

Chapter 1

Introduction to Sustainability Examination and Review Engagements

Introduction to Using the Guide

1.01 *Sustainability information*,¹ as used in this guide, refers to information about sustainability matters (such as economic, environmental, social, and governance performance). Preparers of sustainability information often seek to increase the credibility of their reported sustainability information to users. Accordingly, they may engage practitioners to perform an attestation engagement or others to perform some form of assurance engagement. This guide is intended to assist practitioners in performing an attestation engagement in accordance with AICPA attestation standards on information that is held out as sustainability information, as discussed in paragraph 1.03.

1.02 Greenhouse gas (GHG) emissions information is one type of sustainability information for which practitioners are engaged to perform attestation engagements. As entities often prepare separate reports on GHG information, this guide includes specific guidance on application of AICPA attestation standards to such separate presentations in chapter 5. Such guidance is intended to supplement the general guidance throughout chapters 1–4 and, though specific to performing an attestation engagement on a separate presentation of GHG emissions information, can also be considered when performing an attestation engagement on a *sustainability report* that includes GHG emissions information.

1.03 This guide is applicable when the reporting entity is holding the subject matter out as sustainability information or makes an assertion that it is sustainability information. Examples of ways in which the reporting entity might hold out the subject matter as sustainability information include the following:

- Labeling the report containing the subject matter as a sustainability report, corporate social responsibility report, or environmental, social and governance report, or a similar title
- Labeling the presentation of information as a GHG emissions schedule or statement
- Submitting the presentation in response to a third-party requirement for the submission of sustainability information (for example, to sustainability rating bodies)
- Labeling sections of a broader report, such as in a report submitted to a securities regulator (for example, in the "Management Discussion and Analysis" section of an SEC Form 10-K), as sustainability, corporate social responsibility, or environmental, social and governance information

¹ Terms defined in the glossary are italicized the first time they appear in this guide.

Attestation Engagements on Sustainability Information

- Labeling the subject matter appearing on the entity's website as sustainability, corporate social responsibility, or environmental, social and governance information, or a similar title
- Citing a sustainability framework, including standards, regulations, and entity-specific criteria for sustainability information, as criteria for the preparation or presentation of the subject matter

Given the varied nature of the subject matter, the practitioner may need to exercise judgment in ascertaining whether the guide is applicable to the engagement.

1.04 This chapter includes the following:

- Background on the subject matter of sustainability information
- Objectives of an examination or review of sustainability information under AICPA attestation standards
- Guidance on applying the engagement preconditions of AICPA attestation standards to a potential attestation engagement on sustainability information
- Guidance on agreeing to the terms of the engagement and requesting a written assertion with respect to sustainability information

Chapter 2 provides guidance on planning the attestation engagement on sustainability information. Chapter 3 provides guidance on performing the engagement, and chapter 4 provides guidance on forming an opinion or conclusion and reporting on an attestation engagement on sustainability information. Chapter 5 includes additional guidance specific to performing the engagement when the sustainability information is GHG emissions information as discussed in paragraph 1.02.

Introduction to Sustainability Information and Background

1.05 The following are examples of subject matter that might be addressed in an entity's sustainability information:

- Economic
 - Direct economic value generated and distributed, including to stakeholders other than shareholders
 - Financial implications and other risks or opportunities related to climate change, availability of resources, relationship with the workforce, and other environmental, social, and governance factors
 - Defined benefit plan obligations, and funding of such
 - Government-provided financial assistance
 - Market presence
 - Procurement practices, including with respect to supply chain compliance with the entity's policies and applicable laws and regulations

- Environmental
 - Materials used, including future availability and dependability of sources of supply
 - Energy consumption, sources, and intensity
 - Water consumption, including future availability and dependability of sources of supply
 - Biodiversity, including impact of sources of supply on habitat
 - GHG emissions
 - Waste
 - Environmental compliance
 - Product stewardship
- Social
 - Occupational health and safety
 - Training and education of employees
 - Nondiscrimination, diversity, and equal opportunity employment
 - Equal remuneration based on the work performed, regardless of sex, race, national origin, religious belief, or sexual preference
 - Freedom of association and collective bargaining
 - Labor practices and grievance mechanisms
 - Child labor
 - Forced or compulsory labor
 - Labor management relations
 - Anticorruption
 - Customer health and safety
 - Product safety
 - Product and service labeling
 - Supply chain matters (for example, occupational health and safety, human rights, and labor practices of suppliers)
- Governance
 - Governance structure and composition
 - Role of highest governance body in various activities of the entity
 - Management and oversight of sustainability policies, practices, and risks

