



**ACCOUNTANCY  
EUROPE.**

# **HOW TO RESPOND TO ASSURANCE NEEDS ON NON- FINANCIAL INFORMATION**

Discussion paper

**IDEAS.**

**AUDIT & ASSURANCE  
OCTOBER 2017**



## **HIGHLIGHTS**

How do professional accountants respond to the growing demand for assurance on non-financial information (NFI)?

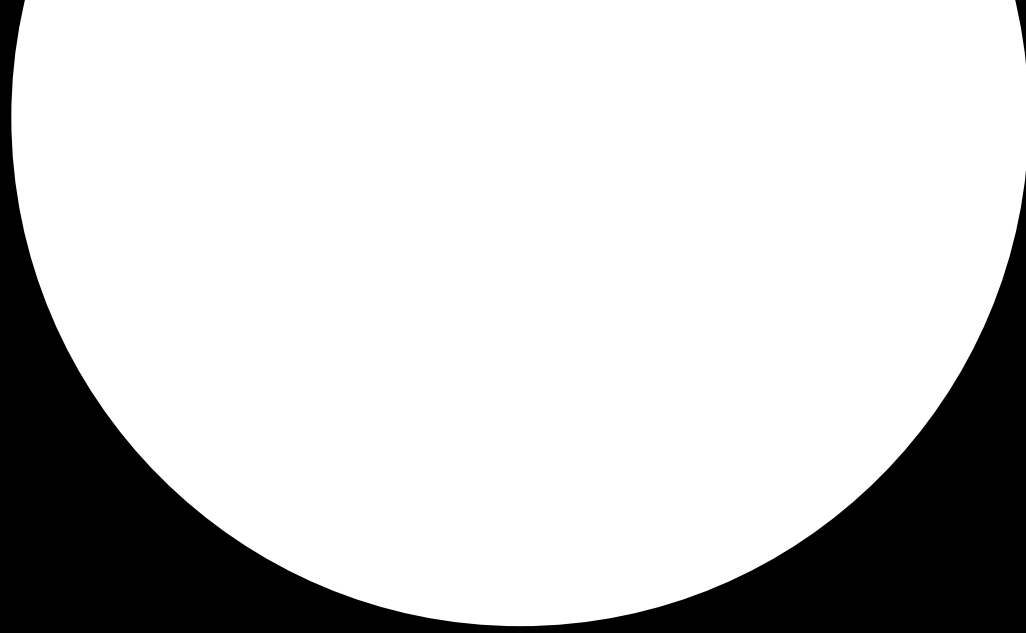
Stakeholders use NFI as an input to their decision making, but they want to know if this information can be trusted. External assurance can strengthen their confidence in the reliability of NFI.

Professional accountants are well-equipped to provide such assurance, as they employ their experience in financial reporting, their knowledge about assurance techniques, and are bound by professional standards.

This discussion paper sets out the context of NFI reporting and assurance, regarding market demand, regulation, and the role of the accountancy profession. Then it provides the 6 key steps for professional accountants to follow while conducting an assurance engagement on NFI. Each of the 6 steps contains 'Items for discussion'.

## **REQUEST FOR FEEDBACK**

We invite experts on this matter to provide feedback on our 'Items for discussion' and any additional views on NFI assurance to Vita Ramanauskaitė ([vita@accountancyeurope.eu](mailto:vita@accountancyeurope.eu)) by 1 December 2017.



## INTRODUCTION

### MARKET DEMAND FOR NON-FINANCIAL INFORMATION

The audience for corporate reporting is growing and so are their needs<sup>1</sup>. Users of financial reports are looking for more information that can provide a comprehensive view of an entity's corporate performance.

The number of companies that report on non-financial information (NFI)<sup>2</sup> matters has significantly increased. Many stakeholders, including investors, customers and the public at large, seek this type of information for their decision-making. This creates external pressure for companies to report. Companies also recognise the value and strategic importance of NFI. It is an opportunity to demonstrate transparency and strengthen a position in the market by fully integrating environmental, social, and governance (ESG) factors into their long-term strategy.

