



In collaboration with:



TRENDS IN EXTERNAL ASSURANCE OF SUSTAINABILITY REPORTS:

Spotlight on the USA

April 2013

INTRODUCTION

The Global Reporting Initiative is an international organization that is operating all over the world. GRI continuously develops its Sustainable Reporting Guidelines, which has been adopted by organizations from 88 countries. The mission of GRI is to make sustainability reporting standard practice. GRI actively promotes the practice of sustainability reporting to increase the number of organizations that report, as well as the quality of reporting. To support organizations that want to publish a sustainability report, GRI offers the Sustainability Reporting Guidelines.

The Global Reporting Initiative is an international organization that is operating all over the world. GRI continuously develops its Sustainable Reporting Framework, or “GRI Guidelines,” which has been adopted by organizations from 88 countries. The mission of GRI is to make sustainability reporting standard practice. GRI actively promotes the practice of sustainability reporting to increase the number of organizations that report, as well as the quality of reporting. To support organizations that want to publish a sustainability report, GRI offers the Sustainability Reporting Guidelines.

Next to the GRI Secretariat in Amsterdam, which is GRI’s main executive and development body, it has six Focal Points¹ (regional offices) in countries that are strategically pivotal to the practice of sustainability information disclosure and the availability of this data to larger society. In order to encourage the practice of sustainability reporting in the USA, GRI established its Focal Point USA in New York.

Since GRI kicked off its presence in the USA, the US-based team and its local network have often been asked about **the importance of the practice of external assurance to sustainability reports** prepared by American companies. As the demand for nonfinancial performance is increasing—driven by investors, rating agencies, regulators and other stakeholders when analyzing the risks and value creation of companies—the demand for reliable data also increases.

Since GRI recommends the practice of external assurance in the GRI Guidelines², the Focal Point decided to explore the current trends in external assurance in the USA in order to better understand external assurance.

The GRI Guidelines advise reporters to start their reporting process by defining their material sustainability, or “nonfinancial” issues, to create a

focused strategy, management approach and report. Determining this focus includes engaging stakeholders in this exercise as well as an analysis of the sustainability context. Both should help drive the quality of the report.

Through dialogue and narrative, civil society, investors and other stakeholders can interact with organizations on their performance and transparency and help foster understanding of the links between sustainability and the core business strategy.

In order to show commitment to transparency and reliability, the organization may choose to have the report externally assured. Obtaining external assurance on sustainability information and the underlying reporting processes is intended to make the data more reliable and the organization more credible.

GRI’s Data Partner for the USA, Governance & Accountability Institute (G&A Institute) started to research external assurance trends for all sustainability reports that got published in 2011 with the aim of shedding light on the current status of external assurance in the USA as well as clarification of GRI guidance on this particular matter. After all reports published in 2011 had been catalogued and analyzed by G&A Institute and GRI Focal Point USA, the GRI team worked with Gwen White at Ball State University to interview the companies that had chosen assurance and have them present some perspective on the value and future of external assurance of sustainability reports.

GRI is currently developing the next generation of its Sustainability Reporting Guidelines (G4). GRI’s guidance on external assurance is not under revision in the G4 development process. This research report should help inform reporting organizations and others on the current state of external assurance in the USA.

¹Australia, Brazil, China, India, South Africa and United States of America.

²GRI Guidelines, version G3, released October 2006.

EXECUTIVE SUMMARY

This report covers research conducted to assess the current state of external assurance of sustainability reporting in the US, while placing these trends into the context and perspective of the global situation.

Global trend analysis shows continued growth in sustainability reporting around the world. Within

the reporting universe, reporters increasingly chose external assurance of their sustainability report. Although the growth in reporting numbers in the USA is outpacing the global average in the past two years, the USA is still substantially behind in terms of both integrated reporting and external assurance.

KEY FINDINGS³:

- The report shows that in the USA, only 10 percent (26 out of 269) of GRI-based sustainability reports obtained external assurance in 2011. The international percentage is much higher at 38 percent.
- GRI's latest Sustainability Reporting Guidelines, the G3 and its update G3.1, introduced the Application Level system with A, B and C indicating the level of transparency of the report. Most assured reports (in this report, those designated with a "+" symbol) in the USA in 2011 are Application Level B GRI-based sustainability reports. Globally, these were more likely to be on the highest level of transparency, namely Application Level A reports.
- Some of the 26 assured reports contained more than one assurance statement; 30 assurance statements were identified.
- The 30 assurance statements identified (from reports designated with a "+" symbol) were performed by different assurance providers: accountancy, engineering or professional service firms.

Through interviews with the organizations that had their GRI-based sustainability reports externally assured, two questions were asked regularly by these organizations playing a large role in the decision-making process of external assurance.

1 First, interviewees looked at what value assurance could provide at a particular stage in the reporting process. **In other words, what are you hoping to achieve with assurance and do you feel fully informed of the different providers and approaches?** The maturity level and nature in their reporting processes and nature of their business were key factors for deciding on the preferred provider and approach.

2 Second, interviewees talked about the rigor and perceived credibility of the external assurance approach and provider. **Does the selected provider and approach correspond with what you are expecting or hoping to achieve?** Already existing ties with the assurance provider for financial reporting as well as practical considerations as to which parts of the business to improve were key factors in determining which provider would be deliver this service best.

³Based on data taken from GRI's Sustainability Disclosure Database, accessed in October 2012, database.globalreporting.org.

SUSTAINABILITY REPORTING IN THE USA

The past decade has shown continuous growth in the number of organizations reporting publicly on diverse aspects of their sustainability performance. According to the *KPMG International Survey of Corporate Responsibility Reporting 2011*, 95 percent of the largest 250 public companies in the world—G250—issued sustainability reports, and 80 percent did this on the basis of GRI's Sustainability Reporting Guidelines in 2011.⁶

Historically, most sustainability reports have been published in Europe and Asia, but in the past two years reporting numbers in the US have increased by 44 percent (according to GRI's Sustainability Disclosure Database), rapidly outpacing the global growth in sustainability reporting, which is estimated to be a 20 percent increase.

GRI, with the assistance of its US Data Partner, the Governance & Accountability Institute, has identified a total of 333 sustainability reports that were published in 2011 by organizations based in the United States. Of the 333 reports, 244 were published by publicly traded companies. Another 57 reports were issued by privately owned companies, eight reports by nonprofit organizations and twelve reports by public institutions. In 12 instances, a subsidiary of a foreign business issued a report.

236 organizations applied the G3 Guidelines; 33 applied G3.1. Of the remainder, 16 organizations referenced GRI and 48 organizations produced sustainability reports that did not (explicitly) mention the use of the GRI Sustainability Reporting Guidelines.

A total of 269 organizations made use of the G3 or the G3.1 Guidelines and included a GRI Content Index. Of these 269 organizations, 187 (69.5 percent) declared an Application Level for their report.