1.06 Sustainability information may be quantitative or qualitative in nature (for example, narrative or qualitative measures) and may be presented in various ways, including in a sustainability report, within an entity's annual

report, as part of an integrated report, in a schedule or statement of GHG emissions information (referred to as a schedule of GHG emissions information throughout the remainder of this guide), or as a presentation of one or more *sustainability indicators* or *sustainability metrics*. At the date of publication of this guide, there is growing interest in sustainability reporting and other emerging types of external reporting (such as integrated reporting). Accordingly, the manner in which sustainability information is presented is evolving and new ways of reporting such information, including the creation of new standards and frameworks, are likely to emerge.

1.07 Various reporting frameworks or standards exist for sustainability information that provide criteria for what information is to be reported (for example, as to what information is to be included in a sustainability report or a schedule of GHG emission information); such frameworks or standards also may include criteria for how to measure the sustainability information. However, in the absence of measurement criteria in a specific reporting framework, entities may use such reporting framework or standard, together with other criteria. Paragraphs 1.33–38 discuss assessing the suitability of the criteria. Given the varied nature of the subject matter and the criteria, a multidisciplinary team may be needed to perform the engagement. Paragraphs 1.24–50 discuss preconditions for an examination or review engagement, including assessing the appropriateness of the subject matter and the suitability of the applicable criteria, professional competencies needed, and considering the use of a practitioner's specialist.

Boundaries (Operational, Organizational, and Reporting Boundaries)

1.08 Three different *boundaries* are often considered in sustainability reporting:

- *Organizational boundary.* The legal composition of an entity for which it has direct or operational control over the entity's activities; common approaches used for organizational boundaries include equity share, financial control and operational control.
- *Operational boundary.* Activities, including actions of third parties as a consequence of their interaction with the entity, that affect the entity's sustainability performance; an entity may recognize that its sustainability impacts and concerns extend beyond its organizational boundary—for example, GHG emissions of vendors (such as airlines or utility companies)—as a consequence of doing business with the entity.
- *Reporting boundary.* The boundary used by the entity to report its sustainability information; it may include direct and indirect effects including sustainability consequences of third parties that are within the entity's operational boundary.

1.09 The organizational boundary is used to identify the operations, facilities, and activities of the entity. In reporting on sustainability performance, an entity identifies its operational boundaries and activities within. These activities may occur within or beyond the organizational boundary.

1.10 Activities within the operational boundary include activities such as emission sources, water stream, waste, and employee categories associated with operations that are affected by such activities. The operational boundary can

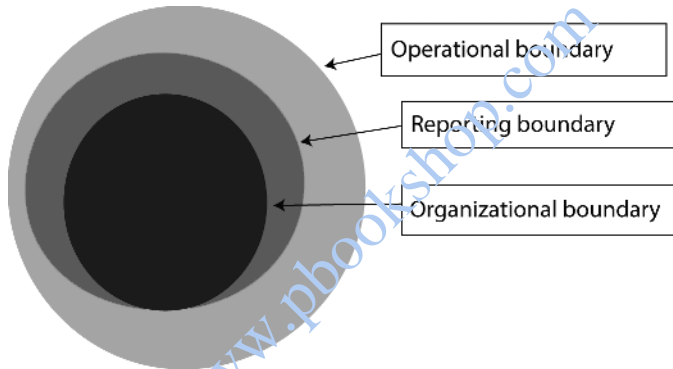
vary by sustainability indicator or subject matter. The entity chooses the scope of accounting and reporting for activities from within the operational boundary.

1.11 The reporting boundary for sustainability information can vary by sustainability indicator or subject matter. The reporting boundary may be the same as the organizational boundary (that is, includes the sustainability information for the entire entity); may be a subset within the organizational boundary (that is, includes sustainability information only for certain locations); or it may cover a portion of both the organizational and operational boundaries, as illustrated in figure 1.

