.pdf>

- The secondary sources referenced in this publication include the Bloomberg database and *The KPMG Survey of Corporate Responsibility Reporting 2013*.<sup>16</sup> Raw data from the Bloomberg database is only accessible to subscribers of the Bloomberg Terminal, and is located in the ESG section of this database. Both the Bloomberg and KPMG sources capture external assurance trends that enable this research to be positioned in the global context; and to show the different approaches to capturing external assurance data. The KPMG survey considers the percentages of the largest 250 public companies worldwide; the Bloomberg database considers the “verification” of all publicly traded companies in the US; and for the purposes of this research, GRI considers only US organizations that declare a “+” Application level on their GRI-based reports published in 2011, 2012, and 2013.

**The second phase** of this research involved a qualitative analysis of the organizations’ motivations for obtaining an external assurance engagement, and of perspectives provided by representatives of the Certified Public Accountant (CPA) profession.

## RESEARCH STEPS: PHASE 2

- Phone interviews based on a series of nine questions (see Appendix A) were conducted with representatives from 11 US companies that obtained an external assurance engagement on their GRI-based reports published in 2012 and 2013.
- Outcomes of these interviews are presented as quotations within this report, identified either by the individual and company name or anonymously, depending on the interviewee’s expressed preference.
- Outcomes of phone interviews conducted with companies that obtained an external assurance engagement on their GRI-based reports published in 2011 are reflected in last year’s study.

<sup>16</sup><http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/corporate-responsibility-reporting-survey-2013.pdf>



# RESEARCH LIMITATIONS

## RESEARCH LIMITATIONS

- Launched in November 2011, GRI's Sustainability Disclosure Database includes all reports that GRI and/or its Data Partners have identified, and that reporting organizations have registered. Registering sustainability reports with GRI is not a requirement; therefore, reports exist that have not been included in this research. The Database has provided GRI with the chance to further expand its Data Partner network. Since reports continue to be added to the Database, the trends included in this report should be viewed as dynamic.
- The publication studies GRI-based reports published by US companies that explicitly declare the "+" symbol and are captured in GRI's Sustainability Disclosure Database. Reports declaring a "+" symbol are based on the G3/G3.1 Guidelines. This should be considered as a limited sample as evidence shows that other external assurance engagements might have been performed without the "+" being declared according to GRI's methodology.
- GRI-based reports using the G4 Guidelines are excluded from this study, due to the recent launch of G4 in May 2013 and current limited sample of G4-based reports.
- A "+" declaration is made by a reporting organization and should be based on GRI's key qualities for assurance (see Table #1, Appendix B). The six key qualities referenced in the G3/G3.1 Guidelines have been updated to seven key qualities in the G4 Guidelines. As this study aims to present the most up-to-date information, definitions of external assurance are based on the G4 Guidelines (the majority of which are the same as those included in the G3/G3.1 Guidelines, with the exception of the key qualities for external assurance). The variety in assurance statements indicates varying interpretations and application of these key qualities, i.e., some external assurance engagements only look at selected sustainability indicators or topics, whereas other approaches assess the entire report including tests of underlying processes.
- The GRI Application Level Check (Appendix B) does not assess whether the external assurance for a report meets the key qualities for assurance identified by GRI, and offers no opinion on whether the "+" is justifiable. When issuing a report with an A+, B+, or C+ Application Level Check Statement, GRI only confirms that an assurance statement has been published in the reporting.
- Some GRI-based sustainability reports do not use the Application Level system. In the database, such reports are classified as "GRI-undeclared" (including a GRI Content Index) or "GRI-referenced" (not including a GRI Content Index). The database does not track the external assurance status of these reports.
- There exist GRI-based sustainability reports that declare an Application Level of A, B, or C, and that have external assurance for the report, but do not have the identifying "+" symbol. These fall outside of the scope of the research.



# EXECUTIVE SUMMARY

## EXECUTIVE SUMMARY

GRI’s mission calls for more reporters, and better reporting. GRI aims to fulfill this mission by advancing sustainability reporting as a standard business practice and simultaneously improving the quality of reports through the promotion of external assurance of GRI-based sustainability reports.

Developed through a robust and global multi-stakeholder due process, the GRI Guidelines have been applied by organizations worldwide for over a decade. GRI recognizes the value of robust external assurance engagements to strengthen the quality of reporting and the final report, promote the correct application of the GRI Guidelines, and ultimately, strengthen a company’s ability to continually improve its performance and ensure quality management decisions.

This research compares data from GRI reports published in 2011 with data from GRI reports published in 2012 and 2013 to showcase the growing trend

towards more disclosure, and better disclosure in the US—and to examine the drivers and benefits of external assurance as experienced by the reporting companies themselves.

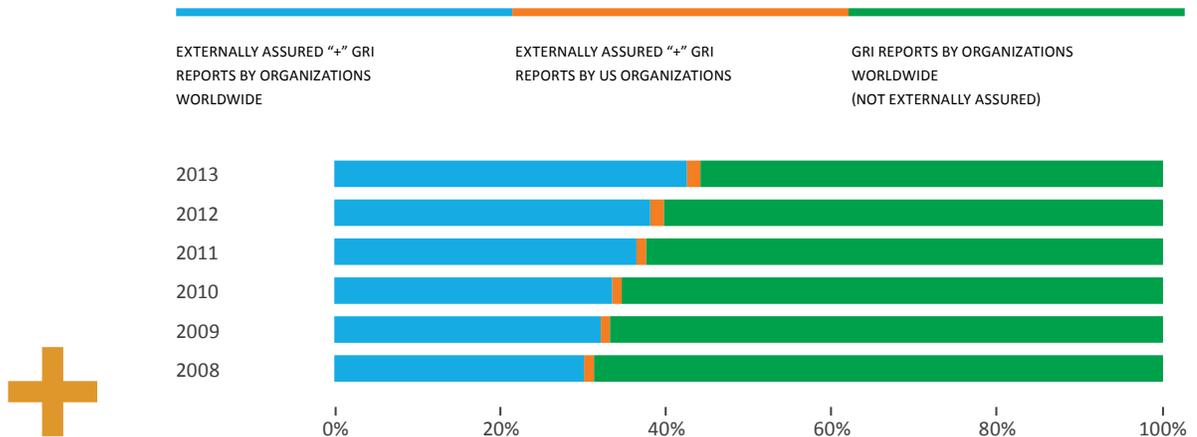
As evidenced by this research, external assurance is a growing trend in the US. This trend is both expected and welcome.

The number of US companies publishing externally assured GRI reports rose from 10 percent (26 of 269) in 2011 to 16 percent (41 of 266) in 2013. On a global scale, the number of companies publishing an externally assured GRI report rose from 38 percent (884 of 2,327) to 45 percent (1,033 of 2,313).<sup>17</sup>

Although the relative growth in the number of externally assured GRI reports published by US companies is lower than that on a global scale, the number of externally assured GRI reports published by US companies has more than tripled between 2008 and 2013 from 11 to 41 reports, respectively.

As shown in the following chart, 32 percent (363 of 1,142) of the GRI reports published by organizations globally in 2008 are externally assured, compared with 10 percent (11 of 113) of the GRI reports published by US companies.

GRI Reports Published by Organizations Worldwide and in the US by External Assurance, 2008 – 2013



<sup>17</sup>According to data included in GRI’s Sustainability Disclosure Database as of April 24, 2014.

Sustainability reporting and third party external assurance are either required or common practice in only in a few countries—not including the US—and for a few sectors.<sup>18</sup> In light of this fact, the rise in the number of companies disclosing sustainability performance and seeking external assurance reinforces the mounting interest of key stakeholders in more and better disclosure, as evidenced by public opinion and regulatory activity in the global market.

Beyond a relative growth in the number of US companies obtaining external assurance on their GRI reports, this research shows that:

- The number of companies seeking external assurance on their GRI reports is consistently rising. 17 reporters declared a “+” level in 2012 for the first time, 13 of which continued to publish a “+” level GRI report in 2013; and an additional 9 reporters declared a “+” level in 2013 for the first time.
- Publicly listed companies are the majority. In 2011 (92 percent) and in 2013 (89 percent), the majority of the US companies publishing a GRI report with a “+” Application Level are publicly listed companies. This compares with 57 percent of the organizations worldwide publishing GRI reports in 2013 with a “+” Application Level (according to GRI’s Sustainability Disclosure Database).
- Some companies obtain multiple assurance engagements on different aspects of their reports. In 2011, 26 US companies published externally assured GRI reports, resulting in 30 external assurance statements. Bristol Myers Squibb and 3M

undertook 2 different assurance engagements; and UPS undertook 3 different assurance engagements. In 2012, this number rose to 38 US companies publishing externally assured GRI reports, resulting in 41 external assurance statements. In 2013, 41 US companies published externally assured GRI reports, resulting in 44 external assurance statements. As in 2011, UPS obtained 3 different external assurance engagements on its 2012 and 2013 sustainability reports; and Agilent Technologies obtained 2 different external assurance engagements on its 2012 and 2013 reports. See Table #3, Appendix B for a list of US companies that published externally assured GRI reports in 2011, 2012, and 2013, displayed by type of external assurance provider.

- An increasing number of companies are seeking external assurance on their entire sustainability report. In 2011, 17 percent (5 of 30) of the external assurance engagements covered the entire sustainability report. This number rose to 30 percent (13 of 44) of the external assurance engagements in 2013.

As regulation by governments and stock exchanges rapidly develops on a global scale and GRI makes the move to become an official global standard setting organization, GRI anticipates and encourages a move towards a better understanding of the value of external assurance by reporting organizations, and corresponding growth in the number of companies seeking external assurance on their sustainability reports.

<sup>18</sup><https://www.globalreporting.org/resource/library/carrots-and-sticks.pdf>



# SNAPSHOT: SUSTAINABILITY REPORTING LANDSCAPE

## SNAPSHOT: SUSTAINABILITY REPORTING LANDSCAPE

### GLOBAL TRENDS

Disclosing information on sustainability performance and impacts is increasingly the expected norm for organizations around the world, and especially for large companies. According to research by GRI's Data Partner in the US, Governance & Accountability Institute (G&A Institute), the number of S&P 500 companies reporting their performance on environmental, social, and governance (ESG) issues more than tripled from 2010 to 2013. 72 percent of the companies included in the S&P 500 Index published a sustainability report in 2013, compared with 20 percent in 2011.<sup>19</sup>

As of 2013, 93 percent of the world's largest 250 companies (G250) issue a corporate responsibility report, 82 percent of which refer to the GRI Guidelines. What's more, over half (59 percent) of the G250 companies disclosing sustainability information invest in external assurance, up from 46 percent in 2011.<sup>20</sup>

While much of this upward trend in reporting is voluntary, the introduction of reporting regulation by governments and stock exchanges has also played and will continue to play an increasingly important role in driving enhanced corporate transparency and accountability worldwide. As research shows, regulation has resulted in almost 100 percent reporting rates in countries such as Denmark, France, and South Africa.<sup>21</sup>

This trend is only set to grow. For instance, the Directive of the European Parliament on non-financial reporting will require approximately 6,000 Public Interest Entities (PIE) in the 28 member states of the European Union (EU) to disclose non-financial and diversity information. This Directive will directly impact PIE's and parent undertakings of a larger group with 500 or more employees, and it is anticipated that US companies reporting into these European companies will also be required to report on their sustainability metrics.<sup>22</sup>

Furthermore, 19 stock exchanges under the auspices of the World Federation of Exchanges (WFE) now participate in the WFE Sustainability Working Group, which is chaired by NASDAQ QMX and JSE and includes the NYSE/ICE, Deutsche Borse, Shenzhen, Singapore, CME, CBOE, BM&FBOVESPA, and others. Launched in March 2014, the Working Group aims to establish either a listing requirement or some kind of actionable guidance on ESG disclosure that would impact all companies listed on the relevant stock exchanges, including NASDAQ QMX and NYSE/ICE.<sup>23</sup>

Many of these exchanges also participate in the Sustainable Stock Exchanges (SSE) initiative, which is a peer-to-peer learning platform for exploring how exchanges can work together with investors, regulators, and companies to enhance corporate transparency. Created by the United Nations (UN) in 2009, the SSE now includes 10 partner stock exchanges.<sup>24</sup>

<sup>19</sup><http://www.ga-institute.com/research-reports/2012-corporate-esg-sustainability-responsibility-reporting-does-it-matter.html>

<sup>20</sup><http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/kpmg-survey-of-corporate-responsibility-reporting-2013.pdf>

<sup>21</sup><http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/kpmg-survey-of-corporate-responsibility-reporting-2013.pdf>

<sup>22</sup>This formal title of the Directive is the Directive of the European Parliament and the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. Article 2 of the 2013 Accounting Directive defines "public interest entities" as listed companies; credit institutions; insurance undertakings; and others. <https://www.globalreporting.org/information/news-and-press-center/Pages/GRI-celebrates-new-era-for-non-financial-information-disclosure-in-the-EU.aspx>

<sup>23</sup><http://www.world-exchanges.org/insight/reports/wfe-launches-sustainability-working-group>

<sup>24</sup>The SSE's 10 partner stock exchanges are BM&FBOVESPA; Borsa Istanbul; BSE; The Egyptian Exchange; JSE; LSE; NASDAQ QMX; NYSE/ICE; Nigerian Stock Exchange; and Warsaw Stock Exchange. [http://www.sseinitiative.org/wp-content/uploads/2012/03/Brochure-SSE\\_updated-version\\_2013.pdf](http://www.sseinitiative.org/wp-content/uploads/2012/03/Brochure-SSE_updated-version_2013.pdf)

Following the creation of the SSE initiative, the Ceres' Investor Network on Climate Risk (INCR) formed the Investor Initiative for Sustainable Exchanges Working Group to coordinate engagement with stock exchanges worldwide. Ceres and INCR, with input from global investors, developed the *Investor Listing Standards Proposal: Recommendations for Stock Exchange Requirements on Corporate Sustainability Reporting*, which was released in March 2014.<sup>25</sup> Over 100 institutional investors from six continents helped shape the proposal, which establishes key elements of a minimum global standard for CR reporting.

For instance, the proposal recommends that companies include a hyperlink to an ESG Disclosure Index, based on the GRI Content Index (see Appendix B) or its equivalent, in its annual financial filings, in order to ensure accessibility of this data. The proposal has now been submitted to the WFE and its Sustainability Working Group for consideration and comment.

