SAAEPS 1

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South African Assurance Engagements Practice Statement (SAAEPS) 1

Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria

Independent Regulatory Board for Auditors
PO Box 8237, Greenstone, 1616
Johannesburg

This South African Assurance Engagements Practice Statement (SAAEPS) 1, *Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria* was prepared by the Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS) and was approved for issue in August 2018.

To establish whether the preconditions for an assurance engagement are present, SAAEPS 1 is aimed at providing practical assistance to practitioners on certain preconditions and related guidance on determining whether the sustainability assurance engagement exhibits a rational purpose, that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances as well as the preparation of appropriate engagement documentation on that determination when requested to accept a sustainability assurance engagement in accordance with the requirements of the International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

A free download of SAAEPS 1 is available in both Word and PDF formats from the IRBA website.

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SOUTH AFRICAN ASSURANCE ENGAGEMENTS PRACTICE STATEMENT (SAAEPS) 1

SUSTAINABILITY ASSURANCE ENGAGEMENTS: RATIONAL PURPOSE, APPROPRIATENESS OF UNDERLYING SUBJECT MATTER AND SUITABILITY OF CRITERIA

(Effective for the *Acceptance and Continuance – Preconditions for the Assurance Engagement* phase of the assurance engagement for periods beginning on or after 15 December 2020)

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SOUTH AFRICAN ASSURANCE ENGAGEMENTS PRACTICE STATEMENT (SAAEPS) 1

SUSTAINABILITY ASSURANCE ENGAGEMENTS: RATIONAL PURPOSE, APPROPRIATENESS OF UNDERLYING SUBJECT MATTER AND SUITABILITY OF CRITERIA

To establish whether the preconditions for an assurance engagement are present, this South African Assurance Engagements Practice Statement (SAAEPS) 1, *Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria*, provides practical assistance to practitioners on certain preconditions and related guidance on determining whether the sustainability assurance engagement exhibits a rational purpose, that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances as well as the preparation of appropriate engagement documentation on that determination when requested to accept a sustainability assurance engagement in accordance with the requirements of the International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

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Introduction

1. This South African Assurance Engagements Practice Statement (SAAEPS) 1, *Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria*, provides practical assistance on the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, developed by the International Auditing and Assurance Standards Board (IAASB).

2. As part of the *Acceptance and Continuance – Preconditions for the Assurance Engagement*[1] phase of an assurance engagement, ISAE 3000 (Revised) requires the practitioner to establish whether the preconditions for an assurance engagement are present, on the basis of a preliminary knowledge of the engagement circumstances and discussion with appropriate parties[2].

3. This SAAEPS specifically provides practical assistance to practitioners on certain preconditions and related guidance on determining whether the sustainability assurance engagement exhibits a rational purpose, that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances as well as the preparation of appropriate engagement documentation on that determination when requested to accept a sustainability assurance engagement in accordance with the requirements of ISAE 3000 (Revised).

4. This SAAEPS does not establish new requirements or contain exemptions from the requirements of ISAE 3000 (Revised), and should be read with ISAE 3000 (Revised).

5. Although this SAAEPS is focused on an assurance engagement on sustainability information reported in an entity's sustainability report, a practitioner may find this SAAEPS, if adapted as necessary, useful when conducting some other assurance engagement other than audits or reviews of historical financial information.

1. ISAE 3000 (Revised), paragraph 22(c)(i).

2. ISAE 3000 (Revised), paragraph 24.

Scope

6. This SAAEPS only deals with the following characteristics that are considered during the *Acceptance and Continuance – Preconditions for the Assurance Engagement* phase in determining whether the preconditions for a sustainability assurance engagement set out in ISAE 3000 (Revised) are present:

    - A rational purpose[3]:
        - Consideration 2: Whether aspects of the subject matter information are expected to be excluded from the assurance engagement, and the reason for their exclusion.
        - Consideration 4: Who selected the criteria to be applied to measure or evaluate the underlying subject matter, and what the degree of judgment and scope for bias is in applying them. The engagement is more likely to have a rational purpose if the intended users selected or were involved in selecting the criteria[4].
    - The underlying subject matter is appropriate[5].
    - The criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances[6], including that they exhibit the following characteristics:
        - Relevance.
        - Completeness.
        - Reliability.
        - Neutrality.
        - Understandability.

7. ISAE 3000 (Revised) requires multiple characteristics to be present in order to establish whether the preconditions for a sustainability assurance engagement are met. The following characteristics are excluded from the scope of this

3. ISAE 3000 (Revised), paragraph 24(b)(vi) and paragraph A56. [In full, ISAE 3000 (Revised), paragraph 24(b)(vi) states: "*A rational purpose* ***including, in the case of a limited assurance engagement, that the practitioner expects to be able to obtain a meaningful level of assurance***". The part of the paragraph highlighted in **bold** is not addressed in this SAAEPS. The onus is on the practitioner to make such a determination based on preliminary knowledge of the engagement circumstances.]