A greater appreciation for NFI has developed over the recent years not only across Europe, but also globally. According to a recent study on the importance of non-financial performance and ESG disclosures<sup>3</sup>, investors consider ESG factors in their investment decisions more often than in the previous years: up to 68% of investors believe that NFI plays a crucial role frequently or occasionally in comparison to 52% and 58% in 2015 and 2013, respectively.

Expectations of internal and external stakeholders towards the quality, reliability, and comparability of the disclosed information are also growing. Stakeholders want to know if the information reported can be trusted. The number of investors, who consider NFI to be inconsistent, unavailable or not verified, has grown from 16% in 2015 up to 42% in 2016<sup>4</sup>. Internal stakeholders such as senior management, as part of their governance role within the company, also seek reliable information for a better decision-making and risk management process.

### REGULATORY ENVIRONMENT

The European Directive 2014/95/EU on non-financial and diversity information<sup>5</sup> (the Directive) recently introduced requirements for NFI disclosures. These requirements are applicable for large public interest entities (PIEs) with more than 500 employees. These companies shall report on, at least:

- environmental matters
- social and employee-related matters
- respect for human rights
- anti-corruption and bribery matters

The Directive also deals with the role of the statutory auditor and/or the independent assurance service provider. According to the legislative text, the statutory auditor shall 'check' if the required information is included in the management report (or a separate report). In addition, NFI may be verified by an independent assurance service provider. The latter is an option proposed to Member States, but is not mandatory in the text of the Directive. The role of the statutory auditor is further explained below.

<sup>1</sup> Accountancy Europe (previously FEE), (2015), Cogito paper *Future of Corporate Reporting* <https://www.accountancyeurope.eu/wp-content/uploads/FEECogitoPaper - FutureofCorporateReporting.pdf>

<sup>2</sup> NFI is a broad concept that covers not only environmental, social and governance matters, but also a diverse range of other topics such as employee-related issues, human rights, operating performance metrics, etc.

<sup>3</sup> Ernst & Young, (2017), *Is your performance revealing the true value of your business to investors?* [http://www.ey.com/Publication/vwLUAssets/EY - Nonfinancial performance may influence investors/\\$FILE/ey-nonfinancial-performance-may-influence-investors.pdf](http://www.ey.com/Publication/vwLUAssets/EY - Nonfinancial performance may influence investors/$FILE/ey-nonfinancial-performance-may-influence-investors.pdf)

<sup>4</sup> Ernst & Young, (2017), *Is your performance revealing the true value of your business to investors?* [http://www.ey.com/Publication/vwLUAssets/EY - Nonfinancial performance may influence investors/\\$FILE/ey-nonfinancial-performance-may-influence-investors.pdf](http://www.ey.com/Publication/vwLUAssets/EY - Nonfinancial performance may influence investors/$FILE/ey-nonfinancial-performance-may-influence-investors.pdf)

<sup>5</sup> Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095&from=EN>

In addition, in a few jurisdictions in Europe, assurance over sustainability or corporate social responsibility (CSR) reports is mandatory. Even without legal obligation, certain large European corporates engage an independent third party to provide assurance on these reports.

## ROLE OF THE PRACTITIONER

The role of the statutory auditor on other information is addressed in *the International Standard on Auditing* (ISA) 720. According to ISA 720, as recently revised by the *International Auditing and Assurance Standards Board* (IAASB), the auditor is required to read and consider other information<sup>6</sup>, and take any appropriate action. For example, in the auditor's report, the auditor is required to include either a statement that there is nothing to report in regard to other information, or, if the auditor has determined that there is an uncorrected material misstatement of the other information, a statement describing this misstatement. The auditor should also 'remain alert' for indications that the other information not related to the financial statements or the auditor's knowledge obtained in the audit appears to be materially misstated.

As indicated above, the Directive outlines a requirement for the statutory auditor to 'check' whether NFI has been disclosed either in the management report or in a separate report (the option is left to Member States). Such an exercise, however, does not provide assurance over the NFI reported<sup>7</sup>. The auditor does not perform specific audit procedures designed to obtain reasonable assurance in relation to other information. The option to have NFI verified by an independent assurance service provider would result in an assurance engagement that can be conducted by the assurance practitioner. This type of service can add value and increase stakeholders' confidence in the information reported.