These international initiatives embody a move towards further integration of financial and extra-financial (sustainability) information into a comprehensive reporting mechanism, and an increased use of this information in investor decision-making. Often referred to as integrating reporting, this practice will likely make “assurance the default” for reporting, as Katrina Hendricks, Corporate Sustainability at 3M, stated in her interview, since the level of credibility of extra-financial information will have to be consistent with that of traditional financial information.

The other interviewees echoed this sentiment, welcoming the move towards integrated reporting and the establishment of the Integrated Reporting Framework <IR> by the International Integrated Reporting Council (IIRC) as key drivers for embedding sustainability into core business strategy and into investor decision-making.<sup>26</sup>

## ZOOMING IN: TRENDS IN THE US AND THE MOVE TOWARDS EXTERNAL ASSURANCE

While US Securities law requires publicly traded companies to submit externally assured financial statements and, in 2010, the US Securities and Exchange Commission (SEC) issued guidance on disclosure related to climate change with references to GRI, sustainability reporting in the US is currently voluntary and market-driven. That said, the US is home to over a quarter of the Fortune 500 listed companies as of 2013,<sup>27</sup> and sustainability reporting in the US is growing.

This growth is evidenced by the fact that the number of US organizations reporting under the GRI Guidelines more than doubled over the course of the past five years (according to GRI's Sustainability Disclosure Database); and the majority (72 percent) of the S&P 500 Index companies published sustainability reports in 2013, up dramatically from 20 percent in 2011, according to G&A research.<sup>28</sup>

In addition, 86 percent of the top 100 US companies surveyed for *The KPMG Survey of Corporate Responsibility Reporting 2013*, currently report on their corporate responsibility (“CR”) practices.<sup>29</sup>

<sup>25</sup><https://www.ceres.org/resources/reports/investor-listing-standards-proposal-recommendations-for-stock-exchange-requirements-on-corporate-sustainability-reporting>

<sup>26</sup>GRI co-founded the IIRC in 2010, as GRI understands that the future of corporate reporting involves a more comprehensive approach to measuring and managing organizational performance. The IIRC published <IR> in December 2013, which is used by companies to accelerate the adoption of <IR> worldwide. <http://www.theiirc.org/international-ir-framework/>

<sup>27</sup><http://money.cnn.com/magazines/fortune/fortune500/>

<sup>28</sup>[http://www.ga-institute.com/nc/issue-master-system/news-details/article/seventy-two-percent-72-of-the-sp-index-published-corporate-sustainability-reports-in-2013-dram.html?tx\\_tnews%5BbackPid%5D=1&cHash=8e53ff176eb49dc3b7442844c65833ac](http://www.ga-institute.com/nc/issue-master-system/news-details/article/seventy-two-percent-72-of-the-sp-index-published-corporate-sustainability-reports-in-2013-dram.html?tx_tnews%5BbackPid%5D=1&cHash=8e53ff176eb49dc3b7442844c65833ac)

<sup>29</sup><http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/corporate-responsibility-reporting-survey-2013.pdf>

The KPMG survey also assesses the quality of CR reporting among the G250 companies against seven key criteria, including materiality, stakeholder engagement, and transparency and balance. Based on this analysis, US companies rank number 11 in the average quality of G250 CR reporting by country; Italian companies rank number 1; and Chinese companies rank number 12.<sup>30</sup>

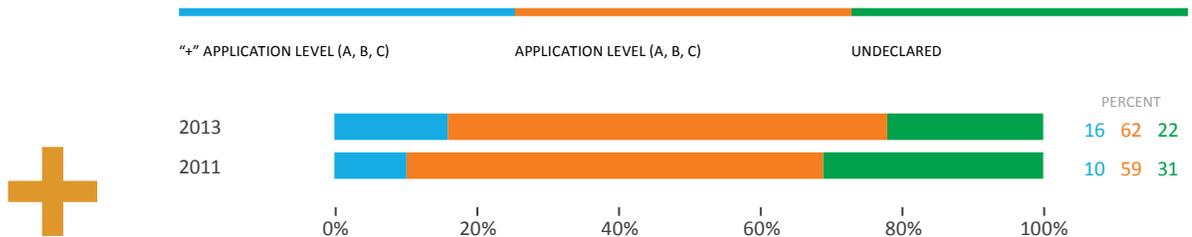
GRI recognizes the value of robust external assurance engagements to strengthen the quality of a report, as well as to promote the correct application

of the GRI Guidelines. As highlighted in the whitepaper on assurance services, published by the American Institute of Certified Public Accountants (AICPA), external assurance can ensure credibility in sustainability reporting and increase a decision-maker's confidence in the information on which they rely.<sup>31</sup>

While the absolute number of US companies publishing externally assured GRI reports is lower than the global average, an increasing number of US companies are seeking external assurance on their GRI reports.

As the chart below illustrates, 10 percent (26 of 269) of the US-based companies publishing GRI-based sustainability reports in 2011 declared an Application Level with a “+” symbol, indicating that their report was verified by a third party and included an external assurance statement.<sup>32</sup> In 2013, this number rose to approximately 16 percent (41 of 266).<sup>33</sup> See Appendix B for GRI's definition of the below-referenced Application Levels.

GRI Reports Published by US Companies by Application Level, 2011 and 2013



<sup>30</sup>The following seven key criteria against which KPMG assessed the quality of CR reporting by the G250 companies are based on current reporting guidelines and KPMG's professional view of leading reporting practices: strategy, risk, and opportunity; materiality; targets and indicators; suppliers and the value chain; stakeholder engagement; governance of CR; transparency and balance. <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/kpmg-survey-of-corporate-responsibility-reporting-2013.pdf>

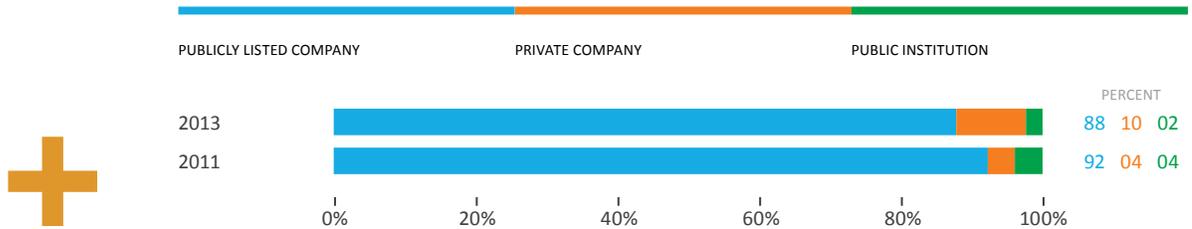
<sup>31</sup>[https://www.aicpa.org/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/asec\\_wp\\_providers\\_users\\_bi.pdf](https://www.aicpa.org/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/asec_wp_providers_users_bi.pdf)

<sup>32</sup>The publication studies GRI-based reports that explicitly declare the “+” symbol in the US and are captured in GRI's Sustainability Disclosure Database. Reports declaring a “+” symbol are based on the G3/G3.1 Guidelines. This should be considered as a limited sample as the above evidence shows that other assurance engagements might have been performed without the “+” being declared according to GRI's methodology.

<sup>33</sup>According to GRI's Sustainability Disclosure Database, 39 of the 212 reports published by US-based organizations in 2012 declare a “+” Application Level; and 40 out of the 2013 reports published by US-based organizations in 2013 declared a “+” Application Level.

As illustrated in the following chart, the majority of US companies publishing a GRI report with a “+” Application Level in 2011 (92 percent) and 2013 (88 percent) are publicly listed companies.

“+” GRI Reports Published by US Companies by Organization Type, 2011 and 2013



This is in line with the *The KPMG Survey of Corporate Responsibility Reporting 2013*, which shows that over half (59 percent) of the world’s top 250 companies listed in the Fortune Global 500 ranking for 2012 and that report CR data now invest in external assurance.<sup>34</sup>

The motivation for and benefits of organizations seeking external assurance vary from increasing credibility and improving stakeholder engagement to reducing risk and increasing value—issues that are central to all kinds of entities.

“We gain more confidence in our systems and processes,” Neil Beckingham, Senior Manager Sustainability at The Mosaic Company (a GRI Sector Leader), explained in his interview, “and ultimately our ability to produce a meaningful GRI report—one that demonstrates effective stakeholder engagement, identifies the most significant economic, environmental, and social issues facing Mosaic, and affirms that we have a sound strategy in place to respond to those issues.”

<sup>34</sup><http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/kpmg-survey-of-corporate-responsibility-reporting-2013.pdf>

GRI's 2013 publication *The External Assurance of Sustainability Reporting* highlights the following key benefits of external assurance as described in different publications:

- Increased recognition, trust, and credibility.
- Reduced risk and increased value.
- Improved Board and CEO level engagement.
- Strengthened internal reporting and management systems.
- Improved stakeholder communications.<sup>35</sup>

Increased adoption of external assurance of sustainability reports by US companies and, in particular, large, publicly listed companies can, therefore, be attributed to a variety of parallel trends, including an increased interest in credible and accurate sustainability information from external stakeholders.<sup>36</sup>

As an interviewee from a leading financial services firm in the US explained, third party attestation “from an established accounting firm [that applies assurance standards] provides [the company] with the opportunity to show [its] commitment to transparency, and provide an ethical presentation of information.” This is not only important for the financial services sector to “regain a favorable position” by the general public, he added, but also to evade “tactics such as a greenwashing,” strengthen the corporate social responsibility (CSR) sector as a whole, and ensure comparability across sectors.

Exploring these trends, motivations, and benefits, the following sections consider the key elements that shape the nature of an external assurance engagement within the context of GRI's approach to external assurance.

<sup>35</sup><https://www.globalreporting.org/resource/library/GRI-Assurance.pdf>

<sup>36</sup>UNEP, GRI, KPMG, The Centre for Corporate Governance in Africa, *Carrots and Sticks*, 2013.



# DEFINING EXTERNAL ASSURANCE: WHAT IS IT?

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## DEFINING EXTERNAL ASSURANCE: WHAT IS IT?

The importance of the external assurance of sustainability reports has been recognized by GRI since its formal launch in 2002. In its Guidelines, GRI recommends the use of external assurance for sustainability reports in addition to any internal support, such as internal audit team involvement, but does not require it. GRI uses the term “external assurance” to refer to activities designed to result in published conclusions on the quality of the report and the information contained within it.

With the G4 Guidelines, GRI’s approach to—and definition of—external assurance remains the same as with the G3/G3.1 Guidelines; however, the way in which companies indicate whether their report has been externally assured has changed. Unlike the “+” used as an indicator of external assurance of reports using the G3/G3.1 Guidelines, the G4 Content Index requests that companies signal if a disclosure item has been externally assured on an item-by-item basis, in order to better facilitate a report reader’s ability to access this kind of information, and support more robust external assurance engagements.

Additionally, the six key qualities of external assurance covered in the G3/G3.1 Guidelines have been updated to include seven key qualities presented in Table #1, Appendix B.

This study focuses exclusively on data from GRI-based reports using the G3/G3.1 Guidelines and published in 2011, 2012, and 2013, as the G4 Guidelines were launched in May 2013 and a limited sample of G4 reports exists.

For the purposes of this research and in order to present the most up-to-date information regarding GRI’s approach to external assurance, definitions of external assurance are based on the G4 Guidelines, the majority of which are the same as those included in the G3/G3.1 Guidelines with the exception of the key qualities for external assurance. GRI’s definitions for external assurance that are applied to this study are referenced in detail in Table #1 of Appendix B.

GRI uses the term “external assurance” as an overarching term to cover a wide range of approaches

to external assessment of sustainability disclosure processes and reporting.

External assurance may also refer to activities designed to result in published conclusions or systems or processes (such as the processes for defining report content, including the application of the Materiality Principle or the stakeholder engagement process). This is different from activities designed to assess or validate the quality or level of performance of an organization, such as issuing performance certifications or compliance assessments.

GRI recognizes that a variety of approaches exist and are currently used by report preparers to implement external assurance, including the use of Certified Public Accountants (CPA’s), or other external groups or individuals. Regardless of the specific approach, GRI acknowledges that external assurance should be conducted by competent groups of individuals external to the organization who follow professional standards for assurance, or who apply systematic, documented, and evidence-based processes (“assurance providers”).

As evidenced by the data in this report, definitions and interpretations behind each independent assessment as well as the types and scope of information assured can vary. An assurance engagement process may focus on data quality, processes to determine what data to collect, or both. While the underlying intent is to improve the quality of the final disclosures, not all engagements are conducted against professional standards for assurance (see section *Assurance Standards*).

These factors, combined with the increasing interest in the accuracy of sustainability reporting, create a need for reporters and users of reports to understand the differences between external assurance practices—and to understand the value of external assurance in sustainability reporting. Beginning with the journey towards external assurance, the following sections explore these differences in order to better showcase the value of external assurance in providing credibility to and consistency in the reporting process.



# THE JOURNEY TO ASSURANCE

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## THE JOURNEY TO ASSURANCE

Sustainability reporting is a journey shaped by the varying circumstances in which a company operates; it is not the destination, but rather an integral step towards enhanced understanding of how to better manage risk, and to create opportunity.

Many companies have existing processes, resources, and functions in place to begin or improve the sustainability reporting journey. For instance, engagement of the Internal Audit team can be leveraged to facilitate this journey.

Defined by the Institute of Internal Auditors (IIA) as “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations, internal auditing helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”<sup>37</sup>

Internal Audit can play a crucial role in sustainability reporting, and in evaluating and improving the effectiveness of sustainability risk management processes. In the GRI Guidelines, GRI acknowledges that an organization may have systems of internal controls in place, which are important to the overall integrity and credibility of a report (Table #1, Appendix B).

As evidenced by the interview element of this research, Internal Audit can and often does play a role in the sustainability reporting process for US companies.

For instance, Faith Taylor, SVP Chief Sustainability Officer at Wyndham Worldwide (WWW), explained in her interview that WWW’s Internal Audit team performs “ongoing validation [of its sustainability

report] across all of North America,” prior to its external assurance provider (which is also the company’s financial statement auditor) performing its external assurance procedures. “This is important,” Taylor explained, “as the assurance process becomes part of the ongoing Internal Audit process, which helps with the production of our report.”

Internal Audit can also play a role in ensuring the continued effectiveness and efficiency of the systems, processes, and controls already in place, resulting in improved quality of the data produced.