4. ISAE 3000 (Revised), paragraph A56.

5. ISAE 3000 (Revised), paragraph 24(b)(i).

6. ISAE 3000 (Revised), paragraph 24(b)(ii).

SAAEPS:

- The roles and responsibilities of the appropriate parties are suitable in the circumstances[7];
- The criteria that the practitioner expects to be applied in the preparation of the subject matter information will be available to the intended users[8];
- The practitioner expects to be able to obtain the evidence needed to support the practitioner's conclusion[9];
- The practitioner's conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is to be contained in a written report[10]; and
- A rational purpose – In determining whether the engagement exhibits a rational purpose, relevant considerations may include the following[11]:
    - Consideration 1: The intended users of the subject matter information and the assurance report (particularly, when the criteria are designed for a special purpose). A further consideration is the likelihood that the subject matter information and the assurance report will be used or distributed more broadly than to intended users;
    - Consideration 3: The characteristics of the relationships between the responsible party, the measurer or evaluator, and the engaging party, for example, when the measurer or evaluator is not the responsible party, whether the responsible party consents to the use to be made of the subject matter information and will have the opportunity to review the subject matter information before it is made available to intended users or to distribute comments with the subject matter information;
    - Consideration 5: Any significant limitations on the scope of the practitioner's work; and

7. ISAE 3000 (Revised), paragraph 24(a).

8. ISAE 3000 (Revised), paragraph 24(b)(iii).

9. ISAE 3000 (Revised), paragraph 24(b)(iv).

10. ISAE 3000 (Revised), paragraph 24(b)(v).

11 ISAE 3000 (Revised), paragraph A56.

- Consideration 6: Whether the practitioner believes the engaging party intends to associate the practitioner's name with the underlying subject matter or the subject matter information in an inappropriate manner.

The onus is on the practitioner to make a determination, based on a preliminary knowledge of the engagement circumstances, on whether the preconditions excluded from the scope of this SAAEPS are present. For the remainder of this SAAEPS, any references to the preconditions for a sustainability assurance engagement are limited to those matters identified in paragraph 6.

8. In concluding on whether the preconditions for a sustainability assurance engagement are present, the practitioner considers all aspects (those considered in terms of this SAAEPS and all other aspects considered that are beyond the scope of this SAAEPS).

9. To assist the practitioner with determining whether the preconditions for a sustainability assurance engagement are present, this SAAEPS introduces guidance on the following matters under the heading "Concepts relevant to the guidance provided in this SAAEPS":

   - Sustainability information;
   - Reporting infrastructure; and
   - Underlying subject matter, subject matter information and criteria.

10. This is followed by guidance on establishing whether certain aspects of the preconditions for the sustainability assurance engagement dealt with in this SAAEPS are present, and this is set out as follows:

    - **Rational purpose:** Guidance on determining whether the sustainability assurance engagement exhibits a rational purpose; and
    - **Appropriateness of underlying subject matter and suitability of criteria:** Guidance on determining whether the sustainability assurance engagement exhibits that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.

    The guidance is supported by considerations that may assist the practitioner in making professional judgments in determining whether the sustainability assurance engagement exhibits the characteristics set out in the objective

paragraph of this SAAEPS. These considerations are included as part of the guidance under each respective heading. The considerations included in this SAAEPS are not exhaustive and other considerations may be more appropriate in the circumstance of a particular sustainability assurance engagement. The list of considerations is set out in **Appendix A**.

11. The process to establish whether all the preconditions for a sustainability assurance engagement are present is not linear and may be considered individually and collectively. For the purposes of this SAAEPS, an overview of the guidance on establishing whether certain aspects of the preconditions for a sustainability assurance engagement are present is set out in paragraph 10. However, the preconditions are interrelated, since a conclusion relating to one precondition is unlikely to be reached in isolation of the other preconditions. A flowchart depicting the process to establish whether all the preconditions for a sustainability assurance engagement are present is included in **Appendix B**.

12. The lead-in to paragraph 24 of ISAE 3000 (Revised) sets out the nature of procedures that the practitioner performs to establish whether the preconditions for an assurance engagement are present, i.e. on the basis of a preliminary knowledge of the engagement circumstances rather than on the more detailed considerations undertaken during the planning phase of the assurance engagement, and discussion with appropriate parties. The extent of procedures (or work effort) that the practitioner performs is dependent on the practitioner's professional judgment. However, the extent of these procedures may differ depending on a number of factors, including, for example:

    - The maturity of sustainability reporting within the reporting entity and within the industry of the reporting entity.
    - Whether the reporting entity uses a reporting framework that has been formalised, for example:
        - Embodied in law or regulation;
        - Issued by authorised or recognised bodies of experts that follow a transparent due process;
        - Developed collectively by a group that does not follow a transparent due process; and
        - Specifically designed for the purpose of preparing the subject matter information in the particular circumstances of the sustainability assurance engagement.

- When the sustainability assurance engagement is an initial engagement, it is likely that the work effort to determine whether the preconditions are present may be greater than in the case of a continuing engagement, especially when the entity's process to prepare the sustainability report is in the early stages and still evolving, or when the sustainability assurance engagement is complex.
- The extent of the practitioner's knowledge and understanding of the reporting entity's application of the reporting frameworks used.
- Whether the reporting entity uses one reporting framework, which applies to all key performance indicators (KPIs[12]) or whether, due to the nature of the KPIs, the reporting entity uses more than one reporting framework and/or an entity specific framework.
- Whether the KPIs reported on by the reporting entity are commonly reported on within the industry of the reporting entity or whether the KPIs reported on are unique to the reporting entity.
- Whether there is a common understanding of how KPIs are defined/calculated within the industry of the reporting entity even if there is no formal guidance.