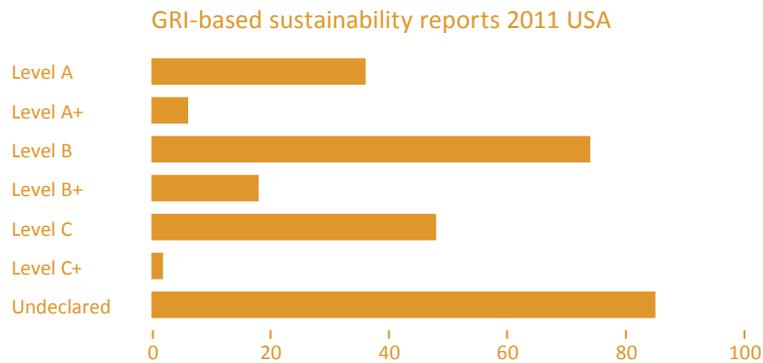
Of those 187 organizations that declared Application Levels, only 26 of the reports included an Application Level with a "+" symbol, indicating that the report was verified by a third party and included an external assurance statement.

In terms of absolute numbers, reporting has been taken up by various industries in the USA. The main sectors reporting are food and beverage products, computers and technology, electric utilities and healthcare.

Globally, 38 percent of GRI-based reports including a GRI Content Index in GRI's Sustainability Reporting Disclosure database are assured, as marked by the "+" symbol, and this percentage has grown in the past years from 32 percent in 2008. The US percentage of 10 percent is much lower.

Another major trend in reporting is integrated reporting. Integrated reporting as proposed by the IIRC is a form of corporate reporting that provides a clear and concise representation of how an organization creates value, now and in the future. An integrated report is one that could bring together material information about an organization's strategy, governance, performance and prospects. Again, the US level of this practice is much lower than the global average. Only six percent of GRI-based sustainability reports were declared by the reporters as "integrated reports" in comparison to 20 percent globally in 2011.

⁶KPMG International Survey of Corporate Responsibility Reporting 2011, <http://www.kpmg.com/PT/pt/IssuesAndInsights/Documents/corporate-responsibility2011.pdf>.



RESEARCH METHODOLOGY

The research methodology consisted of two phases:

The first phase consisted of desk research on data from GRI's Sustainability Disclosure Database, raw data from the Bloomberg database and trend analysis from the *KPMG's International Survey of Corporate Responsibility Reporting 2011*.⁴

In this phase, analysis was performed on data contained in GRI's Sustainability Disclosure Database. This database includes the sustainability reports published between 1999 and 2012 of which GRI is aware. From 1999 to 2010, the database only captured the GRI-based sustainability reports. As of 2011, the database also includes other sustainability reports, but GRI acknowledges that the data is not complete, as GRI does not know all sustainability reports that are published. All charts included in this report are based on reports included in the GRI Sustainability Disclosure database.

The research analyzes GRI-based sustainability reports in the database that were published between January 2008 and December 2012, with a closer focus on reports published in 2011 (most likely covering data from calendar year 2010). The research focuses on calendar year 2011 as GRI started to track data fields on external assurance in this year for GRI-based sustainability reports published in the USA.

RESEARCH STEPS

- International trends were analyzed by reviewing the number of assurance statements through identifying assured GRI-based sustainability reports. For purpose of this research, a GRI-based sustainability report is defined as one that uses the G3 or G3.1 Guidelines and contains a GRI Content Index.
- In the database, the "+" symbol indicates that the reporting organization has obtained external assurance. The research only looked at assured GRI-based reports that declared this "+" symbol.

Please note that the Application Level system operates under the premise that a "+" should only be declared by a reporting organization when it believes the assurance engagement has been conducted on the basis of GRI's six key qualities for assurance (see box 1). By studying the reports that declared a "+" in 2011, GRI does not confirm the validity of this "+" declaration.

⁴<http://www.kpmg.com/PT/pt/IssuesAndInsights/Documents/corporate-responsibility2011.pdf>.

- International trends presented in this paper comprised reporting periods 2008 until 2012.
- For publication year 2011, a larger subset of external assurance data (i.e., type of provider) was studied and presented in this publication. This more elaborate subset of data on external assurance was not captured before 2012 by GRI.
- US specific trends were identified by analysis of assured reports in publication year 2011. After identifying these reports, the researchers reviewed the published assurance statements in detail for information on scope, level, assurance provider, standards etc. **The second phase** consisted of phone interviews with American companies that had their sustainability report externally assured in 2011. The outcomes of the interviews are included as anonymous quotes in this publication, and the interview questions can be found in Appendix A.

The secondary sources that are referenced in this publication are the *KPMG International Survey of Corporate Responsibility Reporting 2011*⁵ and the Bloomberg database. Bloomberg ran a separate analysis as a contribution to this publication. This raw data is only accessible to subscribers of the Bloomberg terminal and is located in the ESG section of this database. Both sources capture external assurance data and both enable this research to be placed into a global context.

RESEARCH LIMITATIONS

- The GRI Sustainability Disclosure Database includes all reports that GRI and/or its Data Partners have identified. Registration of sustainability reports with GRI is not a requirement, and therefore reports exist that have not been included in this research.
- This publication studies the 26 assured GRI-based reports that explicitly declare the “+” symbol in the US and are captured in GRI’s Sustainability Disclosure database. This should be considered 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.
- A “+” declaration is made by a reporting organization and should be based on GRI’s six key qualities for assurance (see box 1). The variety in assurance statements indicates varying interpretations and application of these key qualities, i.e., some assurance engagements only look at a few sustainability indicators or topics, whereas other approaches assess the entire report including tests of underlying processes.
- Some GRI-based sustainability reports do not use the Application Level system. In the database, such reports are classified as “GRI-undeclared” (with a Content Index) or “GRI-referenced” (without a Content Index) reports. For these reports, the database does not track whether they have undergone assurance.
- There are also GRI-based sustainability reports, declaring an Application Level of A, B or C, that have assurance statements, but without a “+” symbol. These fall outside of the scope of the desk research. Some of these assurance engagements have been identified during this research. Eight of these are listed in this publication.
- To supplement the data analysis, 15 of the 26 identified organizations were interviewed.

⁵<http://www.kpmg.com/PT/pt/IssuesAndInsights/Documents/corporate-responsibility2011.pdf>.

“GRI SHOULD UNDERSTAND WHAT VARIOUS FIRMS ARE DOING AND WHAT STANDARDS THEY ARE FOLLOWING DURING THE REPORTING PROCESS. ASSURANCE STANDARDS NEED TO HAVE VALUE.”



Company
Representative

“GRI SHOULD REQUIRE ASSURANCE. IT KEEPS EVERYONE ON A LEVEL PLAYING FIELD.”

“IT’S NOT THE ROLE OF GRI TO PRESCRIBE CERTAIN ASSURANCE PROVIDERS OR APPROACHES. IT IS FINE TO ENDORSE CERTAIN ASSURANCE STANDARDS, BUT NOT IN TERMS OF WHO IS QUALIFIED TO PROVIDE IT. THAT’S THE BUSINESS OF ACCREDITATION BODIES.”

ASSURANCE OF SUSTAINABILITY REPORTS—DEFINITIONS

WHAT IS IT?

The use of third-party independent reviews of sustainability reports is intended to increase the trustworthiness of disclosed information. The terms “assurance,” “external assurance,” “verification,” “audit,” “certification,” “attestation,” “checks” and “third-party opinions” are used interchangeably by sustainability practitioners, but definitions and interpretations may differ.

The topic of external assurance of sustainability reports is of particular significance in global markets as the need for credible sustainability data increases. Financial markets rely on credible and verifiable financial data, and market mechanisms will continually seek third-party validation of information available in public domain, be that financial and/or

nonfinancial. With sustainability reporting maturing and more stakeholders depending on the availability of reliable data, the importance of external assurance increases.