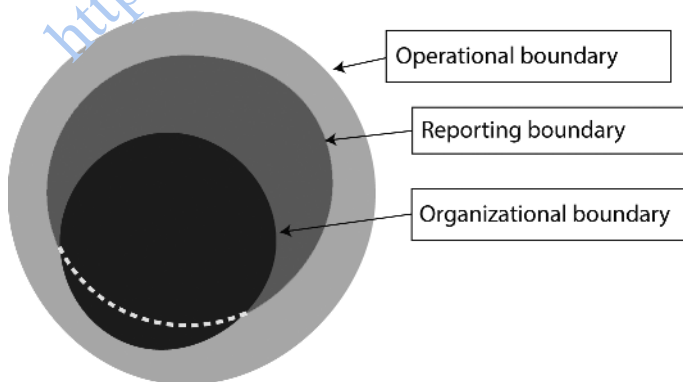
Figure 1

Relationship Between Organizational, Operational, and Reporting Boundaries

Example 1—Reporting boundary includes all of the organization (the entity) and some of the operational impacts



Example 2—The reporting boundary includes most, but not all, of the organization (the entity) and some of the operational impacts



1.12 The boundaries used in reporting sustainability information may also be a function of the requirements of the intended users of the information and the criteria selected. For example, certain regulators may establish requirements for the boundaries to be used in reporting sustainability

information to the respective regulator. Different criteria for measuring and reporting sustainability information may identify different boundaries to be used in reporting under the respective criteria.

Base Year Information

1.13 To show meaningful and consistent comparisons of sustainability metrics over time, entities often establish a *base year*. Sustainability information may be presented in relation to the base year, or comparative information for each year including and subsequent to the base year might be reported. For example, if the base year is 20x1, the entity might report comparative information in 20x5 for 20x1 through 20x4. Refer to paragraph 5.12 for discussion of base year GHG emissions.

Measurement Uncertainty

1.14 The outcome of the measurement of sustainability information is affected by the nature of the information, the method used to measure the sustainability information, how the method is applied, the competence and experience of the person making the *measurement*, and the *accuracy* and *precision*² of the tool or methodology used to make the measurement. *Measurement methods* include direct measurement (for example, a meter for water withdrawn or electricity used, or a truck scale for waste), measuring a surrogate activity (such as production data), and estimations.

1.15 Given the varied nature of sustainability information and the means in which such information is measured or estimated, many types of sustainability information cannot be measured with a high degree of accuracy. The inherent lack of accuracy and precision of the tool or methodology leads to *measurement uncertainty*. Measurement uncertainty is a characteristic of reported measured values that describes the dispersion of the quantities that could reasonably be attributed to the reported value. Measurement uncertainty in a reported value is reflective of incomplete knowledge inherent in the measurement process and, accordingly, includes estimation uncertainty. Uncertainty of measurement can result from random effects, in which repeated measurement gives a randomly different result for which the measurement uncertainty may be estimated through statistical methods; or from systematic effects, for which the measurement uncertainty may only be estimated through nonstatistical methods.

1.16 Generally, because of the inherent inaccuracy and imprecision of the measurement process, the range of measurement uncertainty cannot be reduced or removed by the practitioner via additional review or examination procedures. If the practitioner is aware of more accurate or precise measurement methods, the practitioner may suggest that management consider using such alternative measurement methods. But measurement of the reported information is management's responsibility, not the practitioner's. The practitioner is

² The terms *accuracy* and *precision* may be viewed synonymously in some contexts; however, these terms have different meanings for engineers and scientists. They look to the technical definition of *accuracy* as the closeness or degree to which a measurement conforms to the true or correct value, whereas *precision* is considered in terms of how repeatable the measurement can be made. Given the nature of the subject matter covered by this guide, the guide uses the technical definitions for these terms consistent with the definitions considered by engineers and scientists; please refer to the glossary.

responsible for evaluating whether the disclosure of the methodology and related measurement uncertainty allows users to understand and compare the reported information from period to period and entity to entity.

1.17 Known errors are not considered part of measurement uncertainty. Similarly, the use of inappropriate measurement techniques, data, or assumptions—and the resulting errors—are also not considered part of measurement uncertainty.

1.18 The range of measurement uncertainty associated with a reported value may be insignificant or it may be quite high in relation to the reported information. A significant amount of measurement uncertainty often exists for certain sustainability information (for example, the measurement of GHG emissions or waste generation).

1.19 When it is determined that disclosure of a range would be useful in evaluating the reasonableness of a reported value, the range disclosed would encompass all reasonable outcomes rather than all possible outcomes. A range comprising all possible outcomes is too wide to be effectively used for evaluation purposes.