13. After the sustainability assurance engagement has been accepted, if it is discovered that one or more preconditions for the sustainability assurance engagement is not present or that some or all of the applicable criteria are unsuitable or some or all of the underlying subject matter is not appropriate for the sustainability assurance engagement, the practitioner is required to comply with paragraphs 42 and 43 of ISAE 3000 (Revised).

14. This SAAEPS recommends that determining whether the sustainability assurance engagement exhibits a rational purpose be established first. This is not because this is the most important precondition, but because this determination provides relevant information to be considered when determining whether the sustainability assurance engagement exhibits that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances that follows in this SAAEPS.

12. Key performance indicators (KPIs) are not mentioned in ISAE 3000 (Revised), but typically, at this point in time, in a sustainability engagement the assurance scope is to report on selected KPIs.

Effective Date

15. This SAAEPS is effective for the *Acceptance and Continuance – Preconditions for the Assurance Engagement* phase of the sustainability assurance engagement for reporting periods beginning on or after 15 December 2020. Early adoption is permitted.

Objective

16. The objective of a practitioner is to establish whether certain aspects of the preconditions for an assurance engagement are present by determining whether a sustainability assurance engagement exhibits the following characteristics (among other preconditions for an assurance engagement):

    - A rational purpose[13];
    - The underlying subject matter is appropriate[14]; and
    - The criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances, including that they exhibit the following characteristics:
        - Relevance;
        - Completeness;
        - Reliability;
        - Neutrality; and
        - Understandability[15]

    and to prepare appropriate engagement documentation thereon.

13. ISAE 3000 (Revised), paragraph 24(b)(vi) and paragraph A56. [In full, ISAE 3000 (Revised), paragraph 24(b)(vi) states: "*A rational purpose* ***including, in the case of a limited assurance engagement, that the practitioner expects to be able to obtain a meaningful level of assurance***". The part of the paragraph highlighted in **bold** is not addressed in this SAAEPS. The onus is on the practitioner to make such a determination based on preliminary knowledge of the engagement circumstances.]

14. ISAE 3000 (Revised), paragraph 24(b)(i).

15. ISAE 3000 (Revised), paragraph 24(b)(ii).

Definitions

17. For purposes of this SAAEPS, the following terms defined in ISAE 3000 (Revised) have the same meanings attributed to them:

    - Assurance engagement[16].
    - Criteria[17].
    - Engagement circumstances[18].
    - Intended users[19].
    - Subject matter information[20].
    - Underlying subject matter[21].

18. A stakeholder is defined as an "entity or individual that can reasonably be expected to be significantly affected by the reporting organisation's activities, products and services, or whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives.

    Note 1: *Stakeholders include entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis to the organization.*

    Note 2: *Stakeholders can include those who are invested in the organization (such as employees and shareholders), as well as those who have other relationships to the organization (such as other workers who are not employees, suppliers, vulnerable groups, local communities, and NGOs or other civil society organizations, among others)"*[22].

16. ISAE 3000 (Revised), paragraph 12(a).
17. ISAE 3000 (Revised), paragraph 12(c).
18. ISAE 3000 (Revised), paragraph 12(d).
19. ISAE 3000 (Revised), paragraph 12(m).
20. ISAE 3000 (Revised), paragraph 12(x).
21. ISAE 3000 (Revised), paragraph 12(y).
22. Source: *GRI Standards Glossary 2016*, page 16.

Concepts Relevant to the Guidance Provided in this SAAEPS

Sustainability information

19. This SAAEPS is focused on an assurance engagement on sustainability information reported in an entity's sustainability report. As such, sustainability information forms the basis of the subject matter information that is dealt with in both determining whether the sustainability assurance engagement exhibits a rational purpose and determining whether the sustainability assurance engagement exhibits that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.

Nature of sustainability information

20. Sustainability information for the purposes of this SAAEPS includes information related, but not limited to the reporting entity's social, environmental, governance and economic performance, targets and outcomes.

21. Sustainability information may comprise both monetary and non-monetary information.

22. Monetary information may be included in instances where information in monetary terms is relevant, for example, a KPI on training expenditure or rehabilitation costs and any narrative disclosures related thereto.

23. Non-monetary information may be presented both quantitatively as KPIs, for example, litres of water consumed or tons of paper recycled; and qualitatively as narrative disclosures, for example, the policy on stakeholder community engagement or fair labour practices.

24. The nature of sustainability information or reports and the underlying processes to prepare this information differ from financial statement information in the following ways:

    - A sustainability report may be aimed at a significantly wider and less homogenous group of users than financial statements. The users of a sustainability report may differ considerably in terms of their aims and expectations regarding their legitimate information needs.
    - The reporting framework and criteria for reporting sustainability information may be less formal than those applied to prepare financial statements.
    - Reporting systems and controls are often less robust and exhibit a broader spectrum of maturity in achieving relevance and reliability when compared

to financial statements.