Reporters and report users are increasingly interested in how external assurance can help improve sustainability disclosure, and many view a third-party assessment as the next step in the sustainability reporting journey. GRI uses the term “external assurance” as an overarching term to cover a wide range of approaches of third parties assessing GRI-based sustainability reports.

REFERENCES TO EXTERNAL ASSURANCE IN THE GRI REPORTING GUIDELINES

The references of external assurance in the GRI Reporting Guidelines:

BOX 1: EXTERNAL ASSURANCE AND GRI “+” LEVELS OF REPORTING

1 Choices on Assurance (pg 36, GRI Sustainability Reporting Guidelines, version G3)

*Organizations use a variety of approaches to enhance the credibility of their reports. Organizations may have systems of internal controls in place, including internal audit functions, as part of their processes for managing and reporting information. These internal systems are important to the overall integrity and credibility of a report. However, **GRI recommends the use of external assurance for sustainability reports in addition to any internal resources.***

A variety of approaches are currently used by report preparers to implement external assurance, including the use of professional assurance providers, stakeholder panels, and other external groups or individuals. However, regardless of the specific approach, it should be conducted by competent groups or individuals external to the organization. These engagements may employ groups or individuals that follow professional standards for assurance, or they may involve approaches that follow systematic, documented, and evidence-based processes but are not governed by a specific standard.

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. 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 certifications or compliance assessments.

*Overall, the **key qualities for external assurance** of reports using the GRI Reporting Framework are that it:*

- Is conducted by groups or individuals external to the organization who are demonstrably competent in both the subject matter and assurance practices;*
- Is implemented in a manner that is systematic, documented, evidence-based, and characterized by defined procedures;*
- 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;*
- 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;*

BOX 1: EXTERNAL ASSURANCE AND GRI “+” LEVELS OF REPORTING

- *Assesses 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*
- *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.*

As indicated in Profile Disclosure 3.13, organizations should disclose information on their approach to external assurance.

GRI Application Levels (pg 5, GRI Sustainability Reporting Guidelines, version G3)

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:

- *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.*
- *Report preparers with a vision or path for incrementally expanding application of the GRI Reporting Framework over time.*

*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 found in each level reflect an increasing application or coverage of the GRI Reporting Framework. **An organization can self-declare a “plus” (+) at each level (eg., C+, B+, A+) if they have utilized external assurance.** An organization self-declares a reporting level based on its own assessment of its report content against the criteria in the GRI Application Levels.*

In addition to the self-declaration, reporting organizations can choose one or both of the following options:

- *Have an assurance provider offer an opinion on the self-declaration,*
- *Request that the GRI check the self-declaration.*

GRI Principle Reliability (pg 17, GRI Sustainability Reporting Guidelines, version G3)

Reliability

Definition: Information and processes used in the preparation of a report should be gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information.

BOX 1: EXTERNAL ASSURANCE AND GRI “+” LEVELS OF REPORTING

*Explanation: Stakeholders should have confidence that a report could 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. 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 boundary or stakeholder engagement) to be examined. **In designing information systems, reporting organizations should anticipate that the systems could be examined as part of an external assurance process.***

Profile Disclosure 3.13 (pg 22, GRI Sustainability Reporting Framework, version G3)

3.13 Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).

GRI does not make recommendations on which assurance provider to choose or which assurance approach to use.

The reporting organization should select its assurance provider on the basis of these key qualities and, provided they are fulfilled, only then declare a “+” for its GRI sustainability report.

During a GRI Application Level Check (see glossary), GRI does not assess whether the external assurance for a report meets the key qualities for assurance identified by GRI, and it offers no opinion on whether this “+” is justifiable. The GRI Application Level Check itself is also not an external assurance engagement. The Application Level Check is complementary to assurance, indicating the extent to which the G3 or the G.31 Guidelines have been applied.

“THERE ARE INCONSISTENCIES IN THE REQUIREMENTS FOR EXTERNAL ASSURANCE THAT LIMIT THE VALUE AND EFFECTIVENESS OF IT.” —Quote from Company Representative

WHO IS SEEKING ASSURANCE IN THE USA AND WHY?

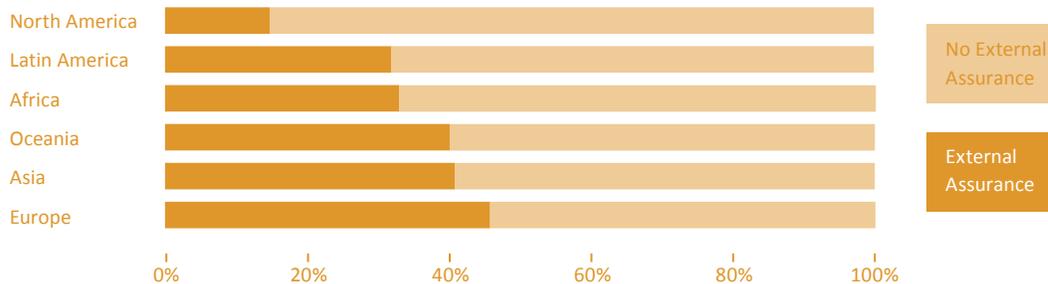
Parallel to the growth of sustainability reporting, there is a rise in the number of sustainability reporters seeking assurance. According to the *KPMG International Survey of Corporate Responsibility Reporting 2011*, 46 percent of the reporting Global 250 use assurance to verify and assess their sustainability data, and over the last six years this percentage has been stable. Of those G250 companies seeking assurance, more than 70 percent obtain assurance from accountancy firms.

In the US, federal securities law requires publicly traded companies to submit an externally assured financial statement. To meet the legal obligations, such financial audits have to be conducted at the highest level, which is called reasonable assurance. In the USA, the AICPA⁷ issued the AT101, which is an attestation standard for financial reporting, but which is referenced in some of the 30 assurance statements for sustainability reports in our limited sample.

Looking at an international set of GRI-based sustainability reports captured in GRI's Sustainability Disclosure Database, external assurance has grown from 32 percent to 38 percent between 2008 and 2011.⁸ Out of 34 countries included in the *KPMG International Survey of Corporate Responsibility Reporting 2011*, the USA ranked 32nd, with only 13 percent seeking assurance on their sustainability report. Analysis of GRI's Sustainability Disclosure Database shows very similar figures, with 15 percent of organizations seeking assurance in North America, below the level of all other continents.

As of the date of this publication, the GRI-based sustainability reports released in 2012 suggest an upward trend, with almost half of them having sought external assurance. More 2012 analysis can be found in the conclusion of this report.

Assurance levels vary across continents for reports published in 2011



⁷See Definitions: AICPA.

⁸Sustainability Disclosure Database, September 2011.

GRI-based sustainability reporting in the US grew by 44 percent from 2010 to 2011. Of the 187 GRI-based sustainability reports (with a GRI Content Index) published in 2010, 18 reporting organizations declared a “+” symbol (9.6 percent), compared to 26 out of 269 reports (9.7 percent) in 2011. In absolute terms, the number of reports with a “+” symbol grew by eight reports. Three organizations that declared a “+” symbol in 2010 did not repeat this in 2011: one did not issue a report, and two issued a report but did not declare a “+” symbol.