1.20 Measurement uncertainty around the actual value of the sustainability information may result from factors such as the following:

- a. The accuracy and precision of the measurement tool and process
- b. The potential use of incomplete data in measuring sustainability information, for example,
 - i. measurements based on the extrapolation of sampled data;
 - ii. compensation for missing data, such as making estimates to account for missing data from facilities that are unable to provide data or missing fuel bills;
 - iii. the frequency of the measurement not being sufficient to account for all variability; and
 - iv. measurements performed on other than the exact "cutoff" date and time for the subject matter reported
- c. The accuracy and precision of conversion and other factors, for example,
 - i. factors that are subject to a degree of uncertainty, such as factors used to calculate the number of units of methane (CH₄) and nitrous oxide (N₂O) resulting from the combustion of fossil fuels;
 - ii. factors for the conversion of data to a standard format, such as factors used to convert units of CH₄ and N₂O to units of carbon dioxide (CO₂) based on their relative environmental impacts; or
 - iii. average factors that are not perfectly matched to specific and varying circumstances, such as average miles per gallon and average number of kilograms of CO₂ emitted per megawatt hour of energy generated

- d. The use of assumptions that simplify the calculation of highly complex processes

Appendix A illustrates measurements and measurement uncertainty for several examples of sustainability information.

1.21 When high measurement uncertainty exists, disclosure of its existence, together with a quantification of the uncertainty, such as the range of reasonable values for the measure, can provide meaningful information to intended users of the sustainability information regarding the *point value* reported. Chapters 2 and 3 discuss planning considerations and the nature of procedures performed concerning measurement uncertainty; chapter 4 discusses evaluating the adequacy of disclosures.

Objectives of an Examination of Sustainability Information

1.22 In conducting an examination of sustainability information, the objectives of the practitioner are to

- a. obtain reasonable assurance about whether the sustainability information as measured or evaluated against the criteria is free from material misstatement; and
- b. express an opinion in a written report about whether
 - i. the sustainability information is presented in accordance with the criteria, in all material respects, or
 - ii. the assertion is fairly stated, in all material respects.

Objectives of a Review of Sustainability Information

1.23 In conducting a review of sustainability information, the objectives of the practitioner are to

- a. obtain limited assurance about whether any material modifications should be made to the sustainability information in order for it to be presented in accordance with the criteria; and
- b. express a conclusion in a written report about whether the practitioner is aware of any material modifications that should be made to
 - i. the sustainability information, in order for it to be presented in accordance with the criteria, or
 - ii. the assertion, in order for it to be fairly stated.

Preconditions for an Examination or Review of Sustainability Information

1.24 In determining whether to accept an examination or review engagement, AT-C section 105, *Concepts Common to All Attestation Engagements*,³

³ Paragraph .25b(i) of AT-C section 105, *Concepts Common to All Attestation Engagements*. All AT-C sections cited in this chapter can be found in *AICPA Professional Standards*.

requires the practitioner to determine, among other preconditions, the following:

- That the subject matter is appropriate (paragraphs 1.27–.32 of this guide)
- That the criteria to be applied in the preparation and evaluation of the sustainability information are suitable and will be available to the intended users (paragraphs 1.33–.40)
- That the practitioner expects to be able to obtain the evidence needed to arrive at the practitioner's opinion or conclusion (paragraphs 1.41–.44)

AT-C section 105 contains guidance on each of the preconditions. This guide supplements such guidance with subject matter-specific considerations.

1.25 In determining whether it is appropriate to accept the attestation engagement, the practitioner also might consider whether other engagements previously performed covered the same subject matter. For example, if the practitioner has obtained reasonable assurance on a specified indicator in another engagement and reported on such specified indicator, the practitioner should be reporting at the same level of assurance on the specified indicator for the current engagement. If the practitioner is asked to review five *specified indicators* included in a sustainability report but has already audited or examined one of the five indicators in another engagement, the practitioner would be engaged to review the four indicators and to reissue the practitioner's examination report on the specified indicator on which the practitioner previously reported. However, if the practitioner previously performed a review of a specified indicator, the practitioner may subsequently be engaged to examine such indicator.

1.26 To the extent the sustainability information includes an element that was previously audited or examined as part of a broader engagement (for example, revenue previously audited as part of the financial statements taken as a whole, or *GHG emission reductions* previously examined as part of a GHG emissions statement), the element may either be examined or reviewed as part of the current engagement on the sustainability information. See paragraph 2.07 for further discussion in the context of planning the engagement.

Assessing the Appropriateness of the Subject Matter

1.27 The subject matter of an examination or review engagement relating to sustainability information may

- consist of specified indicators that are presented on their own or included as part of a sustainability report or other report;
- be a discrete section of a report covering an individual topic or category (for example, human rights, health and safety); or
- be the entire sustainability report.