Reymundo Ocañas, Director of Corporate Responsibility & Reputation at BBVA Compass, explained in his interview that the Internal Audit supports the process of converting complex energy-related data from BBVA Compass’ more than 1,000 properties across the US, which is then collated and analyzed for its sustainability report. Ocañas noted that the Internal Audit’s support with converting this data facilitates accuracy and efficiency in the reporting process.

Reinforcing the link between the Internal Audit and external assurance process, Ocañas explained that “Just like with the internal audit, the assurance process brings a higher level of importance to the provision of data and writing of the narrative. It helps to ensure that the content providers of each section take the reporting process much more seriously,” and that senior management “feel[s] more confident in speaking about the data and creating additional content from it.” Ultimately, Ocañas concluded, “it’s about the validity of the report.”

As AICPA’s whitepaper on assurance services emphasizes, reliable, or valid, information is critical to decision-making by both internal and external

<sup>37</sup><https://na.theiia.org/Pages/IIAHome.aspx>

stakeholders, from potential investors, creditors, and market regulators to employees and boards of directors.<sup>38</sup> “Third party assurance is a vital driver in our sustainability reporting process and ensures the information that we provide for our stakeholders is comprehensive, credible, and comparable,” noted Leffin (UPS) in his interview.

Recent events, including the global financial crisis of 2008 and the Rana Plaza factory collapse in 2013 have prompted these stakeholders to increasingly question the effective strength of business to identify, communicate, and manage risk and opportunity.

Recognizing the residual impact of these events on public opinion, an interviewee from a leading US financial services firm explained how external assurance has evolved from simply being a part of the way the company does business to a reputation management tool. Third party attestation, he added, “allows us to show our commitment to transparency and to an ethical presentation of information.”

From a reputation standpoint, external assurance can provide a “competitive advantage,” as a representative of a leading electronics company indicated in her interview, since few organizations seek external assurance on their sustainability reports.

From a risk standpoint, external assurance helps to reduce uncertainty in the data and the reporting

processes. “It’s kind of like a sanity check,” she explained, “an additional oversight that goes beyond us just looking at ourselves.” Recognizing the role of assurance in reducing data quality risks, a growing number of indexes, surveys, and initiatives, such as the CDP (formerly, Carbon Disclosure Project)<sup>39</sup> and Dow Jones Sustainability Index (DJSI), are requesting and even requiring the external assurance of sustainability reports.

From a practical standpoint, external assurance can help to improve reporting practices, and highlight opportunities in the reporting process. Linda Qian, Corporate Responsibility at Intel Corporation, indicated in her interview that external assurance helps Intel get to “the next level of reporting” and “stay ahead of the game.” Staying ahead of the game, Qian explained, is increasingly important as government and market regulation around sustainability reporting accelerates, as evidenced by the EU directive on non-financial disclosure and the SSE initiative.

Shaped by a variety of internal and external drivers—from improved reputation to reduced risk—the journey towards external assurance reflects the journey towards a more integrated and comprehensive understanding of sustainable business performance in today’s global economy. The following sections aim to demonstrate this journey, and examine the underlying trends that drive it forward.

<sup>38</sup>[https://www.aicpa.org/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/asec\\_wp\\_providers\\_users\\_bi.pdf](https://www.aicpa.org/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/asec_wp_providers_users_bi.pdf)

<sup>39</sup><https://www.cdp.net/en-US/Respond/Pages/verification.aspx>



# TRENDS IN ASSURANCE: A CLOSER LOOK

## TRENDS IN ASSURANCE: A CLOSER LOOK

Focusing exclusively on the characteristics related to GRI-based reports published in 2011, 2012, and 2013, this section assesses the current state of external assurance trends in relation to the following criteria: the type of external assurance obtained; the type of assurance providers used; the level and scope of the external assurance engagements; the use of specific assurance standards; and the location of the assurance provider's report in relation to the sustainability report.

The majority of the above-mentioned characteristics are captured in GRI's Database as specific data fields. For purposes of this research and based on the

recommendation of AICPA Assurance Services Executive Committee Sustainability Assurance and Advisory Task Force (AICPA TF), additional characteristics were included in this research (see Appendix A).

In 2011, 10 percent (26 out of 269) of the GRI-based reports published by US companies in 2011 underwent an external assurance engagement, compared with 38 percent (884 of 2,327) on a global scale.<sup>40</sup> As the chart below illustrates, the number of US companies publishing externally assured GRI reports rose to 16 percent (41 of 266) in 2013, compared with 45 percent (1,033 of 2,313) on a global scale.<sup>41</sup>

GRI Reports Published by Organizations Worldwide and in the US by External Assurance, 2008 – 2013

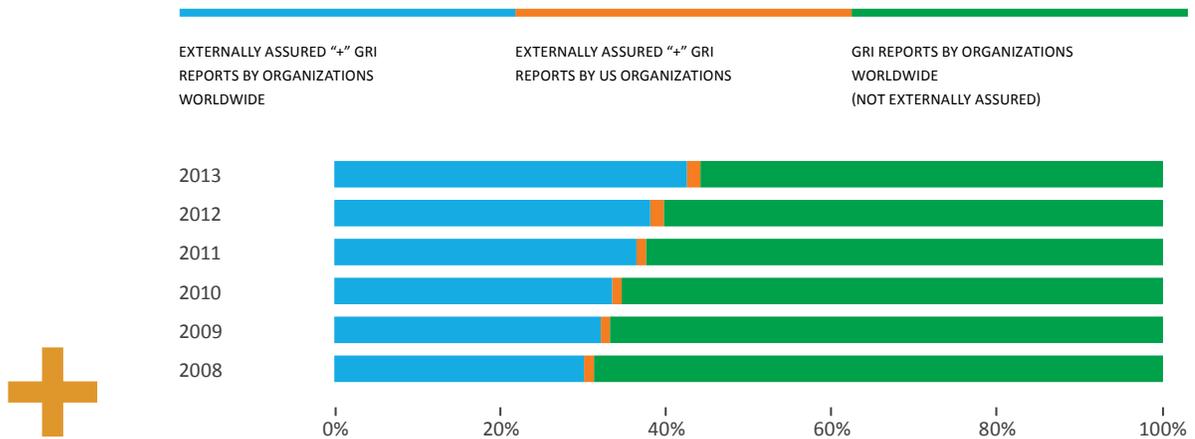


Table #2, Appendix B presents the companies that declared a "+" Application Level in 2011, 2012, and 2013. 18 (69 percent) of the 2011 reporters declaring a "+" Application Level continued to do so in 2013, showcasing a relatively high consistency in the number of US companies seeking external assurance engagements on their GRI reports throughout this time period.

<sup>40</sup><https://www.globalreporting.org/resource/library/GRI-Assurance-Survey-2013.pdf>

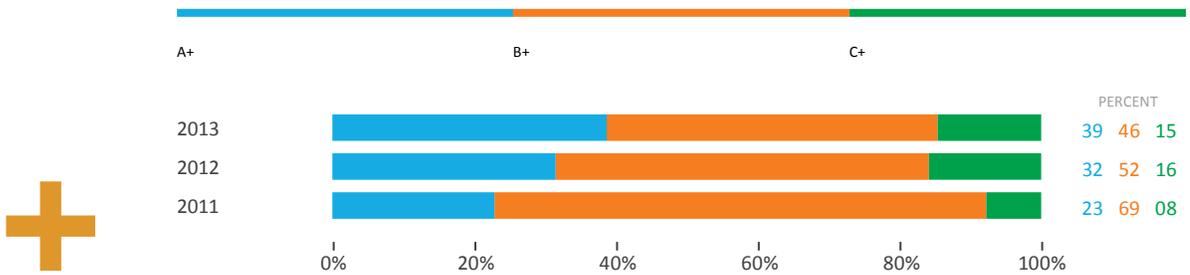
<sup>41</sup>According to data included in GRI's Sustainability Disclosure Database as of April 24, 2014.

Only 4 reporters declaring a “+” Application Level in 2011 either did not publish a GRI report in the following years, or declare a “+” Application Level. One particular example is AMB Property Corporation, which had merged with Prologis in 2012. As shown in Table #2, Appendix B, Prologis published an externally assured GRI report in both 2012 and 2013.

17 reporters declared a “+” level in 2012 for the first time, 13 of which continued to publish a “+” level GRI report in 2013; and an additional 9 reporters declared a “+” level in 2013 for the first time. This data illustrates a growing trend in the number of companies seeking external assurance engagements on their GRI reports.

The following chart illustrates that the majority of the GRI reporters declaring a “+” Application Level in 2011 and 2013 report at the “A” and “B” Application Levels, indicating a relatively high degree of transparency against the GRI Guidelines. The section *Scope of Assurance* further explores the relationship between the scope of reporting and the scope of the assurance engagement, the latter of which identifies which elements of the report are covered by the external assurance process.

“+” GRI Reports Published by US Companies by Application Level, 2011 – 2013



Additional organizations with sustainability reports published in 2011 and 2012, and classified as “verified” by a third party in Bloomberg’s database are listed in Appendix D. In classifying an ESG report as “verified,” Bloomberg does not assess whether the statement in the report is in correspondence with GRI’s key qualities for assurance.

## TYPE OF EXTERNAL ASSURANCE

The terms *assurance*, *external assurance*, *verification*, *audit*, *certification*, *attestation*, *check*, and *third-party opinions* are used interchangeably by practitioners, but definitions and interpretations may differ. The International Federation of Accountants (IFAC) defines an “assurance engagement” as:

an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.<sup>42</sup>

Similarly, the AICPA’s Special Committee on Assurance Services (commonly referred to as the Elliott Committee) defined assurance services as, “independent professional services that improve the quality of information, or its context, for decision makers.”<sup>43</sup>

The AICPA’s whitepaper on assurance services notes that “uncertainty can be reduced by having an independent professional provide a service to enhance the degree of decision-maker confidence in the information, that is, an assurance service.” It defines an *assurance service* as one that involves an outside professional party applying “procedures designed to probe the credibility of the information” and ultimately, “report[ing] on the results.”<sup>44</sup>

Rooted in the depth of engagement and specific subject matter covered, the different types of external assurance reflected in this research and related exclusively to GRI reports published in 2012 and 2013 include: *Independent CPA assurance* (defined above); *Other third-party verification/validation/certification*; and *Other*.

The category *Other third-party verification/validation/certification* services refers to services other than CPA-provided assurance services, which have been referred to as verifications, validations, or certification and may have been performed by organizations that may not be truly independent of the organization seeking the services. The type of work performed in these engagements depends on a variety of factors, including the type of service provider and the program under which the engagement was performed, if any.

<sup>42</sup><http://www.ifac.org/sites/default/files/downloads/b003-2010-iaasb-handbook-framework.pdf>

<sup>43</sup>Report of the AICPA Special Committee on Assurance Services (The Elliott Report) (1997)

<sup>44</sup>[https://www.aicpa.org/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/asec\\_wp\\_providers\\_users\\_bi.pdf](https://www.aicpa.org/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/asec_wp_providers_users_bi.pdf)

The category *Other* refers to services that fall into neither one of the above categories, such as an assessment of the report’s data as measured against the GRI Guidelines and performed by consultancy and boutique firms.

The AICPA’s whitepaper on assurance services indicates that “the size or nature of the matter at hand often influences the choice of service. Significant risks to decision-makers might indicate a need for a highly structured engagement that reduces risk to a low level. On the other hand, less decision risk might suggest that a less rigorous level of procedure would be acceptable.”<sup>45</sup>

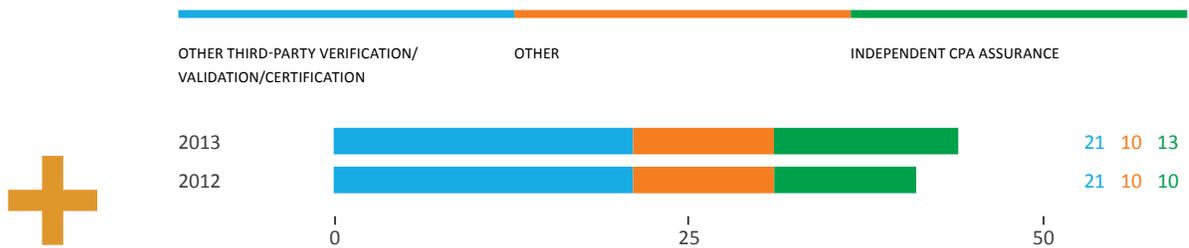
A total of 41 assurance engagements were identified in the sample of 38 “+” GRI reports published in

2012; and a total of 44 assurance engagements were identified in the sample of 41 “+” GRI reports published in 2013. Some companies obtained multiple assurance engagements on different aspects of their reports, which accounts for the discrepancy in the number of reports published and external assurance statements identified. UPS obtained 3 different external assurance engagements on its 2012 and 2013 sustainability reports; and Agilent Technologies obtained 2 different external assurance engagements on its 2012 and 2013 reports.

In line with 2012 trends, close to half (21 of the 44 engagements, or 41 percent) of the 2013 GRI reports obtained an *Other third-party verification/validation/certification service*, as shown in the following chart.

Witnessing the greatest growth, the number of *Independent CPA Assurance* engagements rose 30 percent in 2013 (from 10 engagements in 2012 to 13 in 2013), whereas the number of *Other third-party verification/validation/certification service* engagements remained the same.

