

# Independent Assurance on Corporate Sustainability Reports: *An Overview of Current Approaches*

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# Corporate Sustainability Reporting

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Many companies now issue reports with policy and performance information on their environmental, social (including health & safety) and economic performance.

Go by various names: Sustainability, Corporate Responsibility, Accountability, EH&S, etc.

For more information, visit:

- [www.globalreporting.org](http://www.globalreporting.org)
- [www.stratos-sts.com](http://www.stratos-sts.com)
- [www.corporateregister.com](http://www.corporateregister.com)

# Assurance on corporate sustainability reports

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Assurance: An explicit or implicit statement by a qualified practitioner that something is “fit for purpose”.

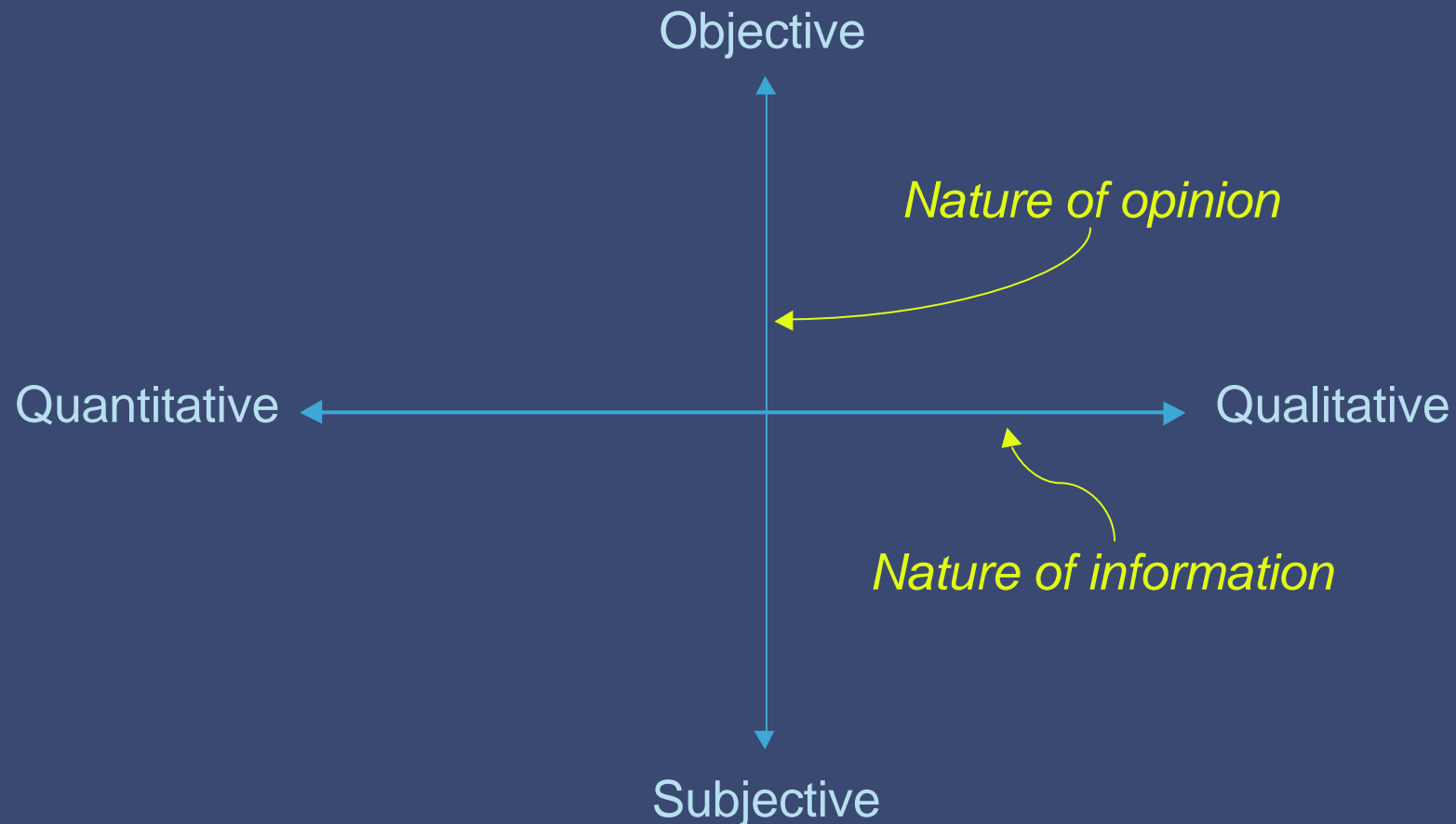
In the case of sustainability reports, assurance is an explicit or implicit statement by a qualified practitioner that the reported information is fit for decision-making purposes.

Several approaches to providing assurance are currently used.

This presentation will focus on four main approaches, but will not delve into the associated methodologies in detail.