Nonetheless, assurance practitioners may experience practical issues while providing this type of assurance. First, the NFI reporting landscape is relatively new. Very large corporates may already have a history of NFI reporting, but other entities affected by the Directive less so. The management of the company is responsible for setting up proper reporting, internal control, and oversight systems. Without robust internal processes in place, it is difficult to meet reporting requirements. The information collected therefore can be incomplete or unreliable at times, making the assurance engagement subject to inherent limitations.

In addition, preparers have a variety of standards and frameworks available for reporting purposes. The standard or framework used represents the criteria against which the NFI is disclosed. The absence of a common reporting framework does not help assurance practitioners when determining their approach and scope of their work<sup>8</sup>.

The accountancy profession is equipped to respond to assurance needs on NFI, but first NFI needs to be properly reported. The role of the accountancy profession on NFI is not clearly defined. This gives an opportunity for the profession to engage with companies on these matters to make sure data reported is reliable, complete, and supported by appropriate evidence – with the objective to provide trust and confidence for the users. If the disclosed information meets the characteristics required for an assurance engagement, and if there is market demand, the accountancy profession can respond to this call with relevant skills, appropriate standards, and proven experience to deliver a quality service.

Corporate reporting is on a journey and NFI reporting practice is still emerging. There is de facto some divergence in practice in the way that assurance practitioners approach assurance engagements over NFI, either across jurisdictions or among different firms. With this publication, we aim to steer the discussion on how practitioners respond to NFI assurance needs. This may help streamline the practice and also support a dialogue with stakeholders on technical matters.

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<sup>6</sup> Other information being defined as financial or non-financial information (other than the financial statements and the auditor's report) included in an entity's annual report.

<sup>7</sup> Accountancy Europe (previously FEE), (2015), *EU Directive on disclosure of non-financial and diversity information: the role of practitioners in providing assurance* [https://www.accountancyeurope.eu/wp-content/uploads/1512\\_EU\\_Directive\\_on\\_NFI.pdf](https://www.accountancyeurope.eu/wp-content/uploads/1512_EU_Directive_on_NFI.pdf)

<sup>8</sup> Accountancy Europe, (2017), *Call for action: Enhance the coordination of non-financial information initiatives and frameworks* <https://www.accountancyeurope.eu/publications/call-for-action-nfi-frameworks/>

## KEY STEPS WHEN RESPONDING TO ASSURANCE NEEDS ON NFI

We examine below how the profession responds to the growing demand for NFI assurance. We consider the standard setting process and outline key steps to be followed by the assurance practitioner while conducting an assurance engagement on NFI. We also include some examples of assurance reports on sustainability information in the Appendix. These examples are to illustrate the steps followed by the assurance practitioners.

We invite experts on this matter to provide feedback on the questions included under ‘Items for discussion’. It will help inform the next steps on this important topic.

### THE BASIS: PROFESSIONAL STANDARDS

Specific standards and procedures are followed to conduct a separate assurance engagement in an effective and efficient manner. When dealing with NFI assurance, ISAE 3000<sup>9</sup> is the standard used commonly. Other standards may also be applied to deal with specific parts of NFI, for instance, ISAE 3410 for assurance engagements relating to greenhouse gas statements. In some jurisdictions, specific legislation or regulatory requirements are also applicable at national level.

ISAE 3000 defines an assurance engagement as *“an engagement in which a practitioner (e.g. an auditor) expresses a conclusion (within an assurance report), designed to enhance the degree of confidence of the intended users (e.g. the shareholders) other than the responsible party (e.g. the reporting company) about the outcome of the evaluation or measurement of a subject matter (e.g. a whole CSR report, CSR information within the management report, ESG KPIs, etc.) against criteria (e.g. GRI, guidelines to establish ESG information, etc.)”*.