If the subject matter is specified indicators, the practitioner may examine some of the specified indicators and review others. Also, the practitioner may review the entire sustainability report and examine some specified indicators within the reviewed sustainability report. The assessment of the appropriateness of the subject matter and the scope of the engagement, however, are independent of the determination of the level of service to be performed. Specifically, if the subject matter is not appropriate for an examination engagement, it is not appropriate for a review engagement.

1.28 Matters to consider in assessing whether the subject matter (for example, an entire sustainability report, a discrete section, or specified indicators) is appropriate for an examination or review engagement may include the following:

- The intended users' requirements and whether the sustainability information and the practitioner's report could be misleading (for example, an engagement to report on only the aspects of a sustainability program that have positive outcomes). A focus on intended users' needs can assist the practitioner in making professional judgments about the appropriateness of the subject matter.
- Whether any limitations on the reported information, as well as the reason therefor, will be clearly and transparently disclosed (for example, if the sustainability report does not address all relevant groups of users, does not include information for all countries in which the organization operates, or does not include all sustainability information and metrics of relevance and interest to users).

1.29 Users are typically interested not only in what is included in the sustainability information, but also whether material information has been omitted. For example, if an entity narrows the scope of an engagement to purposefully avoid reporting certain information, the subject matter may not be considered appropriate, particularly if the practitioner believes that the aspect to be examined or reviewed is not likely to meet the information needs of intended users. Accordingly, the practitioner might consider this in assessing whether the subject matter is appropriate for an examination or review engagement.

1.30 Performing an examination or review engagement on the entire sustainability report necessitates that the practitioner assess the completeness of the report, which could be highly subjective. Limiting the examination or review engagement to specified indicators appearing within a sustainability report may necessitate that the practitioner (1) assess the risk that the practitioner's conclusion or opinion could be construed to apply to more than the specified indicators, and (2) consider whether the entity may have selected the specified indicators to achieve favorable results in the attestation engagement rather than selecting the entire sustainability report for the engagement subject matter.

1.31 As described in paragraph .A41 of AT-C section 105, in determining whether the requested subject matter exhibits the characteristic of appropriate subject matter for attestation engagement purposes, it may be appropriate when the examination or review engagement relates to only one part of a broader subject matter for the practitioner to consider whether information about the aspect that the practitioner is asked to examine or review is likely to meet the information needs of intended users.

1.32 Determination of the appropriateness of the subject matter also may need to be considered in conjunction with evaluating the suitability of the criteria.

Assessing the Suitability of the Applicable Criteria

1.33 AT-C section 105 states that suitable criteria exhibit all of the following characteristics:

- **Relevance.** Criteria are relevant to the subject matter.
- **Objectivity.** Criteria are free from bias.
- **Measurability.** Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- **Completeness.** Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter.⁴

1.34 A factor that may affect measurability of the sustainability information is the degree of specificity of the applicable sustainability reporting framework (for example, the criteria for determining what topics should be addressed in the sustainability information and how the sustainability results should be measured).

1.35 In addition, there may be instances in which disclosures that are not required by the criteria nevertheless may be necessary for the sustainability information to be useful, understandable and comparable to intended users, such as disclosures about the following:

- The methodology applied in measuring the subject matter
- Measurement methods such as using a meter or indirectly measuring the subject matter via a surrogate activity that is correlated with the subject matter being measured (for example, measuring miles flown, which is correlated with emissions of certain greenhouse gases)
- Significant assumptions and other factors used in making the measurement or evaluation
- Sources of inherent limitations on accuracy and the extent of high measurement uncertainty

In assessing the suitability of the criteria, the practitioner considers what disclosure requirements exist in the criteria and whether the entity-specific situation might necessitate additional disclosure beyond what is specified in the criteria. The need or potential need for disclosures not specified in the criteria does not necessarily make the criteria unsuitable or preclude a practitioner from examining or reviewing such information. Nor does the existence of high measurement uncertainty necessarily make the criteria unsuitable or the subject matter inappropriate.

1.36 Criteria for measuring or evaluating qualitative information (for example, statements about employee safety or satisfaction) may not be sufficiently measurable to permit reasonably consistent measurements or evaluations of the subject matter, for example, because the criteria may be subject to varying interpretations. Statements such as 'we are an ethical company,' 'we provide a safe working environment for all our employees,' or 'our employee survey indicates that our people are highly engaged and motivated' are not capable of measurement or evaluation in an examination or review engagement unless the entity can clearly articulate the criteria used to measure or evaluate the subject matter as evidence for these statements, and such criteria allow for a consistent evaluation of the subject matter.