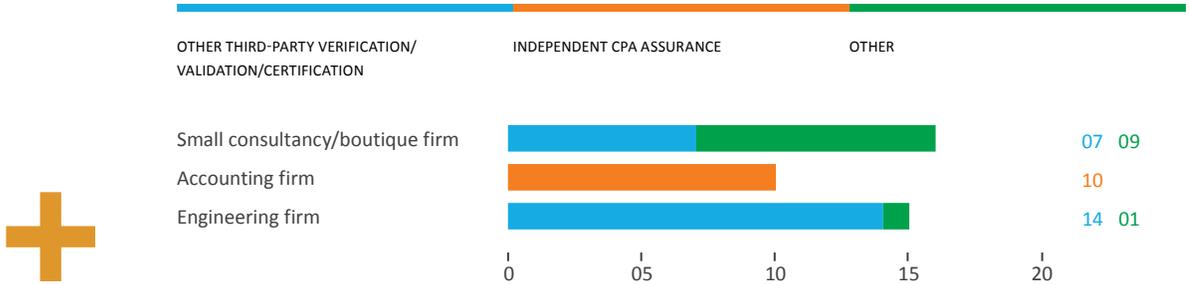
“+” GRI Reports Published by US Companies by Type of External Assurance, 2012 and 2013



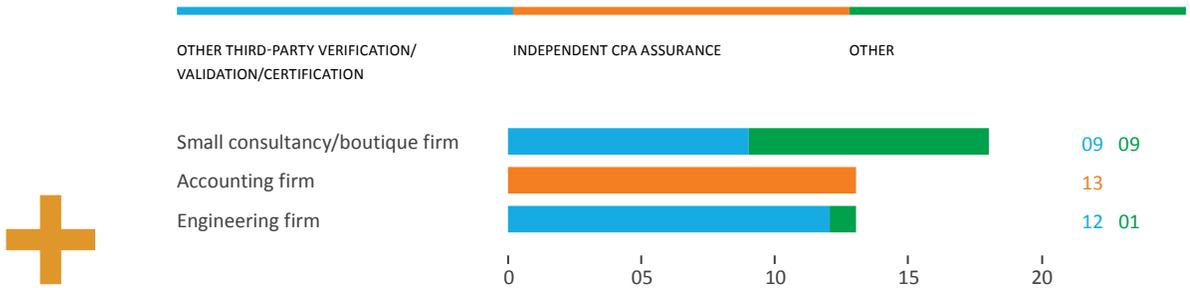
<sup>45</sup>[http://www.aicpa.org/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/asec\\_wp\\_providers\\_users\\_bi.pdf](http://www.aicpa.org/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/asec_wp_providers_users_bi.pdf)

In both 2012 and 2013, accountancy firms conducted all of the *Independent CPA Assurance* engagements, which account for 24 percent (10 out of 41) of the engagements in 2012, and 30 percent (13 out of 44) of those in 2013.

### 2012 “+” GRI Reports Published by US Companies by Type of External Assurance and Type of External Assurance Provider



### 2013 “+” GRI Reports Published by US Companies by Type of External Assurance and Type of External Assurance Provider



The following section further explores the distinction in the types of external assurance providers.

## PROVIDERS OF EXTERNAL ASSURANCE

As reflected in the GRI Sustainability Disclosure Database, GRI captures the following three, generally accepted types of external assurance providers:

- **Accounting firms:** Firms that are normally connected to global networks; are focused on business; have expertise in financial and extra-financial reporting; have their own systems, controls and audit/assurance procedures (including for climate change/GHG data); and generally follow a clear set of professional standards, including requirements around independence and quality control.
- **Engineering firms:** Firms that typically offer technical certifications and engineering expertise; understand complex processes and are used to risk-based analysis; and apply a multi-disciplinary approach.
- **Small consultancies/boutique firms:** Firms that focus on sustainability-related issues; usually smaller than the other assurance providers' general categories and are usually locally based; often recognized because of their experience with stakeholder issues.<sup>46</sup>

GRI does not make recommendations on which assurance provider to choose, or which assurance approach to use, as the context within which a reporting company operates influences a company's approach to both the type of external assurance obtained and the type of assurance provider engaged.

A reporting company is, however, expected to select the assurance provider on the basis of seven key qualities (see Table #1, Appendix B), which are in line with the CPA professional standards.

The AICPA TF acknowledges that because users of sustainability reports/information are often unfamiliar with the specific provider of the assurance service and generally unable to observe the quality of the service provided, it is essential not only that an assurance provider meet the seven key qualities identified by GRI, but also that the assurance services are performed pursuant to professional standards established under due process and accom-

panied by independent oversight.

The AICPA TF explained that services provided by CPA's are subject to specific professional requirements, in order to ensure consistency and quality in services performed by CPA's. Adherence to these standards is required of CPA's under the rules of the AICPA, and some of these standards have been adopted in individual state laws.

The professional requirements to which CPA's are subject include: State Accountancy Laws; Ethics Code; Quality Control; Service-Specific Standards; and Other Standards and Inspection Processes. Further explanation of these requirements is provided in Appendix C.

In the case of examination or review-level assurance of sustainability information, CPA's are required to comply with Statements on Standards for Attestation Engagements (SSAEs), and in particular AT Section 101 *Attest Engagements* ("AT101"), which are considered a Service-Specific Standard. Each of the seven key qualities of assurance identified by GRI is required of CPA's under AT101, the application of which is further analyzed in the below section *Assurance Standards*.

Qian (Intel) acknowledged the importance of these standards during her interview. "There exist different types and levels of assurance, in terms of the specific standards applied, which are critical to providing insight into the assurance process itself," Qian (Intel) explained, indicating her appreciation of the "well-documented and rigorous process" applied by Intel's external assurance provider and financial auditor, an international accountancy firm.

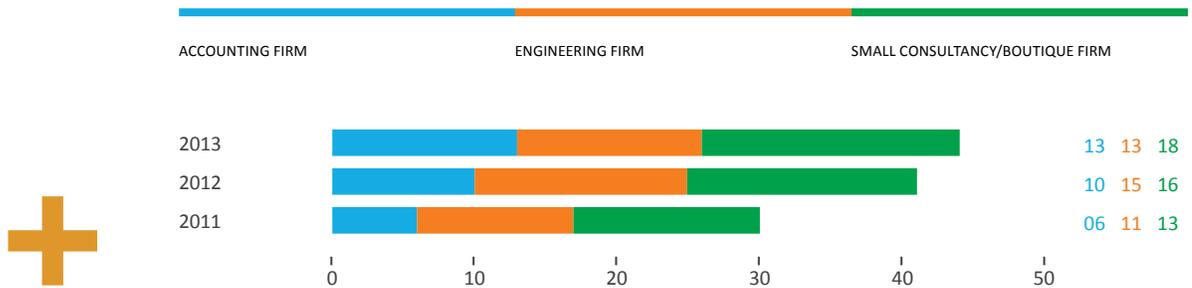
As Table #3, Appendix B illustrates, most of the GRI reporting companies in 2011, 2012, and 2013 sought external assurance services from small consultancies/boutique firms. 43 percent of the external assurance providers of the 2011 GRI reports are small consultancies/boutique firms; 39 percent of the 2012 GRI reports; and 41 percent of the 2013 GRI reports.

<sup>46</sup><https://www.globalreporting.org/resource/library/GRI-Assurance.pdf>

With that said, the number of *Independent CPA Assurance* engagements rose 30 percent in 2013 (from 10 engagements in 2012 to 13 in 2013), whereas the number of *Other third-party verification/validation/certification service* engagements remained the same.

Highlighting the relative consistency in type of external assurance provider that was chosen by the reporting companies throughout the years, the chart below displays the type of external assurance provider selected by reporting organizations in each year.

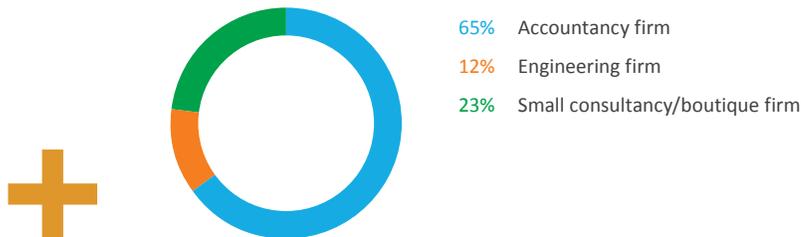
“+” GRI Reports Published by US Companies by Type of External Assurance Provider, 2011 – 2013



While some organizations chose to obtain an external assurance engagement from one of the larger accountancy firms, a majority chose to obtain external assurance from a smaller provider.

On a global scale, small consultancies/boutique firms account for only 23 percent of the engagements performed on GRI reports declaring a “+” Application Level and published in 2013; whereas, accountancy firms account for 65 percent of these reports, as shown in the following chart.

2013 “+” GRI Reports Published by Organizations Worldwide by Type of External Assurance Provider



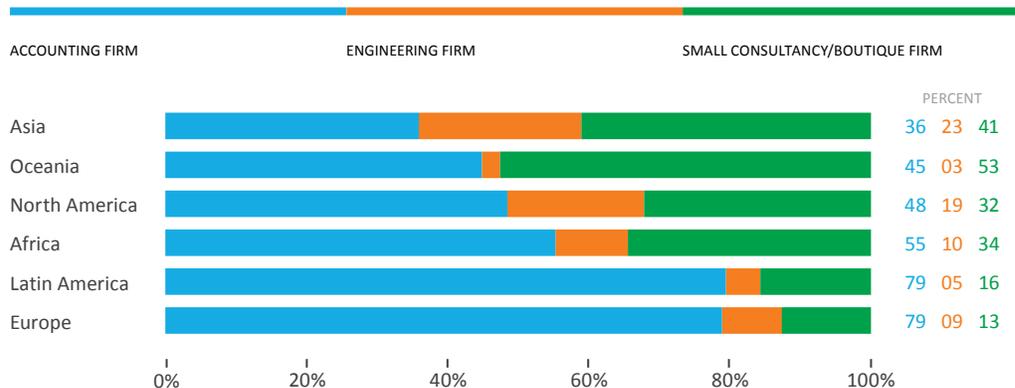
Broken down by region, accountancy firms hold the greatest market share of external assurance engagements on 2013 “+” GRI reports published by organizations in Europe (79 percent), Latin America (79 percent), Africa (55 percent), and North America (48 percent), as shown in the chart below.

In North America, the majority (57 percent, or 17 of 30) of 2013 “+” GRI reports externally assured by accountancy firms were published by Canadian companies; and 43 percent (13 of 30) were published by US companies.

Various European countries, including France, Spain, the Netherlands, Italy, and Sweden, have some form of an assurance standard that is either exclusive to or can be applied to the assurance of sustainability reports, resulting in the relatively high market share of external assurance engagements held by accountancy firms in this region.<sup>47</sup>

Representing companies that obtained external assurance from a variety of providers, the interviewees identified reputation, credibility, expertise, and availability (in terms of capacity and resources) as important characteristics of assurance providers, in addition to the use of assurance standards.

2013 “+” GRI Reports Published by Organizations Worldwide by Type of External Assurance Provider and Region



In line with Qian’s (Intel) perspective included above, Tonie Hansen, Director CSR and Sustainability at NVIDIA, highlighted the importance of the assurance provider being associated with a well-known accredited assurance standard, as well as “having an ability to adapt to what you as a reporter need, and to your business model.” Unlike Intel, NVIDIA obtained external assurance from a small consultancy/boutique firm.

As the interviews indicate, the majority of the companies that chose to work with a larger accountancy firm did so due to having an established relationship with these firms through financial statement assurance services. As such, the companies were inclined to work with these firms, as the firms were well

positioned to ensure consistency and credibility in the company’s reporting processes.

Ocañas (BBVA Compass) highlighted that “Since assurance is a global engagement for BBVA Compass, [the company] decided to work with its financial statement auditor/independent accountant as [it has] an existing connection with them.” He added that “While each local entity approves its own local engagement, [BBVA Compass] did not look to source a different provider in the US” in order to ensure consistency in the sustainability reporting and assurance process.

This consistency will become increasingly important, as evidenced by the increasing use of extra-financial/

<sup>47</sup><https://www.globalreporting.org/resource/library/Carrots-and-Sticks.pdf>

sustainability information by investors, and the move towards integrated reporting—both of which will require a comparable level of credibility between traditional financial and extra-financial/sustainability information.

As this research shows, while the decision-making around which assurance provider to choose is typically rooted within the same considerations, including the use of an assurance standard, an understanding of the business model, and a credible reputation in the market, it can often lead to different outcomes. As one interviewee put it, “The space is wide open” in terms of how the different assurance providers position themselves within the sustainability reporting landscape, and in terms of how companies approach the external assurance process.

“But no matter who you decide to work with,” Beckingham (Mosaic Company) noted, “the assurance provider has to know your business, it has to know their business, and it has to work with recognized global assurance standards.” The following section looks more closely at the different assurance standards, and how they are applied in the US.

## ASSURANCE STANDARDS

National and international standards and frameworks for assuring extra-financial/sustainability disclosures exist; however, these still vary in approach and are not widely used in all regions. Major assurance standards exist at the global, regional and country level, resulting in a wide range of approaches to and interpretations of assurance practices.<sup>48</sup>

As noted in the preceding section, CPA’s in the US are required to comply with SSAEs in the case of examination or review-level assurance of sustainability information.

The most commonly referred to international standards are ISAE 3000 and AA1000AS, and the most

commonly referred to national (US-specific) standard is the AT101. The main features of these different standards are as follows:

**The International Standard on Assurance Engagements ISAE 3000** is a generic standard for any assurance engagement other than audits or reviews of historical financial information.<sup>49</sup> Developed by the International Auditing and Assurance Standards Board (IAASB) of IFAC, the standard was published in 2003 to emphasize comprehensive procedures for evidence gathering processes and assessor independence (see Appendix B). In order to issue a report “in accordance with the ISAE 3000” standard, the assurance provider must comply with the IESBA Code of Ethics for Professional Accountants.<sup>50</sup>

**The AccountAbility AA1000 Assurance Standard (AA 1000AS)** is related to the AccountAbility Principles Standard (AA1000APS 2008), which some organizations use to guide their approach to sustainability disclosure.<sup>51</sup> Developed in 2008 by AccountAbility for external assurance of the implementation of the AA1000APS Principles, the standard emphasizes whether the organization and its sustainability report respond to stakeholder concerns. Different types of assurance providers use the proprietary standards in their engagements.

**Section 101 of the AICPA’s Attestation Standards (AT101)** is a section that provides a framework for attest engagements performed by CPA practitioners. This section applies to engagements in which a CPA in the practice of public accounting issues an examination, a review, or an agreed-upon procedures report on subject matter, or an assertion about the subject matter that is the responsibility of another party. Any professional service resulting in the expression of assurance must be performed under AICPA professional standards that provide for the expression of such assurance.<sup>52</sup> AT101 was developed by the AICPA’s Auditing Standards Board (ASB) and published in 1986.

<sup>48</sup><https://www.globalreporting.org/resource/library/carrots-and-sticks.pdf>

<sup>49</sup>Related ISAE International and National Standards have a number between 3000 and 3999. These may be translations or more specific standards. ISAE 3410, for example, is a specific international standard for assurance engagements on greenhouse gas (GHG) statements.