- Sustainability reporting is inherently prone to higher levels of management bias owing to more extensive use of internally developed criteria.
- Sustainability information is not recorded by way of a system that provides a natural/logical check to the balancing, reconciliation and summary of information for purposes of preparing and presenting it in an appropriate report as is the case of a set of financial statements that would tie-in to a trial balance and general ledger, based on double-entry accounting.

25. Reported sustainability information is generally prepared to meet the common information needs of a wide range of users and therefore may be considered to be for general purpose.

26. In the current environment, taking into account that there are generally no formal legal or statutory requirements relating to the preparation and presentation of sustainability information, higher levels of management bias may be a reality, although that may not necessarily be a limiting factor in producing or assuring sustainability information. Management and those charged with governance of the reporting entity own the information, identify the users and determines the purpose of reporting on sustainability information. The presence of management bias should be recognised and evaluated as having been applied within acceptable limits. For example, considerations around whether the reporting of identified information has been properly informed by the needs of the intended users and that the reported information is not misleading to the intended users are important, together with other factors as expanded on in this SAAEPS.

27. Examples of reports in which a reporting entity incorporates sustainability information include the following:

    - Sustainability report, corporate social responsibility report or environmental, social and governance report;
    - Greenhouse Gas emissions schedule or statement; and
    - Sustainability information in a broader report, such as a reporting entity's annual report or integrated annual report.

    For the purposes of this SAAEPS, sustainability information is reported in a sustainability report.

28. Preparers of sustainability information have a wide variety of reporting frameworks/guidance/codes (or a combination thereof) to choose from in the

preparation of this information, for example:

- GRI Standards[23];
- Greenhouse Gas Protocol Reporting Standard[24]; and
- United Nations Global Compact Principles[25].

29. The reporting frameworks/guidance/codes may not necessarily cater for all the relevant sustainability information needs. As such, management may apply judgment to develop, among others, additional criteria.

30. The practitioner in this instance may pay special attention to the sustainability report development process and how this may impact considerations on accepting a particular sustainability assurance engagement in relation to the reported information.

Reporting infrastructure

31. Reporting infrastructure enables the production of relevant and reliable sustainability information by the reporting entity and is key to the considerations in determining whether the sustainability assurance engagement exhibits a rational purpose as contained in this SAAEPS.

32. Reporting infrastructure is the combination of components enabling the production of relevant and reliable sustainability information by the reporting entity, and includes, but is not limited to, the following:

- Relevant reporting framework;
- Reporting policies and procedures;
- Reporting systems and controls; and
- Governance and oversight.

Relevant reporting framework

33. A relevant reporting framework consists of reporting principles applied to generate report content addressing, for example, stakeholder inclusiveness, reporting materiality and relevance and reliability.

23. https://www.globalreporting.org/standards/.

24. http://www.ghgprotocol.org/.

25. https://www.unglobalcompact.org/.

Reporting policies and procedures

34. Reporting policies and procedures are selected or developed by management to implement a reporting framework, and include bases, conventions and practices applied consistently by the reporting entity in identifying, recognising, measuring, presenting and disclosing sustainability information.

Reporting systems and controls

35. Reporting systems and controls are used to gather, process and report sustainability information.

Governance and oversight

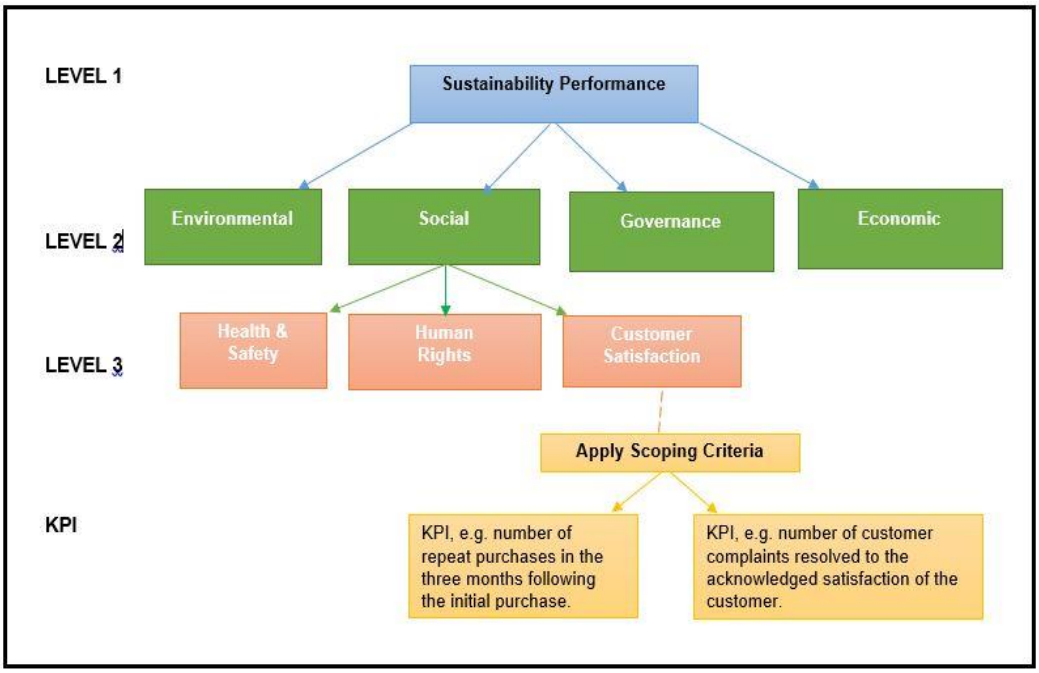
36. Governance and oversight is the oversight function performed by the governing body and management at the reporting entity in the generation of sustainability information.