⁴ Paragraph .A42 of AT-C section 105.

1.37 An entity might use more than one set of criteria for the measurement and presentation of the sustainability information. For example, an entity might use the guidelines published by the Global Reporting Initiative for purposes of presenting its sustainability report and also use other criteria for measuring certain information reported therein (for example, the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol for GHG measurements).⁵ As discussed in paragraph 1.35, specific disclosures regarding how the sustainability information has been measured against the criteria (such as the methodologies applied, the measurement methods, assumptions, estimates, and factors used in making the measurement or evaluation and the extent of high measurement uncertainty) may be necessary in the presentation. When the criteria permit the selection from alternatives, the practitioner might consider whether there is bias in the entity's selection and consistency of the criteria from the prior year. Considerations as to how such criteria and any specific disclosures are then made available to the intended users is discussed in paragraphs 1.39–40.

1.38 If the examination or review engagement relates to the entire sustainability report, a consideration in assessing the suitability of the applicable criteria might include whether the criteria to assess every material element of the sustainability report can be identified and disclosed. (Note: What constitutes a material element of the sustainability report might need to be carefully considered in the context of qualitative information, particularly where numerical benchmarks do not apply.)

Assessing the Availability of Criteria

1.39 AT-C section 105 cites various means by which criteria may be made available. When criteria used are not publicly available (for example, when management has developed its own criteria or supplemented publicly available criteria with specific disclosures regarding how the sustainability information has been measured against the criteria as discussed in paragraph 1.37), the criteria often are included in, or accompany (for example, in an exhibit), the sustainability information. Alternatively, the criteria might be included in or be attached to the practitioner's report. Such criteria could also be made available by posting the criteria to the entity's website; however, care by the entity would need to be exercised that such criteria remain available as long as the sustainability information to which it pertains and the practitioner's report thereon is made available. The practitioner may include a provision in the engagement letter regarding management's responsibility to make the criteria available (see paragraph 1.52).

1.40 In assessing the availability of management-developed criteria, the practitioner may consider matters such as the following:

- Whether the description of the criteria to be made available will provide sufficient information for intended users to understand how the sustainability information was measured (for example, the indicators included in the sustainability information) or in the

⁵ A variety of different sustainability reporting standards and frameworks exist and are continually evolving (such as sustainability standards of the Global Reporting Initiative [GRI] and the Sustainability Accounting Standards Board [SASB]). Any frameworks or standards referenced in this guide are provided for illustrative purposes only and are not intended to reflect endorsements of the particular standards or frameworks. Furthermore, the examples provided are not intended to reflect a complete list of all sustainability accounting standards and frameworks.

case of a sustainability report or section of the report, how material matters were identified for inclusion in the sustainability report

- Whether the manner of presenting the criteria will facilitate identification of such criteria in the practitioner's report
- If the criteria are to be posted to the entity's website, the risk that the criteria would not remain available as discussed in paragraph 1.39

Assessing the Ability to Obtain Evidence

1.41 In a sustainability examination or review engagement, the party requesting such engagement may not be responsible for the sustainability information and, accordingly, may not have the ability to provide access to the related records or to provide the representations that the practitioner may consider necessary (for example, someone in investor relations might request the engagement, but not be responsible for the information to be reported and thus may not be in the position to provide certain representations; there also may be challenges in the practitioner obtaining access to evidence from those who are responsible). As a result, the nature of the relationship between the party requesting the engagement and the responsible party may be a relevant consideration when determining whether or not to accept the engagement.

1.42 Examples of other factors that are relevant in determining whether the evidence needed to arrive at the practitioner's opinion or conclusion is likely to be available include the following:

- Whether the entity is likely to have adequate information systems, processes, and controls that provide an adequate data trail from initial measurement to final reporting to produce reliable information
- The accessibility of information from relevant third parties (for example, entities that are within the operational boundary, but not within the organizational boundary)
- Whether the information is expected to have been retained, particularly if there has been a significant passage of time between the period covered or "as of" date of the subject matter and the performance of the examination or review engagement (for example, for base year information)

1.43 If the examination or review engagement relates to the entire sustainability report, matters to consider might include the following:

