

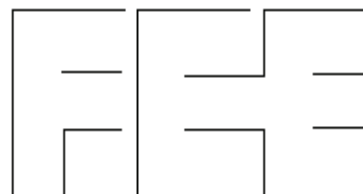
Date
4 April 2008

Le Président

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Mr. Alan Knight
Head of Standards and Related Services
AccountAbility
Unit A
137 Shepherdess Walk
GB - N1 7RQ London



Dear Mr. Knight,

Re: Consultation on AA1000 Assurance Standard Revision Draft issued on 24 January 2008

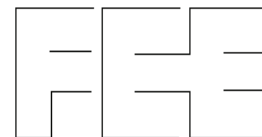
1. FEE (Fédération des Experts Comptables Européens – Federation of European Accountants) has reviewed the Draft AA1000 AS Revision issued on 24 January 2008. We have not reviewed the continuous updates since that date as such does not fit properly with our due processes. We appreciate the efforts undertaken by AccountAbility to align the future AA1000 AS closer with the International Framework for Assurance Engagements and the International Standard on Assurance Engagements (ISAE) 3000. Our main comments are set out below.
2. Submission of comments on the Draft AA 1000 AS Revision by our Federation does not constitute endorsement or any other form of support for the eventual Assurance Standard.

Common terminology between IAASB and AA

3. We are concerned that there are terms common to AccountAbility (“AA”) and IAASB that have different meanings, which can be confusing to users. In particular, we highlight the use of “materiality”. We appreciate the explanation of the concept of materiality from the financial reporting perspective. The description however is not consistent. The concept includes both qualitative as well as quantitative factors, while the impression is given that it would only be financial thresholds. Further detailed comments are provided in paragraphs 7 to 13 of this letter. We believe it would be better to explain differences in meaning or employ a different word.

Subject matter and objectives

4. It is not clear to us whether the subject matter is the content of the sustainability report or the process to compile the report. In addition it is not clear whether the standard concentrates on the full report or focuses on the parts of the report that are subject to assurance. Some clarification is therefore necessary. In addition, especially the principles reliability and accuracy need further clarification as these principles have an overlap and are currently not consistently explained. This leads to confusion.



Criteria

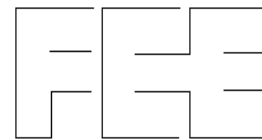
5. AccountAbility content principles (materiality, completeness, responsiveness) and the quality of information principles (reliability, clarity, balance, comparability, accuracy and timeliness) are derived from the GRI G3 principles although they are not the same. This again leads to confusion. In this way the assurance standard AccountAbility seems to be a mix of a reporting standard and an assurance standard. The purpose of assurance is to assess whether the subject matter complies with reporting criteria, as for example defined by GRI.
6. Before using criteria to assess the subject matter the assurance provider needs to assess whether these criteria are suitable. The reporting principles therefore need to be differentiated from IAASB characteristics for assessing the suitability of the criteria used as defined in the International Framework for Assurance Engagements and ISAE 3000. Assurance on CSR information can be provided where suitable criteria exist for reasonably consistent evaluation or measurement of a subject matter while using professional judgement. It is important to have a converging assurance procedure to enhance the consistency of assurance across models.

Materiality

7. The definition of materiality is different in sustainability assurance compared to sustainability reporting. This distinction is not clear in the 24 January draft standard, where the emphasis seems to be on "reporting materiality", since the organisation (with its stakeholders) determines what is material to whom, why, and at what point. The assurance provider's perspective is not addressed other than that the assurance provider should evaluate an organisation's determination of the issues, concerns and impacts material to the organisation and its stakeholders.

Materiality in the context of sustainability reporting

8. As recognised in the draft standard the concept of materiality comes from a financial reporting and auditing context. We agree that the financial reporting definition is too wide-ranging but we would restrict the definition to a "reasonable expectation" about intended users, rather than referring to stakeholders in general as seems to be the case in the proposed text.
9. We appreciated the recognition of the guidance set out in the FEE Discussion Paper of 2006 "Key Issues in Sustainability Assurance: an overview". We note however that the draft standard under References does not refer to the relevant FEE papers, notably:
 - FEE Discussion Paper Key Issues in Sustainability Assurance: an overview
 - FEE Position Paper on Assurance on Sustainability
 - FEE Position Paper Benefits of Sustainability
10. In the draft standard relevance is presented as a subset of "reporting materiality". Materiality however is the threshold for relevance. In this respect FEE wishes to underline that the relevance of information is affected by its nature and materiality. In making decisions about materiality, particularly those in the context of a sustainability report, it is important to recognise the essential role played by professional judgement. There is no convenient "rule of thumb", although the magnitude of an item, its nature in relation to the environment and social context, and its impact on perceived trends, are all factors that need to be considered. Equally important is the scope of the report, the sectors of activity involved and the extent to which operations are conducted at different locations and in different countries.