The practitioner is required to demonstrate strong ethical behaviour and professional judgement at all times while providing assurance services. The assurance practitioner shall use professional or national legislation requirements linked to ethics and/or must apply the fundamental ethical principles of the *International Ethics Standards Board for Accountants Code of Ethics*<sup>10</sup>, namely:

- integrity
- objectivity
- professional competence and due care
- confidentiality
- professional behaviour

ISAE 3000 indicates that an assurance practitioner shall assess and plan the engagement. It includes the assessment of the subject matter, setting the scope, timing and direction, determining the suitability of the criteria, and completing other necessary steps to obtain meaningful assurance. The assurance practitioner shall only accept an assurance engagement if there is no reason to believe that relevant ethical requirements, including independence, will not be satisfied. Also, the assurance practitioner has to be satisfied with the level of competence and capabilities the engagement team possesses. It is important to agree upon the basis for an engagement by setting up the preconditions necessary for an assurance engagement, and ensuring a common understanding between the assurance practitioner and the engaging party.

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<sup>9</sup> International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information

<https://www.iaasb.org/system/files/publications/files/ISAE%203000%20Revised%20-%20for%20IAASB.pdf>

<sup>10</sup> International Ethics Standards Board for Accountants (IESBA), *Code of Ethics for Professional Accountants*  
<https://www.ethicsboard.org/system/files/publications/files/2016-IESBA-Handbook.pdf>

Prior to accepting an assurance assignment, the assurance practitioner must assess if the preconditions for the assurance engagement are present. ISAE 3000 sets out steps for an assurance practitioner to determine if:

- the roles and responsibilities of the appropriate parties are suitable in the circumstances
- the engagement exhibits all of the following characteristics:
  - the subject matter is appropriate
  - the criteria to be applied are suitable for the engagement circumstances and they possess the relevant characteristics
  - the criteria to be applied will be available to the intended users
  - the practitioner expects to be able to obtain the evidence needed to support the conclusion
  - the practitioner's conclusion is to be contained in a written report
  - in the case of a limited assurance engagement, the practitioner expects to be able to obtain a meaningful level of assurance

#### ITEMS FOR DISCUSSION

- What is your experience in applying available standards and guidance for NFI assurance, for example ISAE 3000?
- Have you come across any challenges? Could you share some examples and practical solutions to those challenges?

### STEP 1: DEFINE THE SCOPE OF THE ENGAGEMENT

It is important to agree on the scope of the engagement in order to ensure a common understanding between the assurance practitioner and the engaging party. The scope on which assurance is based is linked to the clarity of the subject matter of the engagement (see below). NFI provides contextual information for a comprehensive view of a company's performance. Such information is by nature broader than financial information. Indeed, it covers a diverse range of topics: environmental, social and employee-related, human rights, governance, operating performance metrics, etc. This is the reason why it is essential to scope the engagement properly.

To ensure a common understanding, it is also important that the preparer defines the reporting boundaries properly. When reporting on the financial statements, the reporting boundaries are regulated and therefore clear. This is not always the case for NFI.

Assurance on NFI can either be limited or reasonable – or both, depending on the subject matter. ISAE 3000 defines a reasonable assurance engagement as an engagement *“in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion”*.

A limited assurance engagement is defined as an engagement where the risk is reduced to an acceptable level for the circumstances of the engagement, but where the risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion. The engagements differ in terms of the work effort provided and the procedures performed, the evidence required to base the conclusion/opinion on, the report issued, and the assurance obtained or comfort level provided.

#### ITEMS FOR DISCUSSION

- What is your experience in defining the scope of an assurance engagement?
- Have you come across any challenges? Could you share some examples and practical solutions to those challenges?



## STEP 2: ASSESS THE SUBJECT MATTER

Assurance engagements can be performed on various subject matters. The assurance practitioner can provide assurance on:

- a full sustainability/CSR report or a part of it
- specific ESG aspects and/or key performance indicators (KPIs)
- reporting processes (and not on the reported data itself)

The challenge is to establish whether the subject matter and its characteristics are appropriate for a specific assurance engagement. The subject matter of the engagement should also be clear in the assurance report. It must be appropriate, which means - identifiable, and capable of consistent evaluation or measurement against the identified criteria. Equally, it means that the information reported can be subject to procedures for gathering sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.

### ITEMS FOR DISCUSSION

- What is your experience in assessing the subject matter for an assurance engagement?
- Have you come across any challenges? Could you share some examples and possible solutions to the arising challenges?

## STEP 3: ASSESS THE REPORTING CRITERIA

It is important to understand how the management of the company determines the suitability of the criteria for reporting purposes. The main challenge for the assurance practitioner is in assessing the criteria and ensuring that the criteria are suitable for a particular assurance engagement.