<sup>50</sup>ISAE 3000 assurance providers are subject to the IESBA Code of Ethics for Professional Accountants which covers, among others, professional competence, independence and objectivity, and the International Standards on Quality Control to ensure quality. The code is developed and published by the International Ethics Standards Board for Accountants (IESBA).

<sup>51</sup><http://www.accountability.org/>

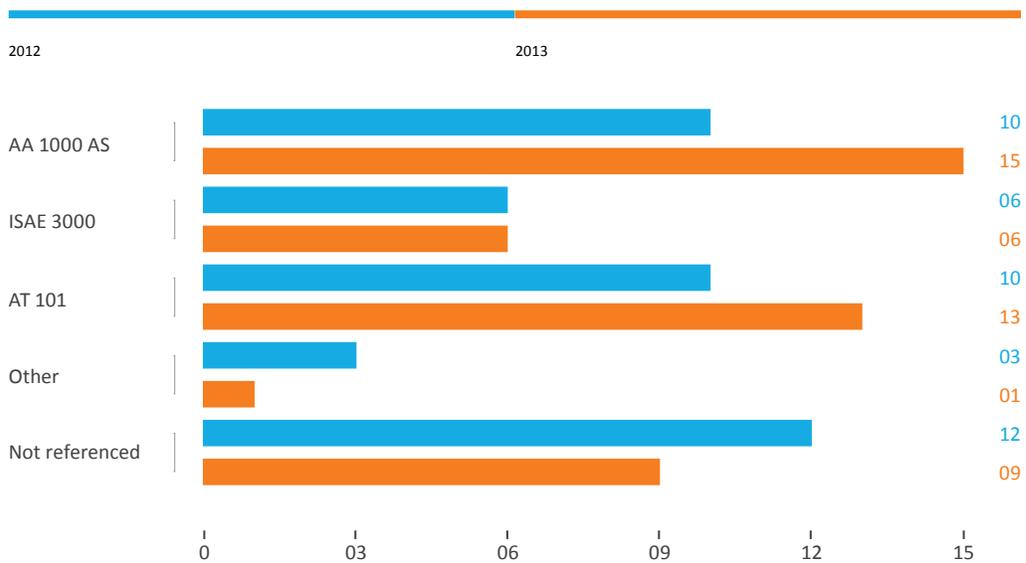
<sup>52</sup><http://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-00101.pdf>

GRI’s Database tracks the use of the above standards, classifying AT-101 as a “national standard (general).” For purposes of this research, GRI also

evaluated the use of the ISAE 3410 standard and the AICPA’s SOP 13-1, which relate exclusively to GHG statements.<sup>53</sup>

As shown in the chart below, neither one of the GHG-specific standards was referenced in the assurance statements; and some assurance statements did not specify the use of a standard (“not referenced”), the majority of which were performed by small consultancies/boutique firms. The “other” indicates the use of “international standards” generally, without any standard specified.

“+” GRI Reports Published by US Companies by Assurance Standard, 2012 and 2013



As expected, the application of AT101 is consistent with the number of *Independent CPA Assurance* engagements performed by US accountancy firms in both 2012 and 2013.

Small consultancies/boutique firms and engineering firms account for the application of the other standards referenced in the above chart. A majority of the external assurance engagements that reference the AA1000 AS were performed by small consultancies/boutique firms in both 2012 (6 of 10) and 2013 (11 of 15). As noted above, the AA1000 AS is a non-prescriptive, free, open-source standard that, while designed for use primarily by external auditing bodies, can be used by any type of organization.<sup>54</sup>

A majority of the external assurance engagements in which a standard was not referenced were performed by small consultancies/boutique firms in both 2012 (7 of 12) and 2013 (6 of 9). Nevertheless, the majority of the external assurance engagements in both 2012 (70 percent) and 2013 (80 percent) use and/or reference one of the above-mentioned standards—and the relative use of standards is growing, and will most likely continue to grow as sustainability reporting advances and matures.

As noted in the preceding section, interviewees often attributed an assurance provider’s capability to the use of standards. Like Qian (Intel), Hendricks

<sup>53</sup>[http://www.ifac.org/sites/default/files/publications/files/B010%202012%20IAASB%20Handbook%20ISAE%203410%20Final%20\(revised%20IFAC%20logo%20placement\).pdf](http://www.ifac.org/sites/default/files/publications/files/B010%202012%20IAASB%20Handbook%20ISAE%203410%20Final%20(revised%20IFAC%20logo%20placement).pdf)

<sup>54</sup><http://www.accountability.org/standards/aa1000as/index.html>

(3M) explained how the use of standards indicates an ability “to achieve the ultimate outcome of robust transparency and credibility of data—what we’re all after.”

The ultimate outcome of robust reporting and enhanced credibility can be achieved through different levels of assurance, which relate to the extent of the assurance procedures, as defined in the standards used for specific assurance engagements. The following section explores these different levels of assurance in more depth.

## LEVEL OF EXTERNAL ASSURANCE

The level of assurance indicates the extent and depth of the assurance process, and can therefore, impact the degree of confidence report users have in the assured report. Assurance providers often offer two levels of assurance: reasonable (i.e., high but not absolute) or limited (i.e., moderate). The higher the level of assurance, the more rigorous the assurance process is, as defined in the standards and procedures used for the specific assurance engagement.<sup>55</sup>

The nature of the conclusion expressed in an assurance statement highlights fundamental differences between the different levels of assurance. For instance, an assurance statement for a limited assurance engagement would most likely indicate that “Nothing came to [the assurance provider’s] attention that caused [them] to believe that the report does not include the required elements,” as referenced in UPS’ GRI report. On the other hand, an assurance statement for a reasonable assurance engagement would include more positive language, such as “We conclude that the information provided meets the requirements,” as referenced in Hess’ GRI report.

The AICPA distinguishes between two different levels of assurance—high and moderate:

In an attest engagement designed to provide a high level of assurance (referred to as an examination), the practitioner’s objective is to accumulate sufficient evidence to restrict attestation

risk to a level that is, in the practitioner’s professional judgment, appropriately low for the high level of assurance that may be imparted by his or her report.<sup>56</sup>

In an attest engagement designed to provide a moderate level of assurance (referred to as a review), the objective is to accumulate sufficient evidence to restrict attestation risk to a moderate level.<sup>57</sup>

Similarly, IFAC distinguishes between two different levels of assurance—reasonable and limited:

The objective of a reasonable assurance engagement is a reduction in assurance engagement risk (see Appendix B) to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner’s conclusion. The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where the risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the practitioner’s conclusion.<sup>58</sup>

Essentially, the distinction is dependent on whether the nature of the expressed conclusion is positive (reasonable level) or negative (limited level) assurance. For purposes of this research, the different levels of assurance will be referred to as reasonable and limited.

As the following chart illustrates, 53 percent (or 16 of the 30 engagements) of the assurance engagements for GRI reports published in 2011 indicated a limited level of assurance; and 37 percent (or 11 of the 30 engagements) did not specify a level of assurance.

While a majority of the assurance engagements in 2012 (27 of the 41 engagements, or 66 percent) and 2013 (32 of the 44 engagements, or 73 percent) are also at a limited level of assurance, the relative number of external assurance engagements with a “not specified” level of assurance declined progressively, and dramatically, to 12 percent in 2012, and 5 percent in 2013.

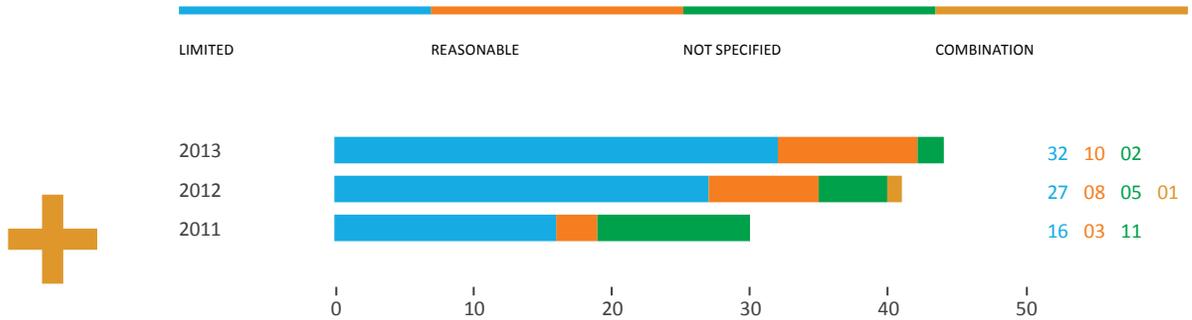
<sup>55</sup><https://www.globalreporting.org/resourcelibrary/GRI-Assurance.pdf>

<sup>56</sup><http://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-00101.pdf>

<sup>57</sup><http://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-00101.pdf>

<sup>58</sup>[http://www.ifac.org/sites/default/files/downloads/International\\_Framework\\_for\\_Assurance\\_Engagements.pdf](http://www.ifac.org/sites/default/files/downloads/International_Framework_for_Assurance_Engagements.pdf)

“+” GRI Reports Published by US Companies by Level of Assurance, 2011 – 2013



The increase in the number of engagements specifying a level of assurance further signifies a move towards more rigorous reporting, and mounting interest in the accuracy of these reports. It could also signify a matured understanding of the assurance process and the value of external assurance by reporting organizations.

As Hansen (NVIDIA) explained in the interview, “The assurance provider has to provide an appropriate

level of assurance in terms of what you need as a company, in terms of what your stakeholders want to know,” and in terms of what you are reporting.

Further exploring the extent to which US companies obtain external assurance on their reports, the following section looks closely at the “what” in external assurance or, as it is commonly referred to, the scope of external assurance.

### SCOPE OF EXTERNAL ASSURANCE

All sustainability disclosures, including claims made, policies outlined, and data published, are potential subjects of third party external assurance. Companies can choose to obtain external assurance on specified sections of their reports, including environmental, health, and safety data; on GHG emissions only; or on the entire sustainability report and underlying reporting processes. By determining the scope of information to be reported and assured, the reporter can better determine how and when to involve the assurance provider in the reporting process.

Materiality and strategy considerations are often determined early in the reporting process. Should these issues be included in the scope of the assurance engagement, then it is useful to share documentation with the assurance provider at an early stage. Likewise, if the focus of the assurance engagement is data quality, then it is useful to share information about data systems and internal control processes at an early stage—to allow for additional checks to be included in the process, or controls to be modified.<sup>59</sup>

For instance, Qian (Intel) explained that Intel began the assurance process by first “looking at [its] materiality matrix to determine [its] most critical issues.” Intel then worked with its financial auditor on a pre-assurance process for the sustainability report, in order to “determine which elements were ready to undergo assurance, and which elements still had

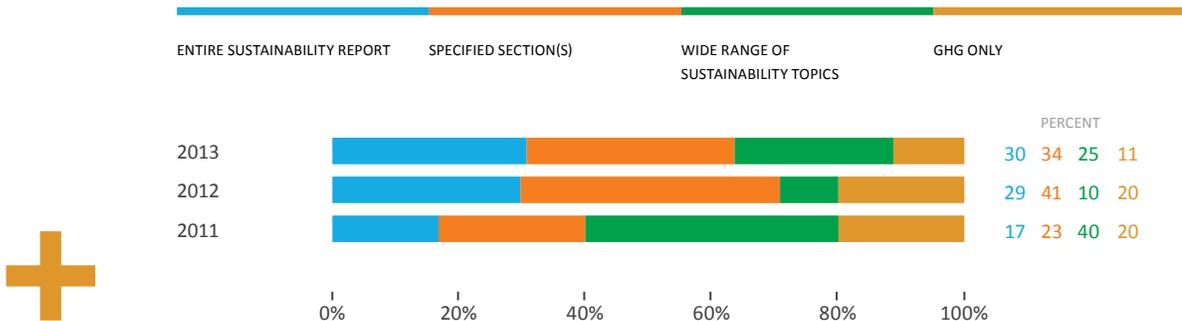
room for improvement. Fortunately,” she added, “this pre-assurance process became an actual assurance engagement, as the majority of our data was actually prepared for assurance.”

GRI’s Database tracks the scope of external assurance on the “Entire sustainability report;” “GHG only;” “Specified sections;” or “Not specified.” For purposes of this research, and to maintain consistency with last year’s publication on external assurance trends, the category a “Wide range of sustainability topics” is captured for data throughout all three years.

A “Wide range of sustainability topics” refers to engagements that covered a variety of KPI’s as well as those that were more thorough and also covered underlying internal control processes; it differs from the category “Specified sections” in that it covers a wider range of topics that are described, rather than itemized, in the external assurance statement.<sup>60</sup>

As shown in the chart below, all of the assurance statements included in GRI reports published in 2011, 2012, and 2013 identified the scope of the assurance engagement.

“+” GRI Reports Published by US Companies by Scope of Assurance, 2011 – 2013



<sup>59</sup><https://www.globalreporting.org/resourcelibrary/GRI-Assurance.pdf>

<sup>60</sup><https://www.globalreporting.org/resourcelibrary/GRI-Assurance-Survey-2013.pdf>

A majority of the companies obtained external assurance on “Specified section(s)” and a “Wide range of sustainability topics.” A growing number of companies are seeking external assurance on their entire sustainability report, as indicated in the chart above. Between 2011 and 2013, a number of companies have consistently sought external assurance on their entire sustainability report, including UPS, Northern Trust, Hess, and Mohawk Industries.

Compared with 2011 data, the relative number of US companies seeking external assurance only on GHG data has declined from 20 percent (6 of 30 engagements) to 11 percent (5 of 44 engagements) of the reports published in 2011 and 2013, respectively. The parallel increase in the number of companies seeking external assurance on their entire sustainability report, and decline in the number of companies seeking external assurance only on GHG data, suggests a move towards more comprehensive external assurance engagements that cover a larger set of both quantitative and qualitative data within the report.

Beckingham (Mosaic Company) referred to this process of seeking external assurance on a larger scope of data throughout the years as a “natural progression.” “We’ve been progressively building on the quality of our report,” Beckingham explained, “by externally assuring more and more of our quantitative data. Moving towards external assurance on the entire GRI report itself was, therefore, a natural progression,” he concluded.

Other interviewees presented a similar notion of progression, referring to their decision-making

around the scope of assurance as a kind of step-by-step process that involved focusing on those elements of the report that were either easy or cost-efficient to assure; that were required to meet a specific Application Level of GRI reporting; and for which they had the most data.