Underlying subject matter, subject matter information and criteria

37. The appropriate interpretation of the concepts of underlying subject matter, subject matter information and criteria is key in determining whether the sustainability assurance engagement exhibits a rational purpose, and in determining whether the sustainability assurance engagement exhibits the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.

38. In the context of sustainability reporting, the process of understanding the underlying subject matter may be disaggregated into multiple levels. To facilitate the consistent application of these concepts, a practical example is depicted in **Figure 1** and described in paragraphs 39-46. Further examples are provided in **Appendix C**. A three-level scenario is utilised to illustrate this.

Figure 1



39. Level 1: In the context of a sustainability report, the underlying subject matter is considered to be sustainability performance.

40. Level 2: Sustainability performance may be disaggregated into environmental, social, governance and economic performance, which become the underlying subject matter at this level. In this example, social performance is the underlying subject matter.

41. Level 3: In disaggregating social performance further, the underlying subject matter at this level may be, for example, health and safety, human rights or customer satisfaction. Customer satisfaction is used in this example.

42. The definition of criteria contained in ISAE 3000 (Revised) refers to the benchmarks used to measure or evaluate the underlying subject matter[26]. In the context of sustainability reporting, it is recommended to distinguish between criteria for developing reporting content (scoping criteria) and criteria for measurement (measurement or evaluation criteria). The two may be defined as follows:

    - Scoping criteria: This considers which KPIs and/or disclosures may be used to evaluate performance pertaining to the underlying subject matter

26. ISAE 3000 (Revised), paragraph 12(c).

at the various levels, and which disclosed KPIs are scoped into the sustainability assurance engagement. This may be considered as part of determining whether the sustainability assurance engagement exhibits a rational purpose.

- Measurement or evaluation criteria: This considers measurement or evaluation protocols for identified KPIs and/or disclosures, i.e. the criteria used in the particular engagement to measure or evaluate the underlying subject matter. This may be considered as part of determining whether the sustainability assurance engagement exhibits the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.

43. Unless specified, when this SAAEPS refers to criteria it refers to both the scoping criteria and measurement or evaluation criteria.

44. In the context of providing assurance on sustainability information, the selection or development of criteria is the responsibility of the reporting entity. The practitioner's responsibility is to determine whether the sustainability assurance engagement exhibits the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.

45. Using the example of customer satisfaction, the application of scoping criteria may result in the selection by management of the most appropriate KPIs in the context of the reporting entity. An example may be the number of customer complaints resolved to the acknowledged satisfaction of the customer or the number of repeat purchases in the three months following the initial purchase. The measurement or evaluation criteria may provide measurement protocols that are relevant to both of these KPIs.

46. An example of subject matter information in this case may be the actual number of customer complaints resolved to the acknowledged satisfaction of the customer (e.g. 20 customer complaints resolved), resulting from applying the relevant measurement or evaluation criteria.

Preconditions to Sustainability Assurance Engagements

47. This section of this SAAEPS provides guidance on whether certain aspects of the preconditions for the assurance engagement dealt with in this SAAEPS (rational purpose, appropriateness of underlying subject matter and suitability of criteria) are present.

Rational purpose

48. Rational purpose focuses on the subject matter information (reporting content).

49. In determining whether an engagement exhibits a rational purpose, there are a number of relevant considerations that the practitioner considers in relation to the reporting entity's generation of reporting content and the decision on the external assurance to be sought (scoping criteria).

50. These considerations (among others)[27] include:

- Whether aspects of the subject matter information are expected to be excluded from the assurance engagement, and the reason for their exclusion; and
- Who selected the criteria to be applied to measure or evaluate the underlying subject matter, and what the degree of judgment and scope for bias is in applying them. The engagement is more likely to have a rational purpose if the intended users selected or were involved in selecting the criteria.

51. In consideration of the matters set out in paragraph 50, an understanding of the following areas may be obtained to conclude on these two considerations:

- Underlying subject matter;
- Entity context; and
- Reporting infrastructure:
    - Relevant reporting framework;
    - Reporting policies and procedures;
    - Reporting systems and controls; and
    - Governance and oversight.

Although this is not an exhaustive list, an understanding of these areas is generally obtained. Other areas may be more appropriate to the circumstances of a particular reporting entity or sustainability assurance engagement.

