



18 March 2009

Mr Daniel Waistell
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Ref.: SUS/HvD/SS/MB

Dear Mr Waistell,

Re.: Exposure Draft of Guidance for the use of AA 1000 AS (2008)

- 1 FEE (Federation of European Accountants) welcomes the possibility to provide you below with its comments on the AccountAbility Exposure Draft of Guidance for the use of AA 1000 AS (2008).
- 2 We note that the Guidance should be seen in the context of AA 1000 AS (2008) and the AccountAbility Principles Standard on which we provided comments in letters dated 4 April and 22 September 2008. We regret that some of our more significant comments in those letters have not resulted into changes to the final text as published on 24 October 2008. These observations have been made in relation to levels of assurance and suitable criteria: Using the terminology “high” and “moderate” assurance risks increasing the expectation gap on providing assurance since it differs from the accountancy profession’s terminology “reasonable” and “limited” assurance. Suitable criteria require generally accepted reporting principles; own performance criteria determined by the reporting organisations are not sufficient. We are referring to our earlier significant comments as set out in detail in our letters.
- 3 Furthermore we wish to signal some further main concerns as set out in below:
 - paragraph 7 on additional aspects that need to be addressed as part of the assurance engagement;
 - paragraph 18 on appropriate evidence for conclusions; and
 - paragraph 23 on the need to address the independence of the assurance provider and quality control system on the assurance provided.



- 4 In overall terms we believe that the Guidance is open to enhancement in several areas which would improve its overall helpfulness. In particular we believe that in certain areas further detail is required to help understand what is meant by the requirements of the standard. We provide more detailed comments in the remainder of this letter.
- 5 We note that the proposed Guidance includes Guidance for assurance providers (pages 3 to 20), Guidance for reporting organisations seeking assurance (pages 21 to 25) and Guidance for stakeholders using assurance statements (pages 26 to 30). We suggest the proposed guidance would be more helpful if it were to be split in separate sets of guidance for each target audience.
- 6 The content pages give no details on sections A to C. We are of the opinion that it would be helpful to provide a more detailed contents page in order to make it easier for the reader to find a certain subject.

A. Guidance for Assurance Providers

- 7 We are of the opinion that in order to provide proper guidance the issues need to be addressed in more detail and the full assurance process needs to be addressed. We find that the following aspects of the assurance engagement could be usefully addressed, at least they are not discussed in any detail in the proposed Guidance:
 - Assurance engagement risk;
 - Using the work of an expert (in the assurance providers team, where applicable);
 - Obtaining evidence;
 - Representations by the responsible party
 - Considering subsequent events.

We note that sections 3.2 independence and impartiality, 3.3 competence, 3.4 due care and 4.1 planning the engagement mention some of those issues but the Guidance could be enhanced.

In addition we believe that ethical principles need to be addressed in more detail such as integrity, objectivity, professional competence, due care, confidentiality and professional behaviour.

- 8 In the absence of a specific framework for Independence, it would be most helpful if AccountAbility could confirm in the Guidance that IFAC's Code of Ethics for professional accountants provides appropriate framework to evaluate threats to independence, evaluate the significance of the threats and, if those threats are other than clearly insignificant, identify and apply safeguards to eliminate the threats or reduce them to an acceptable level, such that independence in appearance are not compromised.
- 9 Section 1 refers to the two types of assurance Types 1 and 2. It would be helpful to indicate that initially obtaining assurance could start with internal assurance as a transition to external assurance, so before publicly reporting on the results in order to gain experience and enhance processes where needed.
- 10 Sections 2.1 and 3.1 on Types 1 and 2 assurance need to make clear that when both types of assurance are provided, the work is performed simultaneously (not Type 2 after Type 1). It also needs to explain that the two types complement each other - that the anticipated outcomes of Type 2 will feed into the opinion formed for Type 1.