According to ISAE 3000, suitable criteria should follow certain characteristics:

- reliable: allowing reasonably consistent evaluation or measurement of the subject matter, including, where relevant, presentation and disclosure
- relevant: contributing to conclusions that assist decision-making by the intended user
- complete: sufficiently complete when relevant factors that could affect the conclusions are not omitted
- neutral: contributing to conclusions that are free from bias
- understandable: contributing to conclusions that are clear, comprehensive, and not subject to significantly different interpretations

The variety of reporting frameworks available for reporting purposes can also become an issue for an assurance practitioner. A company may choose Global Reporting Initiative standards, Sustainability Accounting Standards Board, International Integrated Reporting Council, Carbon Disclosure Principles or any other framework available, depending on the type of information to be provided to external stakeholders<sup>11</sup>. The reporting framework serves as a reference point and it may not always be possible to provide assurance against a chosen framework.

### ITEMS FOR DISCUSSION

- What is your experience in assessing the criteria?
- Have you come across any challenges? Could you share some examples and practical solutions to those challenges?
- What type of criteria might be considered not suitable?

<sup>11</sup> The European Commission's guidelines on non-financial information reporting suggests a non-exhaustive list of frameworks/standards that a company can use for reporting purposes [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017XC0705\(01\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52017XC0705(01)&from=EN)

## STEP 4: ASSESS MATERIALITY

Defining materiality for NFI reporting purposes can be more challenging and complicated than defining materiality for financial reporting purposes. It is the responsibility of the preparer to define materiality for reporting purposes. Not every reporting framework addresses the issue, and this exercise may therefore raise questions. In our publication *Disclose what truly matters*<sup>12</sup> and *EU Directive on disclosure of non-financial and diversity information*<sup>13</sup> we propose some steps that could potentially help management identify material matters which could ultimately aid the assurance practitioner's assessment of the entity's materiality process.

The assurance practitioner should establish their own level of materiality in order to perform an independent assessment. According to ISAE 3000, misstatements and omissions are material if they could reasonably affect the decisions of intended users taken based on the subject matter.

### ITEMS FOR DISCUSSION

- What is your experience in performing a materiality assessment on NFI?
- Have you come across any challenges? Could you share some examples and possible solutions to these challenges?

## STEP 5: CONSIDER MATURITY OF THE COMPANY'S REPORTING PROCESSES

Having mature reporting and control processes helps to produce appropriate and sufficient evidence that the reported information is reliable, which is a prerequisite to accepting an assurance engagement. As NFI reporting is new for some companies, it may highlight the need for them to establish appropriate and reliable reporting systems to respond to the growing demand for NFI.

This is primarily a challenge for preparers, however, it also affects the assurance process and whether sufficient appropriate evidence can be gathered<sup>14</sup>. In the meantime, the provision of assurance on discrete reporting areas or KPIs could be an interim solution when a company's reporting process is not yet mature enough.

The accountancy profession could potentially help clients develop robust processes to make sure the information reported is based on reliable data.

### ITEMS FOR DISCUSSION

- What is your experience when dealing with evolving reporting systems?
- Have you come across any challenges? Could you share some examples and practical solutions to these challenges?

<sup>12</sup> Accountancy Europe (previously FEE), (2016), *Disclose what truly matters*, [https://www.accountancyeurope.eu/wp-content/uploads/161128\\_Disclose\\_what\\_truly\\_matters\\_spread.pdf](https://www.accountancyeurope.eu/wp-content/uploads/161128_Disclose_what_truly_matters_spread.pdf)

<sup>13</sup> Accountancy Europe (previously FEE), (2016), *EU Directive on disclosure of non-financial and diversity information: Achieving good quality and consistent reporting*, [https://www.accountancyeurope.eu/wp-content/uploads/FEE\\_position\\_paper\\_EU\\_NFI\\_Directive\\_final.pdf](https://www.accountancyeurope.eu/wp-content/uploads/FEE_position_paper_EU_NFI_Directive_final.pdf)