52. Underlying subject matter, entity context and reporting infrastructure do not

27. ISAE 3000 (Revised), paragraph A56, contains six considerations that may be relevant in determining whether the engagement has a rational purpose. Except for the two considerations dealt with in this SAAEPS, all other considerations are beyond the scope of this SAAEPS. The onus is on the practitioner to make such a determination, based on a preliminary knowledge of the engagement circumstances, to address the remaining four considerations or any other relevant considerations.

represent, in themselves, preconditions for a sustainability assurance engagement. They rather provides context in terms of which the practitioner may understand how the reporting entity generates reporting content and decides on the external assurance to be sought.

Underlying subject matter

53. To determine whether aspects of the subject matter information have been excluded from the sustainability assurance engagement and the reason for their exclusion, the practitioner may obtain an understanding of the underlying subject matter that is being reported on at a high level.

54. The underlying subject matter is the phenomenon that is measured or evaluated by applying criteria (resulting in the subject matter information) and may be one that is generally well-defined in the marketplace (e.g. financial performance or financial position) and has a high level of consensus as to its meaning; or it may be one where the reporting entity specifically defines its meaning (e.g. value creation over time).

55. The underlying subject matter of certain sustainability information may not necessarily be self-evident. In a case where the subject matter information is a judgmental statement/assertion by management, or possibly forward-looking information, the practitioner may direct a number of enquiries to management to understand the nature of the underlying subject matter. In cases where the practitioner cannot conclude on the nature of the underlying subject matter, it may transpire that the underlying subject matter may not be identifiable, or capable of consistent measurement or evaluation.

56. The way that the underlying subject matter is defined within the reporting entity may dictate the way that the underlying subject matter may be interpreted by the reporting entity. Without a clearly defined underlying subject matter, the selection or development of criteria and the application of the criteria to the underlying subject matter may be challenging.

Considerations for the Practitioner	To obtain an understanding of the underlying subject matter it may be appropriate for the practitioner to consider: • The underlying subject matter (phenomenon) to be reported on. • The reporting entity's understanding of the underlying subject matter and how that relates to the information needs of the intended users. • Whether the underlying subject matter has been formally adopted and documented by the entity. • Whether there is an indication of consistent interpretation and understanding of the underlying subject matter.

Entity context

57. The practitioner may obtain a preliminary knowledge of the context within which the reporting entity operates, for example, by obtaining an understanding of the macro-economic factors, laws, regulations and industry practices within which the reporting entity operates, and the reporting entity's geographical locations and its structure. This understanding may enable the practitioner to identify and consider the issues that may be relevant to the reporting entity's sustainability performance, targets and outcomes.

58. In this consideration, the practitioner may be alert to potential issues that may affect the scope of what may be reported on by the reporting entity.

Considerations for the Practitioner	To obtain an understanding of the entity context it may be appropriate for the practitioner to consider: • The relevant contextual issues that may impact considerations around the reporting content. • The issues to be considered when assessing the scope of what may be reported on and how that relates to the information needs of the intended users. • Given the current understanding of the operations of the reporting entity, the stakeholders that the reporting entity impacts or are impacted by these operations.

Reporting infrastructure

Relevant reporting framework

59. The practitioner may consider the reporting framework(s) that is utilised by the reporting entity to develop the report content.

60. The extent of management bias exercised in generating the report content may be viewed as existing on a scale. At the one end of the scale there is low potential for management bias in the preparation of information, for example, the preparation of simple financial statements where the reporting framework caters for recognition, measurement, presentation and disclosure of each content element in the financial statements (e.g. using International Financial Reporting Standards); and that caters for the majority of areas where the reporting entity may apply judgment. To a large degree, well developed reporting frameworks prescribe the reporting policies and procedures to be adopted by the reporting entity and they provide few alternatives.

61. At the other end of the scale, the reporting framework provides only high-level guidance (principles) on the potential content elements and areas to report on, for example, the preparation of a sustainability report using GRI Standards. At this end of the scale, the reporting entity determines the majority of the content to report on, and there is a high potential for management bias. Since these reporting frameworks provide only high-level guidance (principles), it is largely up to the reporting entity to select or develop reporting policies and procedures to apply these principles to its specific circumstances.

62. The risk associated with higher management bias is that the reported information may only meet the needs of the reporting entity and not those of the intended users of the information, or may be disproportionately biased to communicate a particular message (e.g. an overly favourable position or a message that lacks balance/neutrality).

63. However reporting frameworks that rely on the judgment of the reporting entity to generate the majority of the content of the reported information may contain principles, among other matters, that aim to mitigate the risk of management bias in preparing the report. These principles are generally embedded in areas where the reporting entity:

    - Engages the intended users and other stakeholders to determine their information needs;
    - Determines the scope of what may be reported on;

- Determines the material issues to report on; and
- Defines processes to measure or evaluate certain areas of performance.

Considerations for the Practitioner	To obtain an understanding of the relevant reporting framework it may be appropriate for the practitioner to consider: • The reporting framework(s) that the reporting entity is utilising in reporting on the subject matter information. • The process the entity has followed to adopt the reporting framework(s). • The process the entity has followed to engage the intended users and other stakeholders to determine their information needs. • The level of management bias that exists in the reporting framework(s) used by management in the selection of reporting content. • Whether the following areas are included in the reporting framework(s): o Determination of the scope of what may be reported on. o Determining the material issues to report on. o Definition of processes to measure or evaluate certain areas of performance. If not, whether these areas been addressed in another way by the reporting entity.