- Whether adequate evidence in support of every material qualitative and quantitative statement included in the sustainability report can be obtained
- Whether adequate evidence can be obtained regarding the completeness of the sustainability report (that is, whether it provides a balanced and reasonable representation of the entity's sustainability performance, and does not omit any material element, either in terms of its boundaries or the sustainability information)

1.44 The following are examples of situations that may increase the risk that adequate evidence may not be available to accept an attestation engagement regarding sustainability information:

- The entity has changed measurement methods from one period to the next (see paragraph 5.39 for guidance relating to GHG emissions).
- The practitioner is engaged to perform the attest service at a date considerably later than the base year, which is also to be covered by the engagement (see paragraph 5.12 for a discussion of base years for GHG emissions).

Other Preconditions

Independence

1.45 The practitioner performing an attestation engagement is required to be independent pursuant to the "Independence Rule" (AICPA, *Professional Standards*, ET sec. 1.200.001) of the AICPA Code of Professional Conduct, unless the practitioner is required by law or regulation to accept the engagement and report on the subject matter or assertion.⁶

Professional Competence

1.46 AT-C section 105 also states that the practitioner should accept an examination or review engagement only when the engagement partner⁷ is satisfied that those persons who are to perform the engagement (including any practitioner's external specialists) collectively have the appropriate competence and capabilities, including knowledge of the subject matter and capabilities to (1) perform the engagement in accordance with professional standards and applicable legal and regulatory requirements and (2) enable the issuance of a practitioner's report that is appropriate in the circumstances.⁸

1.47 When considering the competence and capabilities of engagement team members, the engagement partner might consider, among other matters, whether the team assigned to the engagement collectively has, or can acquire through appropriate training or participation, the following:

- An understanding of, and experience with, attestation engagements of a similar nature and complexity
- Knowledge of the entity's industry and business, including whether the industry in which the entity operates is subject to specific types of or unusual risks relating to the sustainability information
- Knowledge of relevant measurement methodologies, systems, processes, and technology used to measure, accumulate, and report the sustainability information
- An understanding of professional standards, and the ability to apply professional judgment in the sustainability attestation examination
- An understanding of legal and regulatory requirements relating to reporting sustainability information relevant to the engagement

⁶ Paragraph .24 of AT-C section 105.

⁷ See definition of *engagement partner* in paragraph .10 of AT-C section 105.

⁸ Paragraphs .27b and .32a of AT-C section 105.

In addition, the engagement partner should be satisfied that those involved in the engagement have been informed of their responsibilities, including the objectives of the procedures that they are to perform and matters that may affect the nature, timing, and extent of such procedures.⁹

Considering Use of a Practitioner's Specialist

1.48 As indicated in paragraph 1.05, sustainability information can comprise many types of information, not all of which may be in the field of the engagement partner's expertise. Accordingly, examination and review engagements on sustainability information may include significant use of specialists (for example, engineers or scientists). As a result, evidence might be obtained through the use of one or more practitioner's specialists (which may be a practitioner's internal specialist or a practitioner's external specialist).¹⁰ Factors that might be considered by the engagement partner in determining whether to accept the engagement include the extent to which one or more practitioner's specialists might be needed in the performance of the examination or review engagement and whether the practitioner has or can obtain a sufficient understanding of the subject matter to be able to understand and evaluate the specialist's work as it relates to obtaining evidence for the examination or review engagement.

1.49 If a practitioner's internal specialist is to be used, the engagement partner should consider

- the professional competence and capabilities of such internal specialist as discussed in paragraphs 1.46–.47 in assigning responsibilities to the internal specialist and
- the firm's system of quality control for assigning review responsibilities in relation to such internal specialist's work.

1.50 If a practitioner's external specialist is to be used, the engagement partner should consider whether the engagement team will be able to be involved in the work of the external specialist to an extent that is sufficient for the engagement partner to accept responsibility for the engagement. Such determination is a matter of professional judgment, considering factors such as the materiality of the information for which the practitioner's external specialists are used (including the nature and magnitude of the specialists' work in relation to the overall engagement), the extent of such external specialists' work, and the extent of other evidence obtained.

Use of Other Practitioners

1.51 AT-C section 105 includes requirements for when the practitioner expects to use the work of an other practitioner,¹¹ including when the practitioner expects to assume responsibility for the work of the other practitioner.¹² For example, an other practitioner might be used in sustainability reporting when such other practitioner is engaged to examine or review sustainability information of a subsidiary and is to issue a report on such subsidiary's information. In such case, consistent with AT-C section 105, the engagement partner should

⁹ Paragraph .32c of AT-C section 105.