- 11 We would like to repeat our concern on the way reliability is addressed in the proposed Guidance. Pages 10/11 gives the impression that it is sufficient to carry out a limited number of tests in order to assess the reliability of the information without mentioning the need of assessing also the process and specifying the assurance work that needs to be undertaken to assess the reliability of information.
- 12 On page 9 in section 4.2 could be clarified on assurance aspects: it is not sufficiently clear to what type of assurance this is related, for example in the middle of page 10 reference is made to the evidence of plausibility whereby the impression is given that this is linked to moderate assurance whereas other parts of this page give the impression to be referring to a high level assurance. It is stated that the adherence to the principles does not have to be assertion-based but may also be based on direct investigation and discovery. This statement is not clear to us and clarification of the text and further guidance would be helpful.
- 13 We note that on page 10 the GRI G3 Information Quality Principles are used as reference point. The GRI Content and Boundary Principles are however not discussed. Are these GRI Principles replaced by the AccountAbility Principles?
- 14 On page 13 the FEE Discussion Paper is referred to. We would be pleased if you could refer to the full title “FEE Discussion Paper – Key Issues in Sustainability Assurance – An overview” instead of referring to guidance on materiality. We also wish to point out that since 2008 FEE should be referred as “Federation of European Accountants” instead of to “European Federation of Accountants”.
- 15 On page 16 of the Exposure Draft a table with a reconciliation of the Principles with the GRI principles for defining content is provided. We wonder if it is appropriate having the table in this document which is aimed at providing guidance on assurance. We suggest that the table would be included in the AccountAbility Principles Standard 2008.

Assurance statement

- 16 In relation to section 4.3.1 on the assurance statement we feel that the order in which the bullet points in relation to the conclusions are presented could be improved. We also note that there is quite some overlap between the individual points: for example what is the difference between “conclusions concerning sustainability performance information” and “findings and conclusions concerning the reliability of specified information” whereby both relate to type 2 assurance. Another example is what is the difference between “findings and conclusions” and “observations and recommendations”. We feel it may be confusing to use different types of terminology without a clear difference in the meaning. We suggest to be more specific as to what is expected to be reported as conclusions.
- 17 In section 4.3.1 it is stated that a best practice assurance statement includes observations and recommendations including, where appropriate, whether previous year’s recommendations have been implemented. We are of the opinion that it is the responsibility of management to comment on implementation of the recommendations. This type of information, in our view, should not be addressed in an assurance statement.
- 18 The guidance on conclusions in section 4. 3.1 in the middle of page 19 gives as example: “It is our opinion that, as a result of implementing the procedure, no material issues have been omitted”. We believe that such a conclusion would need to be supported by proper evidence. The example is not referring to such evidence and therefore we are of the opinion that the conclusion is too far reaching given that it is based only on the basis of implementation of a procedure. There needs to be a relation between the work performed, evidence obtained and conclusion drawn. In this respect we also would like to draw your



attention to the problem caused by the lack of definable criteria: how can a conclusion be drawn unless the criteria are agreed in advance with all the envisageable stakeholders? We feel that there is a contradiction in this respect between section 3.1 which seems to refer to “moving” criteria and the top of page 10 where it is said that criteria need to be identified and agreed before the engagement.

- 19 In the paragraph on observations/recommendations in section 4.3.1 an example is provided indicating that it may be appropriate to provide recommendations on performance itself within the context of sustainable development. We are of the opinion that this example goes beyond the scope of the AccountAbility Principles.

B. Guidance for Reporting Organisations Seeking Assurance

- 20 We are of the opinion that the section on Guidance for reporting organisations seeking assurance is relatively short and would be more useful to reporting organisations if it were to be expanded and a proper introduction is added. One way of doing this would be to consider providing separate additional guidance on principles and on assurance on the principles. In this respect we would like to see clearer onus on the company to spell out how they assess their performance against the AA1000 Principles (and therefore the criteria they use to do that).
- 21 We believe that the first paragraph on page 22 is a bit out of context and has no relation with the other paragraphs in B1. We suggest to include this paragraph in the introduction.
- 22 In relation to B2 “How to prepare for AA 1000 AS (2008) assurance” the title seems not to cover the contents of the section. The section does not outline what the reporting organisations has to prepare, instead it explains what the assurance provider is doing and leaves it to the reporting organisations to deduct what he should do as far as preparation is concerned.
- 23 We believe that section B3 on “How to select on assurance provider” should also address the independence of the assurance provider and quality control system on the assurance provided. We consider that all assurance providers should be subject to a system of quality control.

We wish to reiterate that submission of comments on the Exposure Draft of Guidance for the use of AA 1000 AS (2008) by our Federation should not be considered to constitute endorsement of any other form of support for the eventual Guidance and the AA 1000 AS (2008) and Accountability Principles Standard (2008).

For further information on this letter, please contact Ms Saskia Slomp from the FEE Secretariat.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hans van Damme', with a long horizontal flourish extending to the right.

Hans van Damme
President