<sup>14</sup> The WBCSD refers to the assurance journey and has developed the Assurance Maturity Model. *Assurance: Generating Value from External Assurance of Sustainability Reporting*, (2016), See page 7: [http://wbcsdpublications.org/wp-content/uploads/2016/03/WBCSD\\_Redefining\\_assurance\\_guide.pdf](http://wbcsdpublications.org/wp-content/uploads/2016/03/WBCSD_Redefining_assurance_guide.pdf)

## STEP 6: FORM OF AN ASSURANCE REPORT

The content of the assurance report is standardised. ISAE 3000 describes the elements that should be included in the assurance report:

- a description of the level of assurance obtained, i.e. limited or reasonable
- the scope and subject matter of the assurance engagement
- the work effort that has been performed (sites concerned, processes and data tested, etc.)
- the conclusion of the assurance, either unmodified or modified

Depending on the nature of the assurance engagement, this standardised report could also act as a means for encouraging effective communication and dialogue with users. The assurance report could explain the limitation of scope and the reasons thereon. ISAE 3000 suggests using either a “*short form*” or a “*long form*” report for effective communication purposes with the intended users. The assurance practitioner can include additional information and explanations in a “*long form*” report. This type of information could add value to the assurance provided.

### ITEMS FOR DISCUSSION

- What is your experience in creating an assurance report?
- Have you come across any challenges? Could you share some examples and practical solutions to those challenges?

## CONCLUSION

Growing stakeholders’ expectations towards NFI disclosures and recent legislative requirements in the EU create external pressure for companies to report such information. Nevertheless, as this information becomes more and more strategic in management or investment decisions, it needs to be relevant, reliable, and comparable. There is evidence from the market that external assurance is valued. With the experience gained in financial reporting, the extensive knowledge in assurance of non-financials, and the availability of appropriate standards, the accountancy profession is well-equipped to respond to the growing assurance needs on NFI.

This trend and the opportunities that it brings does not mean that there are no challenges to overcome. The reporting and assuring of NFI are on a journey on which some countries and/or companies have travelled further than others. We have identified above a number of leading questions and provided some examples for illustrative purposes that will help share experience in practice at EU level.

We would welcome your feedback on the above listed questions and any additional views on NFI assurance. Please send your comments to Vita Ramanauskaite ([vita@accountancyeurope.eu](mailto:vita@accountancyeurope.eu)) by 1 December 2017.

## APPENDIX

We provide below some examples of assurance reports over sustainability information that companies disclosed either in the annual report or a separate report. We included these examples only to illustrate the outcome of the steps assurance practitioners follow while conducting an assurance engagement. These steps are discussed in this publication.

### Our scope

#### Our engagements scope

The Integrated Annual Report 2016 (hereafter: the Report) of KPN consists of the financial statements and other information, including Reports by the Board of Management and Supervisory Board, that provides altogether an overview of the policy, activities, events and performances related to both the financial position and the sustainable development of KPN during reporting year 2016. The following information in the Report has been in scope for our assurance engagements:

- > The consolidated financial statements, comprising:
  - > The Consolidated Statement of Financial Position as at December 31, 2016;
  - > The Consolidated Statements of Profit or Loss, Other Comprehensive Income, Changes in Group Equity and Cash Flows for 2016;
  - > The Notes comprising a summary of the significant accounting policies and other explanatory information.
- > The corporate financial statements, comprising:
  - > The Corporate Statement of Financial Position as at December 31, 2016;
  - > The Corporate Statement of Profit or Loss for 2016;
  - > The Notes comprising a summary of the accounting policies and other explanatory information.
- > The sustainability information in scope consists of:
  - > Reasonable assurance - CO<sub>2</sub> emission data 2016 (Scope 1 and 2) of own operations in the Netherlands and the underlying energy data as presented in Appendix 7;
  - > Limited assurance - The sustainability information in the following chapters and appendices:
    - > Chapters: 'KPN at a glance', 'Group performance' (excluding paragraph 'Compliance & Risk'), 'Our organization and suppliers' (excluding paragraph 'Corporate Governance');
    - > Appendices: Appendix 2-9. This includes the CO<sub>2</sub> scope (Scope 3) emissions in Appendix 7 'Environmental figures'.
- > The other information, including the Reports by the Board of Management and Supervisory Board, included in the Report pursuant to the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720 concerning our obligation to report about the management board report and other information.