On the other hand, for some companies, the decision to publish a sustainability report went hand-in-hand with the decision to have the whole report externally assured.

One interviewee from a financial services firm explained that the decision around reporting was a joint decision around “framework selection, how much disclosure is appropriate, and the attestation options.” He noted that “We would not have selected a high level of disclosure—or decided to disclose any information, for that matter—if we felt that we could not stand up to third party attestation.”

As exemplified by these case studies, the extent to which a company seeks external assurance on its sustainability report is driven by practical considerations, such as cost, resources, and time; by a perceived “readiness” for external assurance; and by an overall commitment to a high-level of transparency.

Once the assurance engagement is completed, the assurance provider issues an assurance report or statement that may be disclosed as part of the sustainability reporting process. Drafted and often signed by the assurance provider, this document may vary in form and content depending on the assurance scope, type of assurance provider, and assurance standards applied.

The following section examines the specific location of the assurance provider's report, or statement, in relation to the GRI reports published by US companies in 2012 and 2013, to determine the relative accessibility of these reports or statements.

## LOCATION OF EXTERNAL ASSURANCE REPORT

Increasing demands for improved data quality complement the demands for improved data accessibility. Reliable and accessible information is critical to decision-making by the various stakeholders vested in and impacted by the company's performance—from the report preparer to the report user.

The preceding sections showcased the various approaches to and interpretations of external assurance. The distinctions in the scope and level of assurance, the type of assurance engagement, and type of assurance standards applied are most often found within the assurance report, or statement, issued by the assurance provider.

Noting that “not all assurance engagements are alike,” Beckingham (Mosaic Company) explained that “A comprehensive summary has value in showing stakeholders what the assurance provider looked at and what they did.”

This report may include an addressee, to specify the intended audience of the assurance report; an introduction outlining the overall objectives; a statement identifying the scope, level of assurance, and the criteria and methodologies used by the reporter in preparing the report (e.g., GRI's Guidelines, other reporting protocols, management and control procedures); a comment on any noteworthy limitations, for instance in terms of availability of data; a

conclusion to summarize the actions taken to conduct the assurance engagement; recommendations for further action or attention; and a formal sign-off by the assurance provider.<sup>61</sup>

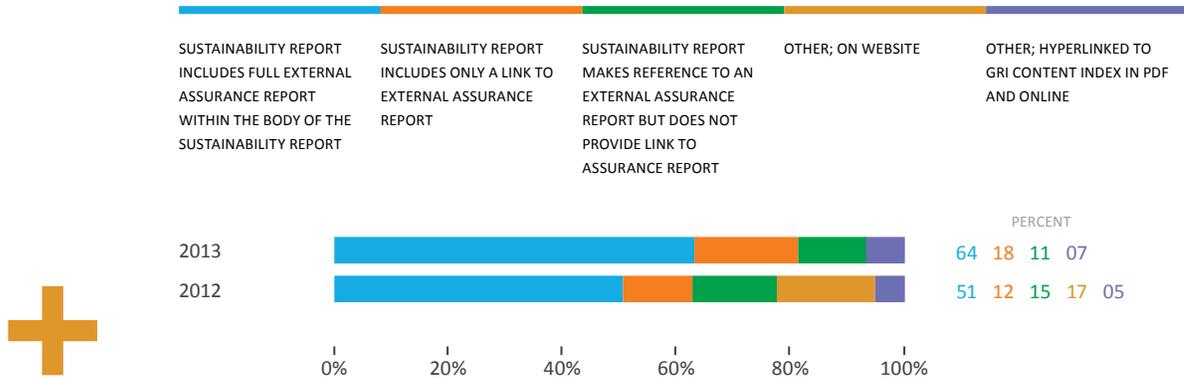
The assurance report is more than a testament to the external assurance process; it is, as evidenced by this research, a valuable resource for stakeholders to better understand the various, and sometimes subtle, distinctions in the approaches to assurance. The assurance report can help a reporter move towards enhanced accuracy, as well as act as a platform for internal and external stakeholder engagement.

As evidenced by this research, the full external assurance report can be located within the body of the sustainability report; referenced and hyperlinked to the sustainability report; referenced but not hyperlinked to the sustainability report; and/or located exclusively on the company's website, for instance if companies publish an interactive, web-based report, rather than a PDF.

<sup>61</sup><https://www.globalreporting.org/resource/library/GRI-Assurance.pdf>

In 2012, 51 percent (21 of 41 engagements) of the externally assured GRI reports published by US companies include the full external assurance report within the body of the sustainability report. This number increased to 64 percent (28 of 44 engagements) in 2013, as illustrated by the following chart.

“+” GRI Reports Published by US Companies by Location of External Assurance Statement/Report, 2012 and 2013



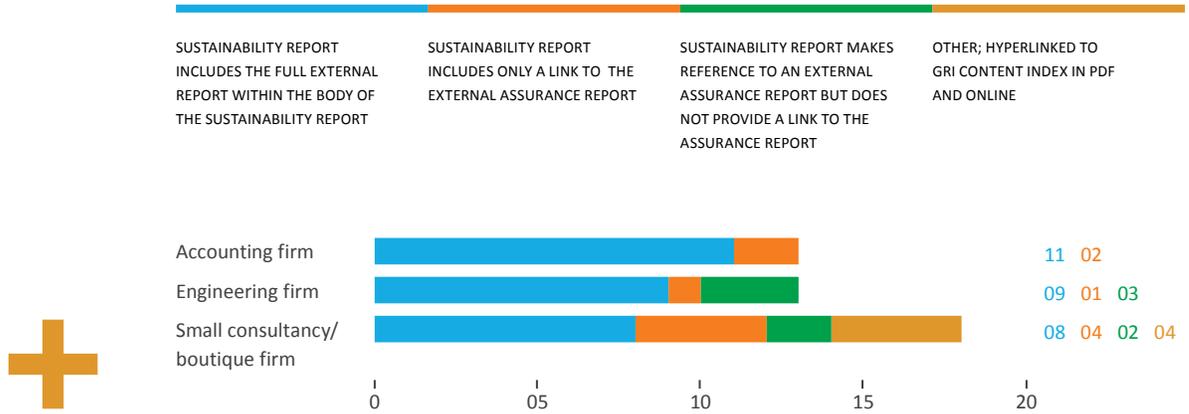
It is important to note that many organizations produce interactive web-based sustainability reports, in addition to or in place of a full PDF report. These web-based reports often include an interactive GRI Content Index, with hyperlinks to relevant data within the full report.

As noted in the above chart, organizations sometimes hyperlink the external assurance report to the GRI Content Index in the PDF and web-based report. These cases are categorized as “other; hyperlinked to GRI Content Index in PDF & online” in the above chart.

The “other; on website” category indicates that the external assurance statement was only available on the website, and not linked to the PDF, web-based report, and/or GRI Content Index.

A relatively small number of the reports make reference to an external assurance report but do not provide a link to that report in both 2012 (15 percent, or 6 of 41 engagements) and 2013 (11 percent, or 5 of 44 engagements). As illustrated by the following chart, all of the related reports published in 2013 were assured either by engineering firms or small consultancies/boutique firms.

### 2013 “+” GRI Reports Published by US Companies by Location of Assurance Report and Type of Assurance Provider



The 2 assurance reports issued by accountancy firms and linked within the sustainability report are web-based reports that produce PDF summaries of the sustainability report. With the 5 GRI reports in which the external assurance report is referenced but not linked, additional effort was required to locate the actual assurance report online.

All of the interviewees indicated a high level of importance in receiving and using a written assurance report from the assurance provider, in order to help improve their internal reporting as well as showcase their commitment to transparency to report users.

Ocañas (BBVA Compass) explained that “Since [the assurance report is] a key part of the accreditation process to publish the report, the assurance statement that actually goes into the sustainability report is valuable and meaningful. I cannot think of a scenario in which you would not want to show this off,” he added, explaining how the assurance report affirms the validity of the report to external stakeholders, and showcases a “move towards enhanced accuracy” and transparency.



# CONCLUSIONS



## CONCLUSIONS

External assurance of sustainability reports is an increasingly growing trend in the US, as companies respond to the rising demand for reliable and robust information by key stakeholders. The number of US companies publishing externally assured GRI reports rose from 10 percent (26 of 269) in 2011 to 16 percent (41 of 266) in 2013. This is in line with the rise in companies publishing externally assured GRI reports on a global scale—from 38 percent (884 of 2,327) in 2011 to 45 percent (1,033 of 2,313) in 2013.<sup>62</sup>

While the relative growth in the number of externally assured GRI reports published by US companies is slightly lower than that on a global scale, the number of externally assured GRI reports published by US companies more than tripled between 2008 and 2013 from 11 to 41 reports.

This growth is both expected and welcome. One should consider that only in a few countries—not including the US—and for a few sectors, sustainability reporting and third party external assurance of such reporting are either required or common practice. Nevertheless, the overall increase in sustainability reporting and mounting interest in the accuracy of these reports by internal and external stakeholders is evidenced by such growth.

Assurance amongst the largest companies has reached a tipping point with 59 percent of the world's largest 250 companies reporting on sustainability also investing in external assurance.<sup>63</sup> As companies take on an increasingly focused approach to reporting and report in accordance with the G4 Guidelines, this trend will most likely continue to grow beyond this point.

This research shows that while external assurance is a growing trend in the US, and especially for large publicly listed companies, the scope, level, type of assurance provider and use of assurance standards vary.

For instance, in line with 2011 trends, multiple players in the US continue to provide external assurance, and small consultancies/boutique firms are currently carrying out a majority of the external assurance

engagements of GRI reports published by US companies between 2011 and 2013. Nevertheless, the number of *Independent CPA Assurance* engagements rose 30 percent in 2013 (from 10 engagements in 2012 to 13 in 2013), whereas the number of *Other third-party verification/validation/certification service* engagements remained the same.

The interviews included in this research illustrate that the decision-making around which assurance provider to choose is often rooted within the same considerations of reputation, expertise, industry know-how, and the use of assurance standards; and yet, it often leads to different outcomes.

Regardless of the outcome of this decision, the ultimate objective of credible, robust, and reliable reporting is increasingly at the forefront of decision-making by report preparers and users. Relevant interviewees acknowledged the value of obtaining external assurance from their company's financial auditor, most often an international accountancy firm, in order to ensure consistency and credibility in the reporting process, and support the integration of sustainability performance into a company's business strategy—a practice that will become increasingly important as regulation by governments and stock exchanges develops.

Critical to ensuring quality reporting, external assurance strengthens a company's ability to continually improve its performance, to engage in quality management decisions that go beyond the bottom line, and, as an interviewee from a leading financial services firm explained, "to have a highly engaging dialogue with key stakeholders," both internal and external to the organization.

GRI anticipates and encourages a growth in the number of companies seeking external assurance on their sustainability reports, as regulation by governments and stock exchanges rapidly develops on a global scale, companies increasingly integrate their sustainability efforts into the overall business strategy, and GRI makes the move to become an official global standard setting organization.

<sup>62</sup>According to data included in GRI's Sustainability Disclosure Database as of April 24, 2014.

<sup>63</sup><http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/kpmg-survey-of-corporate-responsibility-reporting-2013.pdf>

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## APPENDIX A: DATA LEGEND\*

### **j. External Assurance**

- i. Indicates that the report is externally assured

### **kk. Type of External Assurance**

- i. Indicates the type of external assurance obtained:
  1. Independent CPA Assurance
  2. Other third-party verification/validation/certification
  2. Other

### **k. Type of Assurance Provider**

- i. Indicates the type of firm that provided the external assurance of the report:
  1. Accountant
  2. Engineering firm
  3. Consultancy/boutique firm

### **l. Assurance Provider**

- i. Indicates the specific name of the firm from the below list which provided the external assurance:
  - AENOR
  - Banarra
  - BDO
  - Bureau Veritas
  - Deloitte
  - DHV
  - DNV
  - ERM
  - Ernst & Young
  - Grant Thornton
  - KPMG
  - Lloyds
  - Net Balance
  - PricewaterhouseCoopers (PwC)
  - SGS
  - Two Tomorrows
  - URS
  - Other

### **m. Assurance Scope**

- i. Indicates the scope of the external assurance engagement as disclosed in the external assurance statement:
  1. Entire Sustainability Report
  2. Specified section(s)
  3. Wide range of sustainability topics
  4. GHG only
  5. Not specified

### **n. Level of Assurance**

- i. Indicates the level of the external assurance engagement as disclosed in the external assurance statement:
  1. Limited/moderate
  2. Reasonable/high
  3. Combination
    - a. Both a Limited/moderate and Reasonable/high level were applied to (different parts of) the report
  4. Not specified

**o. Assurance Standard: AA1000AS**

i. Indicates application of the AccountAbility AA1000 Assurance Standard (AA1000AS) as disclosed in the external assurance statement

**p. Assurance Standard: ISAE3000**

i. Indicates application of the International Standard on Assurance Engagements (ISAE) 3000 as disclosed in the external assurance statement

**pp. Assurance Standard: ISAE 3410 if only GHG**

i. Indicates application of the International Standard on Assurance Engagements ISAE 3410 as disclosed in the external assurance statement

**q. Assurance Standard: national standard (general)**

i. Indicates application of a general national assurance standard (e.g., general auditing/attestation principles developed at the national level or by an organization within the specific national context) as disclosed in the external assurance statement

**r. Assurance Standard: national standard (sustainability)**

i. Indicates application of a sustainability (extra-financial) specific national assurance standard (e.g., developed at the national level or by an organization within the specific national context) as disclosed in the external assurance statement

**s. Assurance Standard: other**

i. Indicates application of a “standard” other than those described/identified in (o), (p), (q) or (r) above as disclosed in the external assurance statement

**t. Location of the assurance provider’s external assurance report in relation to the sustainability report**

i. Indicates where the assurance provider’s external assurance report is located in relation to the sustainability report:

1. Sustainability report includes the full external assurance report within the body of the sustainability report
2. Sustainability report includes only a link to the external assurance report
3. Sustainability report makes reference to an external assurance report but does not provide a link to the assurance report
4. Other