Reporting policies and procedures

64. The practitioner may consider the reporting policies and procedures that generate the reporting entity's criteria that provide the basis for reporting relevant and reliable sustainability information.

65. The sustainability assurance engagement is more likely to exhibit a rational purpose if the intended users selected or were involved in selecting the criteria. As stated in paragraph 62, the risk associated with higher management bias is that the reported information may only meet the needs of the reporting entity and not those of the intended users of the information.

66. The level of potential management bias in selecting or developing reporting

policies and procedures may directly correlate with the nature and extent of procedures that the practitioner performs when considering the design of the reporting entity's reporting policies and procedures. It then follows that a reporting policy and procedure with high-level involvement from the intended users, and with a transparent due process, may provide higher levels of certainty to the practitioner that management bias has been applied within acceptable limits. Conversely, the lower the level of involvement from the intended users, the more relevant and the higher the focus of the practitioner may be on considering the degree and impact of management bias on a reporting policy and procedure.

67. These reporting policies and procedures may also need to be available (or disclosed) to the intended users to enable them to understand the policies and procedures that have been applied in preparing the reported information and how the underlying subject matter has been measured or evaluated.

Considerations for the Practitioner

To obtain an understanding of the reporting policies and procedures it may be appropriate for the practitioner to consider:

- Given the potential for management bias in the development of reporting content, whether the reporting entity has a formal process for the selection or development of reporting policies and procedures around:
  - The engagement of the intended users and other stakeholders.
  - The scope of what may be reported on.
  - The process for determining reporting materiality.
  - Measurement or evaluation.
  - Other relevant reporting issues.

With respect to the above aspects, it may be appropriate for the practitioner to consider:

- Whether the reporting policies and procedures are aligned to the reporting framework(s).
- Whether the reporting policies and procedures were developed internally or adopted from a pre-existing framework or other guidance.
- Whether a transparent due process was followed in the selection or development of the reporting policies and procedures.
- To what extent the intended users of the reported information were involved in the selection or development of the reporting policies and procedures.
- Whether the reporting policies and procedures are made available to the intended users of the report.
- Whether the design of the reporting policies and procedures facilitate ease of implementation; and whether they have the potential to generate relevant and reliable information.
- Whether responsibility has been assigned within the reporting entity to implement the reporting policies and procedures.
- Whether there are any internal controls around the implementation and monitoring of the reporting policies and procedures?

	In the absence of a formal process, as referred to above, consider: • Whether management explanations satisfy the requirements of effective reporting policies and procedures. • The processes or practices that management have implemented to achieve the requirements of effective reporting policies and procedures.

Reporting systems and controls

68. The practitioner may consider the effectiveness of the reporting entity's reporting systems and controls.

69. The reporting entity's ability to generate relevant and reliable sustainability information is dependent on the effectiveness of its reporting systems and controls.

70. The reporting entity's reporting systems and controls over sustainability information may not be as robust, mature or integrated as its financial reporting systems and controls.

Consideration for the Practitioner	To obtain an understanding of reporting systems and controls it may be appropriate for the practitioner to consider whether there are reporting systems and controls in place to support the reporting entity's reporting policies and procedures.

Governance and oversight

71. The practitioner may determine whether the governing body or board of the entity has formalised its responsibilities by establishing the reporting purpose, developing practices to be adopted with regard to approving reporting frameworks to be used, approving the materiality determination, and ensuring that the external reports meet the information needs of material stakeholders. The King IV Report on Corporate Governance for South Africa 2016[28] contains a section (*Strategy, Performance and Reporting)* that sets out the responsibilities of the governing body over external reports, for example, sustainability reports.

28. King IV Report on Corporate Governance for South Africa 2016, Part 5.2, Strategy, Performance and Reporting, Principle 5 Reporting Recommended Practices. This would include where certain aspects are covered by other elements of the combined assurance model.

Consideration for the Practitioner	To obtain an understanding of governance and oversight it may be appropriate for the practitioner to consider whether there are governance and oversight functions in place that support the reporting entity in its approval processes that ensure that the external reports meet the information needs of material stakeholders.

Concluding on rational purpose

72. Based on the practitioner's understanding of underlying subject matter, entity context, reporting infrastructure and any other relevant areas, the practitioner concludes on determining whether the sustainability assurance engagement exhibits a rational purpose (the two rational purpose considerations set out in paragraph 50)[29].

73. To determine whether aspects of the subject matter information have been excluded from the sustainability assurance engagement, the practitioner compares the proposed assurance scope to the practitioner's understanding of the information needs of the intended users and the reasonability of the reporting entity's reasons for excluding any aspects of the subject matter information from the scope of the sustainability assurance engagement.

74. The practitioner's consideration of underlying subject matter, entity context, reporting infrastructure and any other relevant areas may provide insight into whether the sustainability information produced aligns with the information needs of the intended users of the subject matter information.

75. If the practitioner concludes that certain aspects of the subject matter information were excluded from the scope of the sustainability assurance engagement, the practitioner uses professional judgment to conclude on the impact of such omissions (including those for which the reporting entity has provided reasons/explanations) when concluding on whether the sustainability assurance engagement exhibits a rational purpose.