The tables below show those organizations that declared “+” symbols in 2010 and 2011. The reporting organization should select its assurance provider on the basis of these key qualities and, **provided they are fulfilled**, only then declare a “+” symbol for its GRI sustainability report.

In 2010:



Application Level A+ (7)	Application Level B+ (6)	Application Level C+ (5)
Dow Chemical Freeport McMoran GoLite LLC Hess Corporation Newmont Mining Pacific Northwest Nat. Lab Southern Copper	AMB Property Bristol-Myers Squibb Cliffs Natural Resources Prologis State Street UPS	Mohawk Industries Praxair Qualcomm Southwest Airlines Teradata Corporation

The table below shows the 26 organizations that declared a “+” symbol in 2011; they are organized by Application Level:



Application Level A+ (6)	Application Level B+ (18)	Application Level C+ (2)
Alcoa Dow Chemical Freeport-McMoran Hess Corporation Newmont Mining Pacific Northwest Nat. Lab	AMB Property Bank of America Bloomberg Bristol Myers-Squibb Bucyrus International Cliffs Natural Resources Clorox Coca-Cola Enterprises H.J. Heinz Company Kimberly-Clark Nisource Northern Trust Praxair Qualcomm Southwest Airlines Starbucks Coffee State Street UPS	3M Mohawk Industries

The majority of the assured reports in 2011 (18 out of 26), were Application Level B reporters. Also, all were business corporations except for Pacific Northwest Nat. Lab, which is a public institution owned by the US Department of Energy. Bloomberg was the only privately owned business in this sample.

BOX 2: EXTERNAL ASSURANCE AND GRI “+” LEVELS OF REPORTING

In the course of the research, eight additional assurance statements were identified from the list of 2011 published GRI-based reports. These organizations used the GRI framework for their reporting, and included a GRI Content Index, but did not declare a “+” symbol. The reason might be that the reporter did not believe the assurance engagement was in correspondence with GRI’s six key qualities for assurance or that the reporter was unaware of the possibility of declaring a “+” symbol.

Other sustainability reports that have (sections) assured:

GRI references

Abbott Laboratories	No Application Level declared
Chevron	No Application Level declared
Cummins	No Application Level declared
Exxon Mobil	No Application Level declared
Hewlett Packard	B
Intel Corporation	A
Pinnacle West Capital Corporation	No Application Level declared
Wyndham Worldwide	C

Among the 333 sustainability reports in GRI’s database that were released by US organizations in 2011, it is likely that there are additional reports that sought assurance but were not formally documented as such in the GRI database. For this reason, Bloomberg data was consulted. Between 2009 and 2011, Bloomberg’s database recorded 24, 39 and 36 examples of “verification” in sustainability reports, respectively. Those companies that disclosed sustainability information can be found in Appendix B. In classifying an ESG report as “verified,” Bloomberg does not assess whether the statement in the report is in correspondence with the GRI six key qualities on assurance. It should be noted that many reports in the USA choose to have only their GHG emissions assured.

The different approaches taken by KPMG, Bloomberg and GRI in capturing external assurance data show similar trends albeit based on different methodologies. KPMG looks at percentages of organizations seeking assurance of the largest 250 public companies worldwide and the largest 100 companies in 34 countries. Bloomberg looks at “verification” of all publicly traded companies in the US. For purpose of this research, GRI only looked at those US organizations that declared a “+” symbol on their GRI-based sustainability reports published in 2011.

The table below maps the 26 organizations, as identified in the GRI database in 2011, against GRI's sector classification. Mining and metals has five reporting companies and financial services has four companies declaring a "+" on their 2011 GRI-based sustainability report.

Organization	Sector	Application Level
Southwest Airlines	Aviation	B+
Dow Chemical	Chemicals	A+
Praxair	Chemicals	B+
3M	Conglomerates	C+
Mohawk Industries	Consumer Durables	C+
Hess Corporation	Energy	A+
Nisource	Energy Utilities	B+
Bank of America	Financial Services	B+
Bloomberg	Financial Services	B+
Northern Trust	Financial Services	B+
State Street	Financial Services	B+
Coca-Cola Enterprises	Food and Beverage	B+
H.J. Heinz Company	Food and Beverage	B+
Starbucks Coffee	Food and Beverage	B+
Kimberly-Clark	Forest and Paper	B+
Bristol Myers Squibb	Health Care Products	B+
Clorox	Household & Personal	B+
UPS	Logistics	B+
Alcoa	Mining & Metals	A+
Bucyrus International	Mining & Metals	B+
Cliffs Natural Resources	Mining & Metals	B+
Freeport-McMoran	Mining & Metals	A+
Newmont Mining	Mining & Metals	A+
PNNL	Public Agency	A+
AMB Property	Real Estate	B+
Qualcomm	Telecommunications	B+

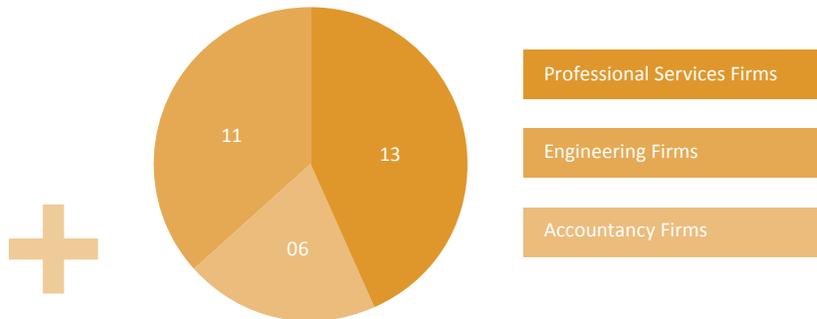


PROVIDERS OF EXTERNAL ASSURANCE

“SINCE THE COMPANY IS A TOP 100 BRAND, THEY UNDERSTAND THAT THE SUSTAINABILITY REPORT AND THE ASSURANCE ENGAGEMENT PROCESS NEED TO BE BUSINESS CREDIBLE. ALSO, SINCE THE FIRM DOES OUR FINANCIAL ACCOUNTING, IT ALREADY HAS KNOWLEDGE OF THE COMPANY WITH REGARDS TO DATA STREAMS AND IT WAS A NATURAL FIT TO CHOOSE THE PROVIDER.”

“OUR COMPANY WORKED WITH THE SAME ASSURANCE PROVIDER FOR THE PREVIOUS TWO YEARS, SO THERE IS A CERTAIN FAMILIARITY BETWEEN THE COMPANIES WHICH ALLOWS THINGS TO GO SMOOTHLY. OUR ASSURANCE PROVIDER UNDERSTOOD THE ENVIRONMENTAL ASPECTS OF THE COMPANY AND USED KEY METRICS TO COMPREHENSIVELY ANALYZE THE COMPANY AND MAKE SURE ALL RELEVANT AREAS WERE COVERED IN THE REPORT.”

A total of 24 different assurance providers were identified in the *limited sample* of 26 externally assured GRI-based reports producing 30 assurance statements, and below they are aggregated into accountancy, engineering and professional services firms:



“THERE WERE NO SITE VISITS. EVERYTHING WAS DONE ELECTRONICALLY.”