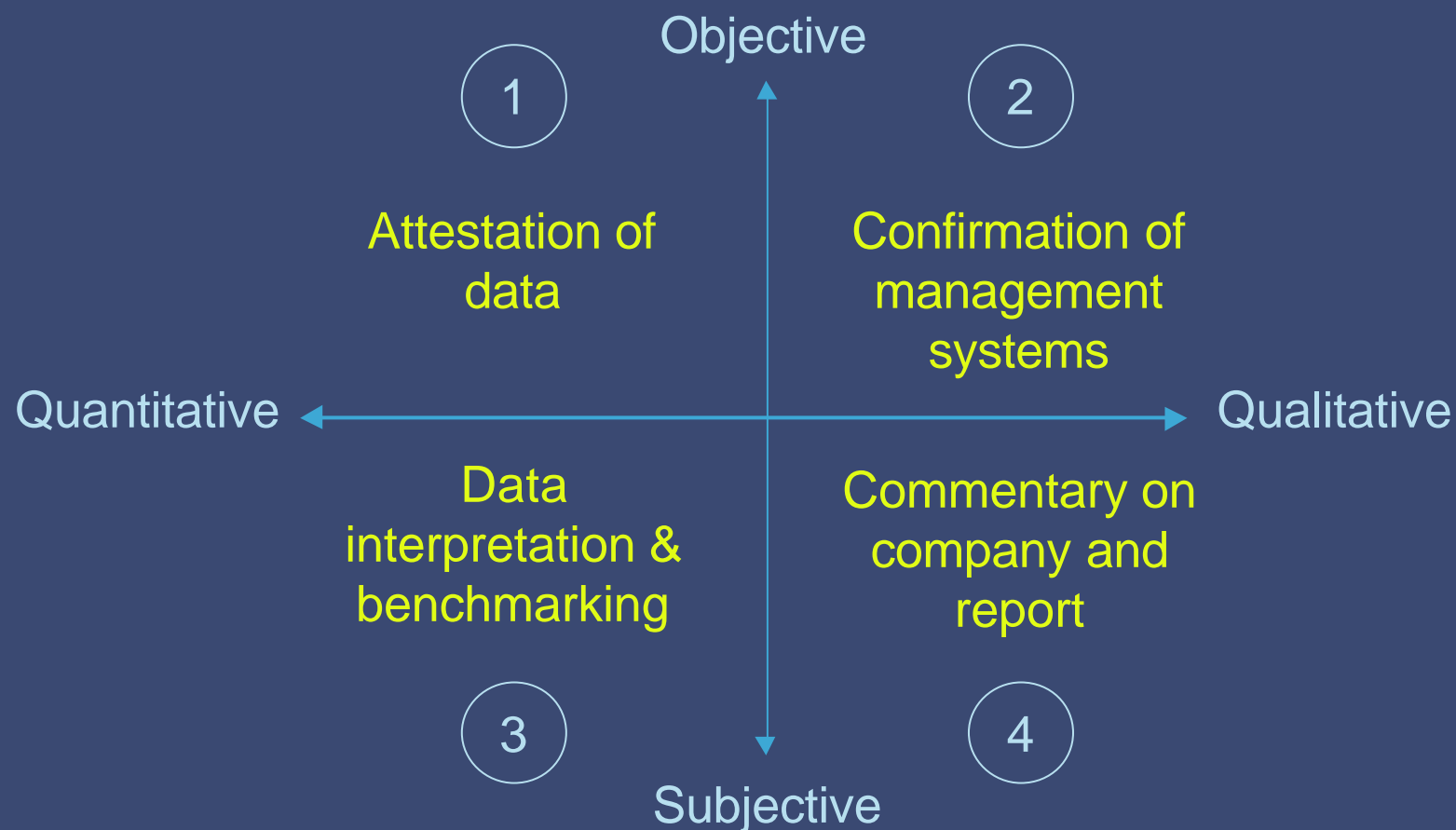
# Conceptual model for illustrating report assurance approaches: two dimensions

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# Four approaches to assurance on sustainability reports

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# Type 1: Objective/Quantitative

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## **Characteristics of this approach:**

- Practitioner opines on the relevancy, accuracy and completeness
- Requires understanding of data management systems and processes
- Assurance methodology involves assessment of data systems and analysis and testing procedures
- Procedures draw from traditional financial assurance methods
- Tie back to accepted standards and criteria
- Always retrospective

# Type 2: Objective/Qualitative

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## **Characteristics of this approach:**

- Practitioner opines on the existence, effectiveness, and (to a degree) management support for the management system
- Practitioner also compares system to recognized standard (e.g., ISO 14001, OHSAS 18001, AA1000)
- Present-oriented (“point in time” assessment). Opinion is on what exists at the time of the assurance engagement.
- Practitioner’s conclusions may have implications on the company’s future performance, but cannot be considered assurance on future performance.

# Type 3: Subjective/Quantitative

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## **Characteristics of this approach:**

- Practitioner compares company's measured performance to that of peers'. E.g., greenhouse gas emissions. Typically requires normalization of data.
- Practitioner may assess and comment on performance trends.
- Value added: practitioner's interpretation re risks (e.g., to long term share value) and future performance (e.g., "current trends suggest that in the future ...").
- Least common of four approaches, but should become more common as availability and quality of sustainability data increases.



# Type 4: Subjective/Qualitative

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## **Characteristics of this approach:**

- General commentaries on the company and its performance, or on the report itself. Occasionally the commentary focuses on broader sustainability issues, with limited reference to the company's performance.
- Many commentaries are celebrity and/or stakeholder endorsement. Signals that commentator has confidence in the company (“implied assurance”)
- Occasionally this approach involves an underlying process, but outcome is typically dependent on the participants involved.

# Comments on four approaches

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- Objective (“above the line”) assurance: requires a systematic, repeatable process.
  - Another practitioner, following same process, should reach the same conclusion
  - What we typically consider as “audits” and “reviews”
  - “Level of assurance” key factor in planning and executing the engagement
- Subjective (“below the line”) assurance: incorporates views and values of participants.
  - If different practitioners selected, high likelihood of different outcome
  - Level of assurance not recognized as a factor

# Conclusion

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- Assurance on corporate sustainability reports is an emerging field of professional practice.
- There are currently at least four main approaches. All four are legitimate and effective ways of enhancing credibility of the report.
- Companies engaging assurance providers need to consider which approach will provide greatest value to them and to the reader.
- Practitioners need to clearly state their approach. This has bearing on the credibility of the assurance process.
- Strongest assurance *may* be combination of two or more approaches, e.g., data assurance + commentary. Some companies are experimenting with this.

# For more information, please contact:

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