#### Limitations in our engagements scope

The sustainability information in the Report contains prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may differ and are therefore uncertain. We do not provide any assurance on the achievability and feasibility of prospective information.

Further, the references in the sustainability information in the Report ([www.kpn.com](http://www.kpn.com), external websites, interviews and movies on KPN's website and other documents) are outside the scope of our assurance engagements.

Source: Combined independent auditor's report on KPN Integrated Annual Report, page 175-176<sup>15</sup>

<sup>15</sup> Combined independent auditor's report on the financial statements and sustainability information in KPN's Integrated Annual Report, (2016) <https://annualreport2016.kpn/wp-content/uploads/2016/12/Integrated-Annual-Report-2016-Print-version.pdf>

For the assurance procedures concerning the sustainability information in scope, we identified the following key assurance matter:

Key assurance matter	How our assurance procedures addressed the matter
<b>Estimations and assumptions in CO<sub>2</sub> Scope 3 and energy savings by customers</b>	
Inherent to the nature of CO <sub>2</sub> , scope 3 and energy savings by customers is that they are to a large extent based on the use of estimates and underlying assumptions.	Our review procedures focused on understanding the models used, assessing the reasonableness of the assumptions, including by substantiation with underlying sources and assessing the mathematical accuracy of the calculations applied. We have also assessed whether the disclosure is adequate.
<b>Disclosure of methodology for RepTrak pulse score (reputation) and Net Promoter Score in the Netherlands (customer satisfaction)</b>	
The indicators above are identified by KPN as part of their representation of key achievements. The indicators are measured by third parties. The outcome is influenced by the methodology used by the third party.	Our review procedures focused on reviewing whether the methodology used by the third party is suitable and assessing whether the transparency on the methodology in the Report is sufficient for a proper understanding by the reader.

Source: Combined independent auditor's report on KPN Integrated Annual Report, 179<sup>16</sup>

### Assurance scope, level of assurance and reporting criteria

Assurance scope	Level of assurance	Reporting criteria
1. The adherence to Kingfisher's process to gather and report progress against selected Net Positive Foundations Targets for the year ended 31 January 2014 marked with the symbol ▼ in the Report.	Limited assurance	The description of the process to gather and report progress on the Net Positive Foundations Targets, as set out within Kingfisher's Data Collection Methodology Document <a href="http://www.kingfisher.com/netpositivereport">www.kingfisher.com/netpositivereport</a> .
2. Selected Net Positive performance data for the year ended 31 January 2014 marked with the symbol ■ in the Report.	Limited assurance	Kingfisher's reporting guidelines for the selected Net Positive data as set out within Kingfisher's Data Collection Methodology Document <a href="http://www.kingfisher.com/netpositivereport">www.kingfisher.com/netpositivereport</a> .

Source: Independent Limited Assurance Report to Kingfisher plc, 2014<sup>17</sup>

<sup>16</sup> Combined independent auditor's report on the financial statements and sustainability information in KPN's Integrated Annual Report, (2016) <https://annualreport2016.kpn/wp-content/uploads/2016/12/Integrated-Annual-Report-2016-Print-version.pdf>

<sup>17</sup> KPMG Independent Limited Assurance Report to Kingfisher plc, (2014) [https://www.kingfisher.com/sustainability/files/downloads/kpmg\\_assurance\\_statement.pdf](https://www.kingfisher.com/sustainability/files/downloads/kpmg_assurance_statement.pdf)



## Appendix 1: Selected Information subject to limited assurance procedures

The Selected Information subject to limited assurance procedures are set out below. The Reporting Criteria "Unilever's Basis of Preparation 2016" [www.unilever.com/ara2016/downloads](http://www.unilever.com/ara2016/downloads) has been used to prepare and report the Selected Information. Unilever's Basis of Preparation 2016 also explains the definitions and terminology used to describe the Selected Information.