For the 26 reporters in the sample, there were 30 assurance statements issued in total. Bristol Myers Squibb and 3M undertook two different assurance engagements. UPS undertook three different assurance engagements, two with an accountancy firm and one with an engineering firm.

The table below displays which reporting organizations chose what type of assurance provider broken down by accountancy firm, engineering firm or professional services firm:

By Accountancy Firm	By Engineering Firm	Other Professional Services Firm
Alcoa Cliffs Natural Resources Northern Trust Starbucks Coffee UPS (2)	Bank of America Clorox Coca-Cola Enterprises Dow Chemical Hess Corporation Newmont Mining Nisource Praxair State Street Southwest Airlines UPS	3M (2) AMB Property Bloomberg Bristol Myers Squibb (2) Bucyrus International Freeport-McMoran H.J. Heinz Company Kimberly-Clark Mohawk Industries Pacific Northwest Nat. Lab Qualcomm
6 Assurance Statements	11 Assurance Statements	13 Assurance Statements



“IN AUGUST/SEPTEMBER WE STARTED THE INITIAL CONVERSATIONS IN WHICH WE TALKED ABOUT THOSE SITES WE BELIEVED THAT REALLY NEEDED TO BE LOOKED AT. SOME SMALLER SITES ARE PICKED UP ON A SMALLER CYCLE, EVERY 5 YEARS FOR INSTANCE. A SITE VISIT COULD BE ONE DAY TO THREE DAYS DEPENDING ON THE SIZE OF OPERATIONS/EMISSIONS THAT THE SITE REPRESENTS AND WHETHER IT IS A COMPLEX SITUATION. THE PROVIDER PRODUCES REPORTS FOR EACH VISIT, AND THEY DO AN OVERALL REPORT AT THE END. THE WHOLE PROCESS LASTS UNTIL JUNE.”

LEVELS OF EXTERNAL ASSURANCE

The International Federation of Accountants (IFAC) defines an assurance engagement as “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 outcome of the evaluation or measurement of a subject matter against criteria.”⁹ This research found references to two different levels of assurance in the sample of 30 assurance statements; the two levels are limited (or moderate) assurance and reasonable (or high) assurance.

There is one factor that indicates limited or reasonable assurance, and that is whether the opinion

given is positive or negative. IFAC distinguishes reasonable and limited assurance as follows: “The objective of a reasonable assurance engagement is a reduction in **assurance engagement risk** (see definitions) to an acceptably low level 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 that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the practitioner’s conclusion.”¹⁰

From the 30 assurance statements in the sample, 16 indicated that limited assurance had been performed. There were only three assurance statements that claimed to be reasonable assurance. Examples of reasonable assurance in our sample were sought by UPS (obtained from Deloitte and SGS) and Starbucks Coffee (obtained from Moss Adams). A level of assurance was not specified in 11 cases.



Levels of assurance for US reports published in 2011



⁹<http://www.ifac.org/sites/default/files/downloads/b003-2010-iaasb-handbook-framework.pdf>.

¹⁰http://www.ifac.org/sites/default/files/downloads/International_Framework_for_Assurance_Engagements.pdf.

SCOPE OF ASSURANCE

For 16 out of the 30 assurance statements, a wide range of sustainability topics were assured. It needs to be noted that although a wide range of topics were assured, some engagements only covered KPI's whereas others were more thorough, i.e., also covering underlying internal control processes. Out of

these 30 statements, 7 indicated that the assurance had been performed for the topic of greenhouse gas (GHG) emissions only. Another 7 statements can be classified as assurance of specific sections, which were environmental sustainability topics, such as water, carbon and waste in all 7 cases.

“EXTERNAL ASSURANCE GIVES YOU THE UNDERSTANDING OF BEING ON THE RIGHT TRACK. IT ALSO SHOWS THAT YOU ARE BEING TRANSPARENT.”

“WE WANT TO PROVE OUR METHODOLOGIES AND SYSTEMS. WE OFTEN FACE ISSUES WITH OUR SITE-SPECIFIC DATA SETS, AND WE NEED TO GET THEM CORRECTED BEFORE GOING TO PUBLICATION. THE DATA NEEDS TO BE ACCURATE AND RELIABLE. QUALITATIVELY, WE WANTED TO GET SOME UNDERSTANDING OF WHAT SOME OTHER COMPANIES ARE DOING AND HOW OUR SYSTEMS COMPARE AGAINST OUR PEERS.”

The below table outlines the 26 organizations declaring a “+” by the scope of the verification or assurance rendered for their sustainability reports. Considering GRI’s six key qualities on assurance, one can question whether sustainability without assurance on a wide range of sustainability topics, should warrant a “+” level.

Wide Range of Sustainability Topics	Specific Sections	GHG Only
AMB Property	3M (2)	Alcoa
Bank of America	Bristol Myers Squibb (1)	Bloomberg
Bucyrus International	Cliffs Natural Resources	Bristol Myers Squibb (1)
Coca-Cola Enterprises	H.J. Heinz Company	Clorox
Dow Chemical	Praxair	UPS (2)
Freeport-McMoran	Starbucks Coffee Company	
Hess Corporation		
Kimberly-Clark		
Mohawk Industries		
Newmont Mining		
Nisource		
Northern Trust		
Pacific Northwest Nat. Lab		
Southwest Airlines		
State Street		
Qualcomm		
UPS (1)		



“EACH YEAR SINCE THE FIRST ASSURANCE ENGAGEMENT HAS TAKEN LESS AND LESS TIME. THE PROCESS USUALLY TAKES A FEW MONTHS FROM START TO FINISH. THERE WERE VARIOUS FACE-TO-FACE AND PHONE MEETINGS. THE PROVIDER GAVE STATUS UPDATES AT 30 PERCENT, 50 PERCENT, 85 PERCENT, AND 95 PERCENT COMPLETION RATES. THE FIRM KEPT THE FINAL REPORT FOR 21 DAYS FOR REVIEW BY SENIOR PARTNERS, WHICH IS VERY FORMAL.”

Below are examples of assurance statements as illustrations of different variations of approaches in terms of level of assurance (limited/reasonable), scope of assurance (range of topics), coverage (KPI's/internal processes) and boundary (entities):

Company	Assurance Provider	Examples
3M	Trucost and Ashley Hamilton Consulting <i>Level</i> Limited/Moderate	<i>Scope:</i> Waste, water consumption, VOCs emissions <i>Boundary:</i> All facilities globally (with an exemption of new acquisitions) <i>Two Assurance Providers:</i> Trucost has verified the environmental part of the report, and Ashley Hamilton Consulting has verified the social and governance information.
Bucyrus International	ISOS Group <i>Level</i> Limited/Moderate	<i>Approach:</i> Although only twenty material indicators are required for a B level report, this external assurance statement is based on the results of a comprehensive verification of all disclosed indicators.
Cliffs Natural Resources	Ernst & Young <i>Level</i> Limited/Moderate	<i>Approach/Coverage:</i> We have carried out a limited assurance engagement in relation to selected 2010 performance indicators denoted by the ✓ symbol in the GRI Index on pages 57 and 58 of Cliffs' 2010 Sustainability Report.
H.J. Heinz Company	SKM Enviros <i>Level</i> Not Specified	<i>Scope/Coverage:</i> The Key Performance Indicators were selected by H.J. Heinz Company. The following KPI's were verified: <ul style="list-style-type: none"> • Electricity • Fuels • GHG emissions • Water use • Solid waste