## APPENDIX B: DEFINITIONS AND REFERENCES

TABLE #1: GRI REFERENCES TO EXTERNAL ASSURANCE

Reference	Explanation
<p><b>Guidance for and key qualities of external assurance, G4 Guidelines</b></p> <p><i>GRI Sustainability Reporting Guidelines, Implementation Manual, version G4; pg. 51</i></p>	<p>Organizations use a variety of approaches to enhance the credibility of their reports.</p> <p>GRI recommends the use of external assurance for sustainability reports in addition to any internal resources, but does not require it.</p> <p>GRI uses the term “external assurance” to refer to activities designed to result in published conclusions on the quality of the report and the information (whether it be qualitative or quantitative) contained within it. External assurance may also refer to activities designed to result in published conclusions or systems or processes (such as the processes for defining report content, including the application of the Materiality Principle or the stakeholder engagement process). This is different from activities designed to assess or validate the quality or level of performance of an organization, such as issuing performance certifications or compliance assessments.</p> <p>A variety of approaches are currently used by report preparers to implement external assurance, including the use of professional assurance providers, or other external groups or individuals. Regardless of the specific approach, external assurance should be conducted by competent groups of individuals external to the organization who follow professional standards for assurance, or who apply systematic, documented, and evidence-based processes (“assurance providers”).</p> <p><b>Seven key qualities for external assurance</b></p> <p>Overall, for external assurance of reports using the Guidelines, it is important that the assurance providers:</p> <ul style="list-style-type: none"> <li>• Are independent from the organization and therefore able to reach and publish an objective and impartial opinion or conclusions on the report</li> <li>• Are demonstrably competent in both the subject matter and assurance practices</li> <li>• Apply quality control procedures to the assurance engagement</li> <li>• Conduct the engagement in a manner that is systematic, documented, evidence-based, and characterized by defined procedures</li> <li>• Assess whether the report provides a reasonable and balanced presentation of performance, taking into consideration the veracity of data in the report as well as the overall selection of content</li> <li>• Assess the extent to which the report preparer has applied the Guidelines in the course of reaching its conclusions</li> </ul>

TABLE #1: GRI REFERENCES TO EXTERNAL ASSURANCE	
Reference	Explanation
	<ul style="list-style-type: none"> <li>Issue a written report that is publicly available and includes an opinion or set of conclusions, a description of the responsibilities of the report preparers and the assurance provider, and a summary of the work performed to explain the nature of assurance conveyed by the assurance report</li> </ul> <p>An organization may have systems of internal controls in place and, in some jurisdictions, corporate governance codes may require directors to inquire, and then, if satisfied, to confirm in the annual report the adequacy of the organization’s internal controls. Organizations may also establish and maintain an internal audit function, as part of their processes for risk management and for managing and reporting information.</p> <p>These internal systems are also important to the overall integrity and credibility of a report.</p> <p>An organization may convene a stakeholder panel to review its overall approach to sustainability reporting or provide advice on the content of its sustainability report.</p>
<p><b>Key qualities for external assurance, G3/G3.1 Guidelines</b></p> <p><i>GRI Sustainability Reporting Guidelines, version G3; pg. 36</i></p>	<p><b>GRI uses the term “external assurance” to refer to activities designed to result in published conclusions on the quality of the report and the information contained within it.</b> This includes, but is not limited to, consideration of underlying processes for preparing this information. This is different from activities designed to assess or validate the quality or level of performance of an organization, such as issuing performance certification or compliance assessments.</p> <p>Overall, the <b>six key qualities for external assurance</b> of reports using the GRI Reporting Framework are that it:</p> <ul style="list-style-type: none"> <li>Is conducted by groups or individuals external to the organization who are demonstrably competent in both the subject matter and assurance practices;</li> <li>Is implemented in a manner that is systematic, documented, evidence-based, and characterized by defined procedures;</li> <li>Assesses whether the report provides a reasonable and balanced presentation of performance, taking into consideration the veracity of data in a report as well as the overall selection of content;</li> <li>Utilizes groups or individuals to conduct the assurance who are not unduly limited by their relationship with the organization or its stakeholders to reach and publish an independent and impartial conclusion on the report;</li> </ul>

TABLE #1: GRI REFERENCES TO EXTERNAL ASSURANCE	
Reference	Explanation
	<ul style="list-style-type: none"> <li>Assess the extent to which the report preparer has applied the GRI Reporting Framework (including the Reporting Principles) in the course of reaching its conclusions; and</li> <li>Results in an opinion or set of conclusions that is publicly available in written form, and a statement from the assurance provider on their relationship to the report preparer.</li> </ul>
<p><b>GRI Principle of Reliability</b></p> <p><i>GRI Sustainability Reporting Guidelines, Implementation Manual, version G4; pg. 16</i></p>	<p><b>Principle:</b> The organization should gather, record, compile, analyze and disclose information and processes used in the preparation of a report in a way that they can be subject to examination and that establishes the quality and materiality of the information.</p> <p><b>GUIDANCE</b></p> <p><b>Applying the principle:</b> Stakeholders should have confidence that a report can be checked to establish the veracity of its contents and the extent to which it has appropriately applied Reporting Principles. The information and data included in a report should be supported by internal controls or documentation that could be reviewed by individuals other than those who prepared the report. Disclosures about performance that are not substantiated by evidence should not appear in a sustainability report unless they represent material information, and the report provides unambiguous explanations of any uncertainties associated with the information.</p> <p>The decision-making processes underlying a report should be documented in a manner that allows the basis of key decisions (such as processes for determining the report content and Aspect Boundaries or stakeholder engagement) to be examined. In designing information systems, organizations should anticipate that their systems could be examined as part of an external assurance process.</p> <p><b>Tests:</b></p> <ul style="list-style-type: none"> <li>The scope and extent of external assurance identified</li> <li>The original source of the information in the report can be identified by the organization</li> <li>Reliable evidence to support assumptions or complex calculations can be identified by the organization</li> <li>Representation is available from the original data or information owners, attesting to its accuracy within acceptable margins of error</li> </ul>

TABLE #1: GRI REFERENCES TO EXTERNAL ASSURANCE

Reference	Explanation
<p data-bbox="402 447 570 506"><b>GRI Application Levels</b></p> <p data-bbox="380 533 592 663"><i>GRI Sustainability Reporting Guidelines, version G3; pg. 5</i></p>	<p data-bbox="662 447 1430 543">Upon finalization of their report, preparers should declare the level to which they have applied the GRI Reporting Framework via the “GRI Application Levels” system. This system aims to provide:</p> <ul data-bbox="662 569 1430 747" style="list-style-type: none"> <li data-bbox="662 569 1430 665">• Report readers with clarity about the extent to which the GRI Guidelines and other Reporting Framework elements have been applied in the preparation of a report.</li> <li data-bbox="662 690 1430 747">• Report preparers with a vision or path for incrementally expanding application of the GRI Reporting Framework over time.</li> </ul> <p data-bbox="662 774 1430 1110">Declaring an Application Level results in a clear communication about which elements of the GRI Reporting Framework have been applied in the preparation of a report. To meet the needs of new beginners, advanced reporters, and those somewhere in between, there are three levels in the system. They are titled C, B, and A. The reporting criteria founded in each level reflect an increasing application or coverage of the GRI Reporting Framework. <b>An organization can self-declare a “plus” “+” at each level (e.g., C+, B+, A+) if they have utilized external assurance.</b> An organization self-declares a reporting level based on its own assessment of its report content against the criteria in the GRI Application Levels.</p> <p data-bbox="662 1138 1430 1194">In addition to the self-declaration, reporting organizations can choose one or both of the following options:</p> <ul data-bbox="662 1220 1430 1297" style="list-style-type: none"> <li data-bbox="662 1220 1430 1247">• Have an assurance provider offer an opinion on the self-declaration;</li> <li data-bbox="662 1274 1430 1297">• Request that the GRI check the self-declaration.</li> </ul>

TABLE #2: “+” APPLICATION LEVEL GRI REPORTERS IN THE US 2011–2013						
2011 “+” Application Level GRI Reporters		2012 “+” Application Level GRI Reporters		2013 “+” Application Level GRI Reporters		
AL	Company	Sector	Company	Sector	Company	Sector
A+	Alcoa Inc.	Mining & Metals	Air Products & Chemicals Inc.	Chemicals	Agilent Technologies	Technology Hardware
	Dow Chemical Co.	Chemicals	Alcoa Inc.	Metals Products	Air Products & Chemicals Inc.	Chemicals
	Freeport-McMoRan Copper & Gold (FCX)	Mining & Metals	CA Technologies Inc.	Computers	Bloomberg L.P.	Financial Services
	Hess Corp.	Energy	Dow Chemical Co.	Chemicals	CA Technologies Inc.	Computers
	Newmont Mining	Mining & Metals	FCX	Mining	Dow Chemical Co.	Chemicals
	Pacific Northwest National Laboratory (PNNL)	Public Agency	Hess Corp.	Energy	FCX	Mining
			Intel Corp.	Technology Hardware	Genpact Ltd.	Commercial Services
			Kimberly-Clark Corp.	Household and Personal Products	Hess Corp.	Energy
			Newmont Mining Corp.	Mining	Intel Corp.	Technology Hardware
			PNNL	Public Agency	Kimberly-Clark Corp.	Household and Personal Products
			Praxair Inc.	Chemicals	Newmont Mining Corp.	Mining
			UPS Inc.	Logistics	PNNL	Public Agency
					Praxair Inc.	Chemicals
					Sprint Corp.	Telecommunications
				The Mosaic Company	Mining	
				UPS Inc.	Logistics	
B+	AMB Property Corp.	Real Estate	Agilent Technologies	Technology Hardware	Bank of America Corp.	Financial Services
	Bank of America Corp.	Financial Services	Bank of America Corp.	Financial Services	BBVA Compass Bancshares, Inc.	Financial Services
	Bloomberg L.P.	Financial Services	BBVA Compass Bancshares, Inc.	Financial Services	Biogen Idec Inc.	Healthcare Products
	Bristol Myers-Squibb Co.	Healthcare Products	Bristol-Myers Squibb Co.	Healthcare Products	Clorox Co.	Household and Personal Products
	Bucyrus International Inc.	Mining & Metals	Cliffs Natural Resources Inc.	Mining	Coca-Cola Co.	Food and Beverage Products
	Cliffs Natural Resources Inc.	Mining & Metals	Clorox Co.	Household and Personal Products	Hewlett Packard (HP) Co.	Computers

TABLE #2: “+” APPLICATION LEVEL GRI REPORTERS IN THE US 2011–2013						
2011 “+” Application Level GRI Reporters		2012 “+” Application Level GRI Reporters		2013 “+” Application Level GRI Reporters		
AL	Company	Sector	Company	Sector	Company	Sector
B+	Clorox Co.	Household and Personal Products	Coca-Cola Co.	Food and Beverage Products	IFF	Household and Personal Products
	Coca-Cola Enterprises	Food and Beverage Products	Hartsfield-Jackson Atlanta International Airport	Aviation	Mohawk Industries	Consumer Durables
	H.J. Heinz Co.	Food and Beverage Products	The Hershey Co.	Food and Beverage Products	Nisource Inc.	Energy
	Kimberly-Clark Corp.	Forest and Paper Products	International Flavors and Fragrances (IFF) Inc.	Household and Personal Products	Northern Trust Corp.	Financial Services
	Nisource Inc.	Energy Utilities	Mohawk Industries	Consumer Durables	NVIDIA Corp.	Technology Hardware
	Northern Trust Corp.	Financial Services	Nisource Inc.	Energy	Prologis Inc.	Real Estate
	Praxair Inc.	Chemicals	Northern Trust Corp.	Financial Services	Shaw Industries Group	Construction Materials
	Qualcomm Inc.	Telecommunications	Prologis Inc.	Real Estate	Sigma-Aldrich Corp.	Chemicals
	Southwest Airlines Co.	Aviation	Shaw Industries Group	Construction Materials	Southwest Airlines Co.	Aviation
	Starbucks Corp.	Food and Beverage Products	Southwest Airlines Co.	Aviation	Starbucks Corp.	Food and Beverage Products
	State Street Corp.	Financial Services	Starbucks Corp.	Food and Beverage Products	State Street Corp.	Financial Services
	UPS Inc.	Logistics	State Street Corp.	Financial Services	Tyco International Ltd.	Equipment
			Symantec Corp.	Other	Waggener Edstrom Worldwide Inc.	Other
			Waggener Edstrom Worldwide Inc.	Other		
C+	3M Co.	Conglomerates	3M Co.	Conglomerates	3M Co.	Conglomerates
	Mohawk Industries	Consumer Durables	ABM Industries Inc.	Commercial Services		
			Amgen Inc.	Healthcare Products		
			Eaton Corp.	Technology Hardware		
			Opportunity Green	Other		
			Sigma-Aldrich Corp.	Chemicals		

**TABLE #3: TYPES OF EXTERNAL ASSURANCE PROVIDERS OF GRI REPORTS DECLARING A “+” APPLICATION LEVEL, 2011–2013**

**TYPES OF EXTERNAL ASSURANCE PROVIDERS OF 2011 GRI REPORTS DECLARING A “+” APPLICATION LEVEL**

<b>Accounting Firm</b>	<b>Engineering Firm</b>	<b>Small Consultancy/Boutique Firm</b>
Alcoa Inc.	Bank of America Corp.	3M Co. (2)
Cliffs Natural Resources Inc.	Clorox Co.	AMB Property Corp.
Northern Trust Corp.	Coca-Cola Enterprises Inc.	Bloomberg L.P.
Starbucks Corp.	Dow Chemical Co.	Bristol-Myers Squibb Co. (2)
UPS Inc. (2)	Hess Corp.	Bucryus International Inc.
	Newmont Mining Corp.	Freeport-McMoran Copper & Gold
	Nisource Inc.	H.J. Heinz Co.
	Praxair Inc.	Kimberly-Clark Corp.
	Southwest Airlines Co.	Mohawk Industries
	State Street Corp.	Pacific Northwest National
	UPS Inc. (1)	Laboratory (PNNL)
		Qualcomm Inc.
<b>6 assurance statements</b>	<b>11 assurance statements</b>	<b>13 assurance statements</b>