USLP Indicator	Reported performance
<b>Health &amp; Hygiene</b> (pillar commitment): <ul style="list-style-type: none"> <li>The number of people reached on a cumulative basis by an intervention through our programmes on handwashing, self-esteem, sanitation, oral health and safe drinking water.</li> <li>The number of litres of safe drinking water provided through the sale of Pureit devices since 2005.</li> </ul>	<ul style="list-style-type: none"> <li>538m people reached by end of 2016.</li> <li>85 billion litres of safe drinking water by end of 2016, of which 12 billion litres were provided in 2016.</li> </ul>
<b>Waste</b> (pillar commitment): <ul style="list-style-type: none"> <li>The percentage change in Unilever's waste impact (packaging that is not recycled or recovered, and leftover product) per consumer use between the period measured from 1 January 2010 to 31 December 2010 ("2010 baseline") and the period measured from 1 July 2015 to 30 June 2016 ("2016 footprint").</li> </ul>	<ul style="list-style-type: none"> <li>28% decrease in the waste associated with the disposal of our products.</li> </ul>
<b>Sustainable Sourcing</b> <ul style="list-style-type: none"> <li>The percentage of purchased paper and board packaging coming from sustainable sources (i.e. certified, recycled and recovered materials) from 1 January 2016 to 31 December 2016.</li> </ul>	<ul style="list-style-type: none"> <li>59% of our paper and board packaging was from certified sources.</li> </ul>
<b>Sustainable Sourcing</b> <ul style="list-style-type: none"> <li>The percentage of the top 13 herbs and vegetables purchased from sustainable sources from 1 January 2016 to 31 December 2016.</li> </ul>	<ul style="list-style-type: none"> <li>95% of our top 13 herbs and vegetables purchased from sustainable sources by end of 2016.</li> </ul>
<b>Sustainable Sourcing</b> <ul style="list-style-type: none"> <li>The percentage of fruit purchased from sustainable sources from 1 January 2016 to 31 December 2016.</li> </ul>	<ul style="list-style-type: none"> <li>85% of fruit purchased sustainably by end of 2016.</li> </ul>
<b>Sustainable Sourcing</b> <ul style="list-style-type: none"> <li>The percentage of sugar purchased from sustainable sources from 1 January 2016 to 31 December 2016.</li> </ul>	<ul style="list-style-type: none"> <li>62% of sugar purchased sustainably by end of 2016.</li> </ul>

Source: *Independent Limited Assurance Report to the Directors of Unilever plc*<sup>18</sup>

### Our conclusions

Based on the scope of our review our conclusions are outlined below:

#### Materiality

Has BP provided a balanced representation of material issues concerning BP's sustainability performance?

- We are not aware of any material aspects concerning BP's sustainability performance which have been excluded from the Report.
- Nothing has come to our attention that causes us to believe that BP management has not applied its processes for determining material issues to be included in the Report.

#### Completeness and accuracy of Performance Information

How complete and accurate is the HSE data in the Report?

- With the exception of BP's share of Rosneft in relation to greenhouse gas (GHG) emissions, we are not aware of any material reporting units that have been excluded from the group-wide HSE data.
- Nothing has come to our attention that causes us to believe that the HSE data has not been collated properly from group-wide systems.
- We are not aware of any errors that would materially affect the data as presented in the Report.

How plausible are the statements and claims within the Report?

- We have reviewed information or explanation on selected statements on BP's sustainability activities presented in the Report and we are not aware of any misstatements in the assertions made.

### The limitations of our review

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE3000 Revised) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

Our work did not include physical inspections of any of BP's operating assets.

Completion of our testing activities has involved placing reliance on BP's controls for managing and reporting HSE information, with the degree of reliance informed by the results of our review of the effectiveness of these controls. We have not sought to review systems and controls at BP beyond those used for HSE data.

Source: *Independent assurance statement on BP Sustainability Report, page 48*<sup>19</sup>

<sup>18</sup> PwC Independent Limited Assurance Report to the Directors of Unilever plc, (2016) [https://www.unilever.com/Images/pwc-assurance-report-2016\\_tcm244-504834\\_en.pdf](https://www.unilever.com/Images/pwc-assurance-report-2016_tcm244-504834_en.pdf)

<sup>19</sup> Independent assurance statement on BP sustainability report, (2017) <http://www.bp.com/content/dam/bp/en/corporate/pdf/sustainability-report/group-reports/bp-sustainability-report-2016.pdf>





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