Company	Assurance Provider	Examples
Starbucks Coffee	Moss Adams LLP <i>Level</i> Reasonable/High	<i>Scope:</i> Our responsibility is to express an opinion on the data listed below based on our examination: <ul style="list-style-type: none"> • Green coffee purchases and average price per pound of total coffee purchased • C.A.F.E. Practices coffee purchases and purchases as a percentage of total coffee purchased • Fair trade certified green coffee purchases and purchases as a percentage of total coffee purchased • Certified organic coffee purchases and purchases as a percentage of total coffee purchased • Amount of commitment to investment in farmer loans and number of farmers
UPS	Deloitte <i>Level</i> Limited/Moderate <i>Level</i> Reasonable/High	<i>Approach:</i> Within the UPS Sustainability Report for 2010, there are two statements by Deloitte. The first is an “Independent Accountants’ Report.” The second is an “Independent Accountant’s Examination Report.” <i>Scope /Level:</i> Statement 1: Based on our review, nothing came to our attention that caused us to believe that such sustainability report does not include, in all material respects, the required elements of Global Reporting Initiative G3.1 Guidelines for <i>Application Level B</i> sustainability reports. ¹¹ The Statement of Greenhouse Gas Emissions of the company for the year ended December 31, 2010 presented in Appendix B was examined by us, and in our report dated May 27, 2011, we expressed an unqualified opinion of that Statement.

As the above report excerpts show, next to varying levels and scope of assurance, assurance statements might take different approaches towards boundary and coverage.

¹¹Often, but not in all cases, Application Level Checks form part of an external assurance engagement. In addition, a reporting organization might opt to obtain an Application Level Check directly from GRI.

“SENIOR MANAGEMENT WAS NOT INTERVIEWED. THE ASSURANCE PROVIDER SPOKE TO THE ENVIRONMENTAL MANAGER DIRECTLY BECAUSE THE FOCUS OF THE ASSURANCE ENGAGEMENT WAS ENVIRONMENTAL.”



On the
Approach

“OUR PROVIDER REQUIRED A LARGE AMOUNT OF DATA AND SUPPORTING MATERIALS IN ORDER FOR THEM TO PROVIDE THEIR EXTERNAL ASSURANCE ON THE REPORT.”



On Sharing the
Outcomes with
the C-Suite

“WE SHARED THE SUSTAINABILITY REPORT AND THE OUTCOMES OF THE ASSURANCE ENGAGEMENT WITH SENIOR MANAGEMENT. IT HELPS US TO IMPROVE OVER TIME AND SET GOALS.”

“THE REPORT WAS SHARED AND DISCUSSED WITH TWO VERY SENIOR C-SUITE EXECUTIVES. THE REPORT WAS NOT SHARED WITH THE AUDIT COMMITTEE. TWO SENIOR EXECUTIVES ALSO SAT IN ON THE DEBRIEFING MEETING FOR THE ENGAGEMENT.”

“NO, NOT CURRENTLY.”

“THE REPORT IS REVIEWED BY THE CFO AND CEO, AND OUR GENERAL COUNCIL. THE OUTCOMES ARE ALSO REVIEWED BY APPROPRIATE EXECUTIVES FOR THE VARIOUS BUSINESS UNITS.”

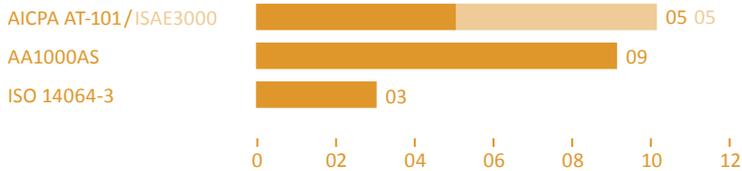
ASSURANCE STANDARDS

The table below shows which documents were mentioned in the 30 assurance statements as “assurance standards.” A third of assurance statements (10 statements for 8 organizations) did not make reference to *any* assurance standards.

The most-referenced assurance standard was AA1000AS, which was mentioned in nine out of 30 assurance statements. The ISAE3000 standard and

AICPA AT-101 (which are required for use by accountancy firms) were each referenced in five assurance statements. Three assurance statements mentioned ISO 14064-3 as an assurance standard, which provides guidance for the validation and verification of greenhouse gas assertions. One assurance statement mentioned the eGrid2007 and EPA 40 CFR as assurance standards, but these are not.

Assurance Standards – 2011 US Reports



“IT GIVES THE COMPANY AND STAKEHOLDERS CONFIDENCE THAT THE NUMBERS ARE CORRECT AND COMPLETED ACCORDING TO PROPER STANDARDS. ANOTHER VALUE HAS TO DO WITH EDUCATION. DILIGENTLY USING ACCOUNTING STANDARDS HELPS THE ENTIRE COMPANY GAIN MORE KNOWLEDGE ON THE PURPOSE OF SUSTAINABILITY REPORTING. ALSO, THE LARGE AMOUNT OF DATA COLLECTED DURING THE ASSURANCE ENGAGEMENT GIVES THE COMPANY LEVERAGE AND HELPS TO ENSURE THAT THE CALCULATIONS ARE CORRECT.”

Other publications, reference documents and reporting frameworks that were mentioned, but not as assurance standards, were: GRI Sustainability Framework, GRI Guidelines, GRI G3 Protocols, the Bloomberg Carbon Emissions Calculation Process, the IPIECA/API Oil and Gas Industry Guidance, ISO 14001, OHSAS18001, the ICMM SD Framework assurance procedure and the AA1000APS.

ON THE MAJOR CHALLENGE FOR ASSURANCE

“MANY PEOPLE THINK THE MAIN CHALLENGE IS COST, AND OTHERS THINK THAT IT IS JUST TOO LARGE OF A TASK TO PROVIDE ASSURANCE FOR A SUSTAINABILITY REPORT. OTHERS FEEL THAT COMPANIES ARE NOT ORGANIZED ENOUGH TO COMPLETE THE TASK CORRECTLY. IF DATA IS IMPORTANT ENOUGH TO SPEND TIME ANALYZING, IT SHOULD BE A NATURAL STEP TO CHECK IT WITH ANOTHER SOURCE TO ENSURE MORE CONFIDENCE. THE FIRST REPORT MIGHT BE AN EXCEPTION, BUT OTHER REPORTS SHOULD BE ASSURED. ASSURANCE OF SUSTAINABILITY REPORTING IS RIGHT IN LINE WITH THE OVERALL GOALS OF THE COMPANY.”

“THE BIGGEST CHALLENGE IS MAKING SURE THAT THE RIGHT PROCESSES ARE IN PLACE TO ENSURE ACCURATE DATA.”

CONCLUSIONS

The research shows that the USA is rapidly catching up when it comes to increases in the number of sustainability reports being issued. There are now more reports than ever before; however, the focus on improving sustainability reports by utilizing assurance is lagging behind substantially. Out of all GRI-based reports (with an Application Level and an Index) released in 2011, 38 percent underwent assurance on a global scale compared to a mere 10 percent in the USA.