**TYPES OF EXTERNAL ASSURANCE PROVIDERS OF 2012 GRI REPORTS DECLARING A “+” APPLICATION LEVEL**

<b>Accounting Firm</b>	<b>Engineering Firm</b>	<b>Small Consultancy/Boutique Firm</b>
Alcoa Inc.	Amgen Inc.	3M Co.
BBVA Compass Bancshares Inc.	Bank of America Corp.	ABM Industries Inc.
CA Technologies Inc.	Bristol-Myers Squibb Co.	Agilent Technologies (2)
Cliffs Natural Resources Inc.	Coca-Cola Co.	Air Products & Chemicals Inc.
Intel Corp.	Dow Chemical Co.	Clorox Co.
Northern Trust Corp.	Eaton Corp.	Freeport-McMoran Copper & Gold
Shaw Industries Group	The Hershey Co.	Hartsfield-Jackson Atlanta
Starbucks Corp.	Hess Corp.	International Airport
UPS Inc. (2)	Newmont Mining Corp.	International Flavors and
	Nisource Inc.	Fragrances Inc. (IFF)
	Praxair Inc.	Kimberly-Clark Corp.
	Southwest Airlines Co.	Mohawk Industries
	State Street Corp.	Opportunity Green
	Symantec Corp.	PNNL
	UPS Inc. (1)	Prologis Inc.
		Sigma-Aldrich Corp.
		Waggener Edstrom Worldwide Inc.
<b>10 assurance statements</b>	<b>15 assurance statements</b>	<b>16 assurance statements</b>

**TABLE #3: TYPES OF EXTERNAL ASSURANCE PROVIDERS OF GRI REPORTS DECLARING A “+” APPLICATION LEVEL, 2011–2013**

<b>TYPES OF EXTERNAL ASSURANCE PROVIDERS OF 2013 GRI REPORTS DECLARING A “+” APPLICATION LEVEL</b>		
<b>Accounting Firm</b>	<b>Engineering Firm</b>	<b>Small Consultancy/Boutique Firm</b>
BBVA Compass Bancshares Inc.	Amgen Inc.	3M Co.
CA Technologies Inc.	Bank of America Corp.	ABM Industries Inc.
Clorox Co.	Dow Chemical Co.	Agilent Technologies (2)
Coca-Cola Co.	Eaton Corp.	Air Products & Chemicals Inc.
Genpact Ltd.	Hess Corp.	Biogen Idec Inc.
Hewlett Packard Co. (HP)	Newmont Mining Corp.	Bloomberg L.P.
Intel Corp.	Nisource Inc.	Freeport-McMoran Copper & Gold
Northern Trust Corp.	Praxair Inc.	IFF
Shaw Industries Group	Southwest Airlines Co.	Kimberly-Clark Corp.
Starbucks Corp.	Sprint Corp.	Mohawk Industries
UPS Inc. (2)	State Street Corp.	Moody’s Corp.
Wyndham Worldwide Corp.	Tyco International Ltd.	NVIDIA Corp.
	UPS Inc. (1)	PNNL
		Prologis Inc.
		Sigma-Aldrich Corp.
		The Mosaic Co.
		Waggener Edstrom Worldwide Inc.
<b>13 assurance statements</b>	<b>13 assurance statements</b>	<b>18 assurance statements</b>

**AA1000AS:** The first edition of the AA1000 Assurance Standard was published in 2003 by AccountAbility as the world’s first sustainability assurance standard. It was developed to assure the credibility and quality of sustainability performance and reporting, and was the result of an extensive, two-year, worldwide consultation involving hundreds of organizations. The 2008 edition of the AA1000AS is the second edition, and is compatible with the methodology of ISAE3000 and AICPA AT-101.

**AICPA:** The American Institute of Certified Public Accountants (AICPA) is the world’s largest member association representing the accounting profession, with nearly 386,000 members in 128 countries and with a 125-year heritage of serving the public interest. AICPA members represent many areas of practice, including business and industry, public practice, government, education, and consulting. AICPA sets ethical standards for the profession and US auditing standards for audits of private companies, non-profit organizations, federal, state and local governments.

**ASSURANCE ENGAGEMENT:** An assurance engagement is one in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcomes of the evaluation or measurement of a subject matter against criteria. <http://www.ifac.org/>

**BLOOMBERG:** Bloomberg was founded in 1981 with one core mission: to bring transparency to capital markets through access to information. Today's Bloomberg—with more than 15,000 employees in 192 locations in 72 countries around the globe—builds on that foundation. Everything that we do connects decision makers in business, finance, and government to a broad and dynamic network of global and local information, news, people, and ideas that enables faster, more effective decisions. Bloomberg Environmental, Social, and Governance (ESG) products enable all investors across a range of asset classes to understand the risks and opportunities associated with potential investments or counterparties as the market continues to embrace ESG factors. Bloomberg is a GRI Sector Leader and collaborates closely with GRI's North American office to drive awareness on the value of ESG and sustainability disclosure. [www.bloomberg.com](http://www.bloomberg.com)

**FINANCIAL AUDIT:** A financial audit, or more accurately, an audit of financial statements, is the verification of the financial statements of a legal entity, with a view to express an audit opinion. The audit opinion is intended to provide reasonable assurance that the financial statements are presented fairly, in all material aspects, and/or give a true and fair view in accordance with the financial reporting framework. The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. <http://www.ifac.org/>

**GRI APPLICATION LEVELS:** Application Levels indicate the extent to which GRI's G3 or G3.1 Sustainability Reporting Guidelines have been applied. The A, B, or C levels communicate which parts of the Reporting Framework have been addressed and which set of disclosures are included. They do not give an opinion on the sustainability performance of the reporting organization, the quality of the report, or formal compliance with the G3 or G3.1 Guidelines.

**GRI APPLICATION LEVEL CHECK:** A GRI Application Level Check is a paid service by GRI that confirms and publicizes the extent to which a report has addressed GRI's standard disclosures.

**GRI CONTENT INDEX:** The GRI Content Index lists every G3, G3.1, or G4 Disclosure addressed in a report. The Index complements, and should correspond to, an Application Level declaration for G3/G3.1 reports and In Accordance option for G4 reports. A well-constructed Index enables readers to more readily access and understand the information included in GRI-based reports; it is the gateway to the sustainability performance data. The Index should include clear and direct references and, if published online, can act as an interactive navigation tool.

**INTERNAL AUDIT:** Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. <https://na.theiia.org/Pages/IIAHome.aspx>

**ISAE 3000:** Assurance Engagements other than Audits or Reviews of Historical Financial Information were developed by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). IFAC is the body responsible for issuing international accounting and auditing standards for the accounting profession. ISAE 3000 came into force in December 2003 and is used by accounting firms to guide their assurance engagements on sustainability reports. [www.ifac.org](http://www.ifac.org)

**ISAE 3410:** The International Standard on Assurance Engagements 3410 deals with assurance engagements to report on an entity's Greenhouse Gas (GHG) statement.

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## APPENDIX C: CPA-SPECIFIC REFERENCES AND DEFINITIONS

**ETHICS CODE:** The AICPA Code of Professional Conduct applies to all CPA services. The code establishes behavioral and independence standards and is supplemented by rules specific to individual services. Users of CPA services obtain confidence that, regardless of the service provided or the conclusions reached, the CPA has complied with the requirements in the code.

**OTHER STANDARDS AND INSPECTION PROCESSES:** Depending on the specific engagement, CPA firms are often required to adhere to numerous other standards and review/inspection processes including those of the Public Company Accounting Oversight Board (PCAOB), US Government Accountability Office (US GAO), and US Department of Labor (US DOL). Complying with these standards and being subject to the relevant review/inspection process of these organizations significantly influences the overall ethical and compliance environment of CPA firms, further contributing to overall quality of all services declared.

**QUALITY CONTROL:** Quality control standards provide a CPA firm and users of their services with confidence that the firm and its personnel comply with applicable professional and legal and regulatory requirements, and that the reports it issues are appropriate in the circumstances. Quality control standards require that CPA firms establish policies and processes governing matters such as qualifications of personnel, client acceptance, supervision of engagements, consultation with subject matter experts and engagement quality reviews. CPA firms' quality control practices periodically are examined by independent outside professionals through a peer review process. The examination evaluates whether quality control is effective and the examination results are provided in a formal report. The report typically is available to the public, allowing potential clients and users of sustainability information the opportunity to determine a CPA firm's adherence to quality control standards.

**SERVICE-SPECIFIC STANDARDS:** The CPA profession has developed procedural and reporting standards for the various services CPA's provide. In the case of examination or review-level assurance of sustainability information, CPA's are required to comply with the Statements on Standards for Attestation Engagements (SSAEs), and in particular AT Section 101 *Attest Engagements* ("AT101"). Each of the seven key qualities of assurance identified by the GRI are required of CPA's under AT101. These service-specific standards, which are enforced under the ethics code along with state, and sometimes federal laws, govern the profession and promote quality and consistency of practice. Part of the external quality review effort discussed above involves consideration of the firm's compliance with these rules for a sample of engagements.

**STATE ACCOUNTANCY LAWS:** CPA's are licensed by the states. Because licensure is required in order to provide certain common CPA services, state governments have regulatory authority over a wide range of CPA activities. Such licensure requirements apply not only to initially obtaining a license, but to maintaining it through annual continuing education requirements and compliance with ethical standards. As a result, some CPA standards are imposed not only by the profession but by force of law. Violation of accountancy laws can lead to substantial fines and license suspension, or revocation to both the practitioner and firm.

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## APPENDIX D: QUESTIONS RAISED TO COMPANIES

1. What is the driver for your company to obtain assurance/verification on your sustainability report?
2. What benefits does your company obtain through third-party assurance/verification of sustainability information?
3. How do you decide which elements of your sustainability report to obtain third-party assurance/verification on?
4. How important is third-party assurance/verification of sustainability information, now and in the future?
5. What are the principal/most important characteristics of assurance providers?
6. Which type of assurance providers do you believe are best positioned to provide assurance/verification services, and why?
7. What role does your Internal Audit function play in your sustainability reporting and assurance process?
8. What role does your Audit Committee or Board of Directors play in your sustainability reporting and assurance process?
9. In your view, with regard to the written report received from your assurance provider, how important is it that the report include a comprehensive summary of the work performed by the assurance provider?

## APPENDIX E: BLOOMBERG DATA

### Verified ESG Reports FY 2011

3M CO.  
 ABBOTT LABS  
 ABM INDUSTRIES INC.  
 AGILENT TECH INC.  
 ALCOA INC.  
 AMGEN INC.  
 BAKER HUGHES INC.  
 BANK OF AMERICA CORP.  
 BAXTER INTL INC.  
 BIOGEN IDEC INC.  
 BRISTOL-MYERS SQUIBB CO.  
 CAMPBELL SOUP CO.  
 CARNIVAL PLC  
 CHEVRON CORP.  
 CITIGROUP INC.  
 CLIFFS NATURAL RESOURCES  
 COCA-COLA CO.  
 COCA-COLA ENTERPRISE  
 DOW CHEMICAL CO.  
 DUKE ENERGY CORP.  
 EATON CORP. PLC  
 ENERGY CORP.  
 EXXON MOBIL CORP.  
 FORD MOTOR CO.  
 FREEPORT-MCMORAN  
 GENERAL MOTORS CO.  
 HERMAN MILLER  
 HERSHEY CO.  
 HESS CORP.  
 INTEL CORP.  
 JM SMUCKER CO.  
 JPMORGAN CHASE  
 KIMBERLY-CLARK CORP.  
 MCGRAW HILL FINANCIAL  
 MOHAWK INDUSTRIES  
 MOLSON COORS BREWING CO.  
 MORGAN STANLEY  
 NEWMONT MINING  
 NEWS CORP-CL A  
 NISOURCE INC.  
 NORTHERN TRUST CORP.  
 PHILIP MORRIS INC.  
 PROLOGIS INC.  
 SIGMA-ALDRICH CORP.  
 SOUTHWEST AIR CO.  
 SPRINT CORP.  
 STARBUCKS CORP.  
 STATE STREET CORP.  
 UNITED PARCEL SERVICE INC.  
 WYNDHAM WORLDWIDE

### Verified ESG Reports FY 2012

GRI	3M CO.	GRI
GRI	ABBOTT LABS	GRI
GRI	ABBVIE INC.	NOT GRI
GRI	ABM INDUSTRIES INC.	GRI
GRI	AGILENT TECHNOLOGIES INC.	GRI
GRI	ALCOA INC.	GRI
GRI	AMGEN INC.	GRI
GRI	AT&T INC.	GRI
GRI	BANK OF AMERICA CORP.	GRI
GRI	BAXTER INTL INC.	GRI
GRI	BIOGEN IDEC INC.	GRI
GRI	BUNGE LTD.	GRI
GRI	CAMPBELL SOUP CO.	GRI
GRI	CHEVRON CORP.	GRI
GRI	CITIGROUP INC.	GRI
GRI	CLIFFS NATURAL RESOURCES	GRI
GRI	COCA-COLA CO.	GRI
GRI	COCA-COLA ENTERPRISES INC.	GRI
GRI	CONSOL ENERGY	GRI
GRI	DOW CHEMICAL CO.	GRI
GRI	EATON CORP. PLC	GRI
GRI	ENERGY CORP.	GRI
GRI	EXXON MOBIL CORP.	GRI
GRI	FORD MOTOR CO.	GRI
GRI	FREEPORT-MCMORAN	GRI
GRI	GENERAL MOTORS CO.	GRI
GRI	HERMAN MILLER	GRI
GRI	HESS CORP.	GRI
GRI	INTEL CORP.	GRI
GRI	INTERNATIONAL FLAVORS & FRAGRANCES INC.	GRI
GRI	KIMBERLY-CLARK CORP.	GRI
GRI	LAS VEGAS SANDS	GRI
GRI	MCGRAW HILL FINANCIAL	GRI
GRI	MOHAWK INDUSTRIES	GRI
GRI	MOLSON COORS BREWING CO.	NOT GRI
NOT GRI	MORGAN STANLEY	GRI
GRI	NEWMONT MINING	GRI
GRI	NISOURCE INC.	GRI
NOT GRI	NORTHERN TRUST CORP.	GRI
GRI	NORTHROP GRUMMAN	GRI
GRI	PRAXAIR INC.	GRI
NOT GRI	PROLOGIS INC.	GRI
GRI	SIGMA-ALDRICH CORP.	GRI
GRI	SOUTHWEST AIR	GRI
GRI	SPRINT CORP.	GRI
GRI	STARBUCKS CORP.	GRI
GRI	STATE STREET CORP.	GRI
GRI	TIFFANY & CO.	GRI
GRI	TWENTY-FIRST C-A	NOT GRI
GRI	UNITED PARCEL SERVICES INC.	GRI
GRI	VISTEON CORP.	GRI
GRI	WYNDHAM WORLDWIDE	GRI

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