¹⁰ See definition of *practitioner's specialist* in paragraph .10 of AT-C section 105.

¹¹ See definition of an *other practitioner* in paragraph .10 of AT-C section 105.

¹² See paragraph .31 of AT-C section 105 for the requirements.

consider whether the engagement team will be able to be involved in the work of the other practitioner to an extent that is sufficient to accept responsibility for the work of the other practitioner or whether reference might be made to the other practitioner in the practitioner's report.

Agreeing on the Terms of the Engagement

1.52 AT-C sections 205, *Examination Engagements*, and 210, *Review Engagements*, require that the practitioner agree upon the terms of the engagement with the engaging party and specify the terms that should be included in the engagement letter or other suitable form of written agreement.¹³ When performing an examination or review of sustainability information, the agreed-upon terms of the engagement also may include the following:

- a. When the practitioner will be reporting on specified indicators, that management is responsible for determining which specified indicators are to be included in the scope of the engagement.
- b. That management agrees to include the practitioner's report with the related sustainability information if management indicates in such information that it has been the subject of an examination or review engagement performed by the practitioner's firm.
- c. If the criteria are not otherwise publicly available, that management acknowledges that the entity will make the criteria continuously available so long as the sustainability information is made available.
- d. That the responsible party agrees to provide a written assertion (see paragraphs 1.57–.58).

1.53 When an examination of some specified indicators is to be performed and a review of others, the engagement letter should clearly articulate which indicators are the subject matter of the examination engagement and which are the subject matter of the review engagement.

1.54 Considerations in agreeing on the terms of the engagement include the following:

- Whether the individual to sign the engagement letter or other form of agreement can serve as the responsible party (for example, whether the individual has the responsibility and authority within the entity to agree to the terms and make the necessary representations and assertions—see paragraph 1.41)
- Whether and in what manner the practitioner's report is to be included with the sustainability information
- The form of the subject matter (for example, whether an online, web-based report or a PDF posted to the entity's website) and the potential risks that the practitioner's report could be believed to cover more than intended (for example, if a web-based form of a sustainability report that includes symbols to indicate the specific information that was the subject of the engagement is to be used, there is the risk that the practitioner's report may not be

¹³ Paragraphs .07–.09 of AT-C section 205, *Examination Engagements*, and paragraphs .08–.10 of AT-C section 210, *Review Engagements*, respectively.

posted for the duration of the posting of the sustainability report and therefore may not be available to the users)

1.55 Online, web-based sustainability information also runs the risk of being updated without the practitioner's knowledge. Accordingly, as part of agreeing on the terms of the engagement, the practitioner might establish an understanding with the client regarding the conditions that are to exist for the practitioner's report to be posted to the entity's website and the protocol for notification of the practitioner by the client in the event of any changes.

1.56 As the manner in which sustainability information is presented varies, as discussed in paragraph 1.54, obtaining an acknowledgement before the commencement of the engagement about whether management agrees to include the practitioner's report with the related sustainability information if management indicates in such information that it has been subjected to an examination or review engagement and to make the criteria available helps avoid misunderstandings.

Requesting a Written Assertion

1.57 Whether reporting directly on the subject matter or a written assertion, as required under AT-C sections 205 and 210, the practitioner should request from the responsible party a written assertion about the measurement or evaluation of the subject matter against the applicable criteria.¹⁴ The responsible party for sustainability information ordinarily is management of the entity reporting such information.

Written Assertion by the Responsible Party

1.58 A written assertion provided by the responsible party may be presented to a practitioner in a number of ways, such as in a narrative description, within a schedule, or as part of a representation letter appropriately identifying what is being presented and the point in time or period of time covered. Examples of written assertions on sustainability information are as follows:

- XYZ Company asserts that its sustainability report for the year ended December 31, 20XX, is [presented]¹⁵ in accordance with [*identify criteria selected by the responsible party*].
- XYZ Company's labor statistics included in [*identify title of report*] are calculated in accordance with [*identify criteria selected by the responsible party*].

Refer to paragraph 3.78 for guidance concerning obtaining assertions in the representation letter.

¹⁴ Paragraph .10 of AT-C section 205 and paragraph .11 of AT-C section 210, respectively.

¹⁵ Typically, sustainability information is in the form of a presentation and, accordingly, management might make an assertion that it is "presented in accordance with" the identified criteria.

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