There is a large range of both assurance providers and approaches in the US market. In 2011, there are 26 reporters that declare a “+” symbol, and by making this declaration they are of the opinion that the external assurance is in line with GRI’s six key qualities. Some reporters use multiple providers for

different parts of the report, some reporters only have their GHG emissions verified and some hire assurance providers that use assurance standards (such as AICPA AT-101, AA1000AS etc.) whereas others do not. This variety calls for a closer look at the “+” declarations and should encourage both companies and their stakeholders to take a careful look at these claims. Amy Pawlicki, from assurance standard developer AICPA, says, “We are very pleased that GRI has conducted this research study to gain a better understanding of third-party verification on GRI-based reports. This research represents an important step in helping the preparers and users of sustainability disclosures better assess the diversity of assurance options available to them.”

A wide range of players are active in providing assurance, ranging from traditional accountancy, engineering and other professional services firms. Most assurance engagements are being carried out by engineering firms and other professional services firms, whereas globally accountancy firms have the biggest market share. The interviews with reporters that chose some form of external assurance highlighted that the decision-making process on assurance revolves around two main ideas: first, interviewees indicated that it was important to assess what value assurance could provide at a particular stage in the reporting process. Second, interviewees explained that perceived credibility of the external assurance approach and provider was an important consideration as well.

It will be interesting to see how external assurance trends will develop in the USA. It is likely that the initial phase of more and more companies getting started with sustainability reporting will be accompanied by a second phase that can be characterized as more companies and their stakeholders looking critically at the quality of sustainability information and looking for ways to enhance that quality. Halfway through the year 2012, numbers from GRI’s database showed that there were already 30 organizations that declared a “+” symbol with GRI wrapping up its 2012 figures in the first quarter of 2013, these numbers seem promising. Also, the distribution of assurance providers in this sample seems to be suggestive of changes in the market, with over 40 percent of providers being traditional accountancy firms, followed by close to 35 percent from engineering firms and 25 percent from other professional services firms. The fact that both accountancy firms as well as engineering firms are more likely to make use of assurance standards might suggest a maturing market.

International figures (based on GRI 2012 data) suggest that accountancy firms now have over 70 percent of the market, with engineering and other professional services firms having a relatively even distribution of the remainder.

RELEVANT DEFINITIONS AND ORGANIZATIONS

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 AA1000 Assurance Standard, AA1000AS (2008), is its second edition. The AA1000AS (2008) is compatible with the methodology of ISAE 3000 and AICPA AT-101.

ACCOUNTABILITY

AccountAbility is a think tank and advisory services firm focusing on “mainstreaming” sustainability into organizational thinking and practice. By providing innovative and practical solutions, they aim to help clients improve their business performance, create value and build a sustainable competitive advantage. Their widely-used standards (e.g. AA1000AS), research, and strategic advisory services aim to help organizations become more accountable, responsible and sustainable.¹²

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 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. The AICPA sets ethical standards for the profession and US auditing standards for audits of private companies, nonprofit organizations, federal, state and local governments.

AICPA AT101¹³

AT101 was developed by the American Institute of Certified Public Accountants (AICPA) to put requirements in place for CPAs examining and issuing reports on controls over subject matter other than financial reporting. These standards are codified within AT section 101, *Attest Engagements*, of the attestation standards.

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 outcome of the evaluation or measurement of a subject matter against criteria. (Definition by IFAC; see below for IFAC.)

¹²www.accountability.org.

¹³<http://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-00101.pdf>.

ASSURANCE ENGAGEMENT RISK

“Assurance engagement risk is the risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated. In a reasonable assurance engagement, the practitioner reduces assurance engagement risk to an acceptably low level in the circumstances of the engagement to obtain reasonable assurance as the basis for a positive form of expression of the practitioner’s conclusion. The level of assurance engagement risk is higher in a limited assurance engagement than in a reasonable assurance engagement because of the different nature, timing or extent of evidence-gathering procedures. However, in a limited assurance engagement, the combination of the nature, timing and extent of evidence-gathering procedures is at least sufficient for the practitioner to obtain a meaningful level of assurance as the basis for a negative form of expression. To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users’ confidence about the subject matter information to a degree that is clearly more than inconsequential.”¹⁴

BLOOMBERG

The company was founded in 1982 and within 10 years had over 10,000 customers for the Bloomberg Professional service, a groundbreaking private network with data, analytics and other financial information. In the same decade, Bloomberg launched Bloomberg News and opened offices around the world. Subscriptions to the Bloomberg Professional service skyrocketed in the next decade, and the company launched Bloomberg Tradebook and Bloomberg.com. 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 works closely with GRI’s Focal Point USA in awareness raising activities in terms of the value of ESG and sustainability issues.¹⁵

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 respects, 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.

GRI APPLICATION LEVELS

Application Levels indicate the extent to which the 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.

¹⁴As defined by IFAC: http://www.ifac.org/sites/default/files/downloads/International_Framework_for_Assurance_Engagements.pdf.

¹⁵www.bloomberg.com/company.

GRI APPLICATION LEVEL CHECK

A GRI Application Level Check is a paid service provided by GRI and others 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 or G3.1 disclosure addressed in a report. The Index complements, and should correspond to, an Application Level declaration. A well-constructed Index enables readers to access, understand and communicate about GRI-based reports more readily. The Index communicates which GRI disclosures have been reported and the reason why certain disclosures have not been reported. The Index is the gateway to the sustainability performance data. It should have clear and direct referencing, and if used online, can be an interactive navigation tool. Through the GRI Content Index, report users should easily find the specific GRI data of interest.

IFAC

The International Federation of Accountants (IFAC) is a global organization for the accountancy profession that works with its member organizations to protect the public interest by encouraging high-quality practices around the world. IFAC is facilitating the adoption and implementation of high-quality-standards and guidance. GRI's Focal Point USA is located within the IFAC offices in New York City, USA.

ISAE3000

The ISAE3000 (2003) is the International Standard on Assurance Engagements. This is a recognized international standard to ensure the quality of assurance work, including report verification, as well as assurance on environmental performance, corporate governance, internal compliance, stakeholder engagement and other areas central to corporate responsibility. Developed by the International Federation of Accountants (IFAC) as a successor to the ISAE100, the framework is designed to guide accountants, auditors and assurance professionals when undertaking nonfinancial audits.

ISO 14064-3:2006

This ISO standard specifies principles and requirements and provides guidance for those conducting or managing the validation and/or verification of greenhouse gas (GHG) assertions. It can be applied to organizational or GHG project quantification, including GHG quantification, monitoring and reporting carried out in accordance with ISO 14064-1 or ISO 14064-2. ISO 14064-3:2006 specifies requirements for selecting GHG validators/verifiers, establishing the level of assurance, objectives, criteria and scope, determining the validation/verification approach, assessing GHG data, information, information systems and controls, evaluating GHG assertions and preparing validation/verification statements.

APPENDIX A: INTERVIEW QUESTIONS

VALUE

- What do you see as the value of external assurance?

CHOICE OF ASSURANCE

- What was your rationale for choosing your assurance provider and approach?
- Did you have a clear understanding of the GRI's requirements to declare that your report has been externally assured and therefore should get a "+"?
- How did you decide that your report was a "+" report?

GRI AND ASSURANCE

- What role should GRI play with regards to the external assurance of sustainability reporting?

FUTURE OF ASSURANCE

- Should external assurance of sustainability reporting become mandatory?
- What do you consider the main challenges of assurance of sustainability information?