Materiality in the context of assurance

11. It would be helpful for the future standard to explain the distinction between materiality viewed from the reporting organisation's perspective and "tolerable error", a concept from the viewpoint of the assurance provider. Whereas the concept of reporting materiality is related to the qualitative reporting characteristics of completeness and relevance, but not identical with either of these, "tolerable error" means the maximum error in a population the auditor is willing to accept. The concept or "tolerable error" is at present being further refined in Exposure Draft ISA530 "Audit sampling" into "tolerable misstatement" and "tolerable rate of deviation". The "tolerable rate of deviation" is to be used in context of sustainability assurance
12. The assurance provider should consider materiality and its relationship with assurance engagement risk when conducting an assurance engagement. Although the draft standard refers to a linkage to current risk practices and the effective use of risk management practices, further elaboration of the text would be helpful in this respect. The IAASB Framework states that "assurance engagement risk is the risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated." The assurance provider's understanding of the entity and its environment establishes a frame of reference within which the assurance provider plans the assurance engagement and exercises professional judgement about assessing the risks of a material misstatement and responding to those risks. The principles described in ISA 320 "Audit Materiality" as amended by Exposure Draft ISA 320 "Materiality in Planning and Performing an Audit" and by Exposure Draft ISA 450 "Evaluation of Misstatements Identified during the Audit" could equally apply to sustainability assurance.
13. We note the development of a 5-part materiality test, with related "tests" that can be used to help the organisation assess whether it has successfully applied the principle. We are of the opinion that the term "tests" is unfortunate as it appears to represent a checklist with a connotation of comprehensiveness which does not fit within a principles-based approach. Would "examples" or illustrations be a better term?

Quality

14. The standard does not envisage monitoring the quality of the assurance process.

Level of assurance

15. The draft standard indicates that the scope of the engagement shall define the anticipated level of assurance and that this level of assurance can be adjusted during the performance of the engagement. Under ISAE 3000 the level of assurance is chosen upfront and determines the procedures to be performed. We consider this is an important point. If the level of assurance can be adjusted during the assurance process depending on the availability of evidence and access to information allowed, it is always possible to issue a 'clean' conclusion in any circumstances. We believe that this can be misleading to users. We believe that the level of assurance and hence the details of the procedures should be decided upfront and the conclusions expressed by the assurance provider are directly related to the evidence that were gathered from the procedures performed. We request AccountAbility considers this approach - which constitutes a major difference between ISAE 3000 and the draft standard - in order to converge both standards and to allow the application of both standards for the same engagement.
16. The draft standard does not address the possible form of conclusions that can be provided by the assurance provider. Under ISAE 3000 such conclusions can either be expressed in the form that is appropriate for either a reasonable assurance or a limited assurance engagement. In a reasonable assurance engagement the conclusion should be expressed in the positive form where as in a limited assurance engagement the conclusion should be expressed in the negative form.

Assurance Statement

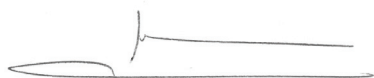
17. Further guidance on format and wording of the assurance statement in the form of illustrative examples would be helpful. For reasons of comparability it would be useful to introduce common standard headings.
18. In relation to the note on audience the draft standard indicated that if there is no list of intended users in the report, the assurance provider should identify the agreed audience of the report in the assurance statement. In practice the intended users are determined in the engagement letter and this needs to be reflected by the organisation in the report.
19. We wish to make a similar observation in relation to commentary and recommendation on areas of past and future improvement. We strongly believe that the organisation should report how it has implemented the recommendations of the past as part of the Report.
20. We note that the draft standard indicates that in addition to the assurance statement the assurance provider shall provide a report to management if this has been agreed in the letter of engagement. We support this approach since including all findings and recommendations in the assurance statement reduces the comparability of assurance statements and makes the statement more difficult to read.

Stakeholder panel engagement

21. Involvement of stakeholders in the sustainability reporting process is essential as demonstrated by the GRI Guidelines G3. A Stakeholders panel cannot be seen as a replacement for assurance by an assurance provider but can be used by the reporting organisation to supplement the assurance process in that a wider range of stakeholders is involved.

We hope that our comments may contribute to the AA1000 AS revision process. We would be pleased to discuss with you any aspect of this letter you may wish to raise with us.

Yours sincerely,



Jacques Potdevin
President