APPROACH

- Did your assurance provider present a clear plan (methodology and definitive tasks) for their assurance procedures and explain the rationale behind their approach?
- Did you understand the assurance provider's approach and execution of the assurance engagement?
- Did you understand the difference in scope of an engagement to provide assurance on an entire sustainability report vs. the scope of an engagement to provide assurance on selected indicators?

COMPOSITION OF TEAM

- How many assurance engagement team members participated (including their professional levels and experience) in the engagement?
- Did you understand the roles and responsibilities of each in the execution of the engagement?

ASSURANCE ENGAGEMENT

- Were you asked to provide underlying support for the data and information included in your sustainability report as part of the assurance engagement?
- Did the assurance provider challenge assumptions you made for any of the GRI indicators subject to assurance?

- Did the assurance provider raise observations around your report's fulfillment of the GRI's reporting principles for defining content: materiality, stakeholder inclusiveness, sustainability context and completeness?
- Did the assurance provider raise observations around your report's fulfillment of the GRI's reporting principles for defining quality: balance, comparability, accuracy, timeliness, clarity, and reliability?
- Did your assurance provider discuss the risks of material misstatement and fraud considerations with your CSR lead?
- Did your assurance provider focus on documenting a clear understanding of the data management process for each indicator and confirm their understanding with the data provider?
- Did your assurance provider review the internal controls your organization has in place to ensure accurate and complete data?
- If the assurance provider was providing limited assurance, were site visits included in the scope of the assurance engagement?

INTERVIEWS

- Were you asked to participate in interviews as part of the assurance engagement?

If so,

- Did your assurance provider interview your data providers of the KPIs within scope?
- Did your assurance provider interview senior management within your CSR/CR committee to understand the overall reporting structure, reporting objectives and sustainability priorities?

DURATION

- What was the duration of the assurance engagement, i.e., number of weeks from kickoff meeting to the issuance of the assurance statement?

OUTCOMES

- Did your assurance provider provide you with an internal management report on observations/findings for process improvement at the end of your assurance engagement?
- If so, how valuable was this report (1 to 5)?
- Did you share this report with your C-suite, Internal Audit group or Audit Committee?

APPENDIX B: BLOOMBERG DATA

VERIFIED (SECTIONS OF) SUSTAINABILITY REPORTS 2009–2011

Bloomberg Database	2009		2010		2011	
Organization	GRI	Verification	GRI	Verification	GRI	Verification
3M	GRI	No	GRI	Yes	GRI	Yes
Abbott	GRI	No	GRI	Yes	GRI	Yes
Agilent Tech	No	No	GRI	Yes	GRI	Yes
Alcoa	GRI	Yes	GRI	Yes	GRI	Yes
Amgen	No	No	GRI	No	GRI	Yes
Bank of America	GRI	No	GRI	Yes	GRI	Yes
Baxter	GRI	Yes	GRI	Yes	GRI	Yes
Biogen Idec	GRI	Yes	GRI	No	GRI	Yes
Bristol Myers Squibb	GRI	No	GRI	Yes	No	No
Campbell Soup	GRI	No	GRI	Yes	GRI	Yes
Chevron	GRI	Yes	GRI	Yes	GRI	Yes
Citigroup	GRI	Yes	No	Yes	GRI	No
Cliffs Natural Resources	GRI	Yes	GRI	Yes	GRI	Yes
Coca-Cola Company	GRI	Yes	GRI	Yes	No	No
Coca-Cola Enterprises	GRI	No	GRI	Yes	GRI	Yes
Dow Chemical	GRI	Yes	GRI	Yes	GRI	Yes
Duke Energy	GRI	Yes	GRI	Yes	GRI	Yes
Entergy	No	No	No	No	GRI	Yes
Exxon Mobil	GRI	Yes	GRI	Yes	GRI	Yes
Ford Motor	GRI	Yes	GRI	Yes	GRI	Yes
Freeport-McMoran	GRI	Yes	GRI	Yes	GRI	Yes
The Hershey Company	GRI	No	No	No	GRI	Yes
Hess Corporation	GRI	Yes	GRI	Yes	GRI	Yes
H.J. Heinz Company	GRI	No	No	Yes	GRI	Yes
Intel	GRI	No	GRI	Yes	GRI	Yes
JM Smucker	No	No	No	No	GRI	Yes
Johnson Controls	GRI	Yes	GRI	Yes	GRI	Yes
Kimberly-Clark	No	No	GRI	Yes	GRI	Yes
Molson Coors	No	Yes	No	Yes	No	Yes
Mondelez	GRI	Yes	No	No	No	No
Morgan Stanley	No	Yes	No	Yes	GRI	Yes
Motorola	No	No	GRI	Yes	No	No
Newmont Mining	No	No	GRI	Yes	GRI	Yes
News Corporation	No	Yes	No	Yes	No	No
Nisource	GRI	No	GRI	Yes	GRI	Yes
Northern Trust	No	No	GRI	Yes	GRI	Yes
Praxair	GRI	Yes	GRI	Yes	GRI	No
Prologis	NA	NA	No	No	GRI	Yes
Qualcomm	GRI	No	GRI	Yes	GRI	No
Reynolds America	GRI	No	GRI	Yes	GRI	No
Southwest Airlines	GRI	Yes	GRI	Yes	GRI	Yes
Starbucks Coffee	No	Yes	GRI	Yes	GRI	Yes
State Street	GRI	Yes	GRI	Yes	GRI	Yes
UPS	GRI	Yes	GRI	Yes	GRI	Yes
Wells Fargo	GRI	Yes	No	Yes	GRI	No
Wyndham Worldwide	No	No	GRI	Yes	GRI	Yes
		24		39		36

ABOUT

GLOBAL REPORTING INITIATIVE

Global Reporting Initiative Focal Point USA

As part of its regional expansion strategy, GRI entered into an agreement in October 2010 to establish a Focal Point in the United States. This Focal Point is supported by founding sponsors Deloitte LLP, Ernst & Young LLP, KPMG LLP, and PwC U.S., and is hosted by IFAC.

GRI Focal Point USA plays a crucial role in mainstreaming sustainability reporting.

Focal Point USA aims to boost the number of US companies reporting on sustainability and to improve the quality of those reports, and to increase US organizations' input into developing new guidance for sustainability reporting.

Website: www.globalreporting.org

Contact: griusa@globalreporting.org

Governance and Accountability Institute—GRI Data Partner for Ireland, United Kingdom and USA

The Governance & Accountability Institute, Inc. is a global consulting, research, news and trend monitoring, editorial services/publishing, analysis, and advisory [services] organization serving leaders and boards of organizations in the corporate (private), public and social/institutional sectors.

Website: www.ga-institute.com

Reporting dashboard: www.sustainabilityhq.com/reports

US Blog Site: <http://grifocalpointblog.org/usa>

THANK YOU

GRI's Focal Point USA is particularly grateful for the ongoing support of:

OUR FOUNDING SPONSORS: Each of the “Big Four” accounting and professional services firms in the United States—Deloitte, Ernst & Young LLP, KPMG and PwC US—for providing donations.

OUR SEVEN SECTOR LEADERS: Bloomberg, Clorox, Curran & Connors, Dell, Sprint, The Mosaic Company and the New York Stock Exchange—for committing to showing leadership in their sector when it comes to sustainability reporting and working closely with us to crystallize that leadership into action.

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