76. The reporting entity may have good reasons for excluding certain aspects from the scope of the sustainability assurance engagement, and these may be related to the maturity of its reporting infrastructure and the availability of certain

29 Paragraph A56 of ISAE 3000 (Revised) sets out relevant considerations in determining whether the assurance engagement exhibits a rational purpose. These considerations may also be considered individually and collectively and no individual consideration may necessarily indicate that the engagement has a rational purpose. The practitioner may apply professional judgment in evaluating the impact of the relevant considerations in the circumstances of a sustainability assurance engagement.

information. Alternatively they may relate to the use of a combined assurance model where the reporting entity obtains internal assurance on certain aspects of the sustainability information and may not wish to duplicate effort and costs in this regard. Nevertheless, such a sustainability assurance engagement may still have a rational purpose. To this end, the pertinent issue is that the practitioner be satisfied with the reasons of the reporting entity for excluding certain aspects of the subject matter information from the scope of the sustainability assurance engagement. If the practitioner, in applying professional judgment, concludes that the reasons for excluding certain aspects of the subject matter information are reasonable in the circumstances and that the sustainability report is not misleading to the intended users with regard to the sustainability activities relevant to the reporting entity, this consideration in relation to establishing whether the sustainability assurance engagement exhibits a rational purpose could be satisfied.

77. To determine who selected the criteria to be applied to measure or evaluate the underlying subject matter, and what the degree of judgment and scope for management bias is in applying them as well as whether the intended users selected or were involved in selecting the criteria, the practitioner may consider:

- The reporting framework selected by the reporting entity to generate reporting content;
- The level of potential management bias in the generation of reporting content;
- Whether and the extent to which the reporting entity engaged with the intended users and other stakeholders to determine their information needs regarding reporting content;
- Whether the reporting entity undertook a transparent due process in selecting or developing its reporting policies and procedures with the involvement of the intended users; and
- Whether the reporting entity has disclosed/made available to the intended users its reporting policies and procedures.

78. Based on the practitioner's understanding obtained during the assessment of the reporting entity's reporting infrastructure, the practitioner uses professional judgment to conclude on the impact of the expected involvement of the intended users in the criteria selection and the expected level of management bias that may affect the rational purpose of the engagement.

Appropriateness of underlying subject matter and suitability of criteria

79. The process of establishing whether the sustainability assurance engagement exhibits a rational purpose provides the context within which the practitioner determines whether the sustainability assurance engagement exhibits that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.

80. This SAAEPS recommends that the process of considering the appropriateness of the underlying subject matter and the suitability of criteria may be performed in a two-step process:

    - Step 1: Appropriateness of the underlying subject matter; and
    - Step 2: Suitability of criteria.

    The practitioner satisfies the requirements of the first step before moving on to the next step.

Step 1: Appropriateness of the underlying subject matter

81. Determining whether the sustainability assurance engagement exhibits that the underlying subject matter is appropriate at a high-level is what is dealt with as part of determining whether the sustainability assurance engagement exhibits a rational purpose. Determining whether the sustainability assurance engagement exhibits that the underlying subject matter is appropriate at a detailed level is what is dealt with in step 1.

82. An appropriate underlying subject matter is identifiable and capable of consistent measurement or evaluation against the applicable criteria such that the resulting subject matter information can be subjected to procedures for obtaining sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate[30].

83. As such, the practitioner establishes whether:

    - The underlying subject matter is identifiable; and
    - The underlying subject matter is capable of consistent measurement or evaluation.

84. In a sustainability assurance engagement, the practitioner determines whether all aspects that form part of the assurance scope exhibit an appropriate

30 ISAE 3000 (Revised), paragraph A40.

underlying subject matter. The practitioner may be requested to assure subject matter information; hence, the practitioner uses the subject matter information to determine what the underlying subject matter may be.

85. To illustrate how the determination of whether the sustainability assurance engagement exhibits that the underlying subject matter is appropriate may work in practice, the example in ISAE 3000 (Revised)[31] is used. In the example, the measurement protocols used in relation to the number of customer complaints resolved to the acknowledged satisfaction of the customer are the measurement or evaluation criteria, and customer satisfaction is the underlying subject matter.

- *Identifiable:* For customer satisfaction to be identifiable, it should be observable as existing or having occurred. It may be argued that customer satisfaction may take many forms, and its identifiability as an underlying subject matter may not be immediately apparent. However, if the practitioner notes that the underlying subject matter of customer satisfaction, in this case, is interpreted as the number of customer complaints resolved to the acknowledged satisfaction of the customer, this assists with the identifiability question because customer complaints may be identified and observed through the records of customer complaints. However, if the reporting entity requests the practitioner to, for example, assure a statement that reporting entity X has the highest level of customer satisfaction in its industry, the identifiability of the underlying subject matter may be challenging. In this case, the practitioner may not have enough information to identify the actual underlying subject matter. The practitioner may have difficulty in identifying the specific aspect of customer satisfaction that may be said to be better than reporting entity X's competitors, i.e. one entity's definition of customer satisfaction compared to that of another entity. Customer satisfaction may be interpreted as the number of repeat purchases in the three months following the initial purchase, customer complaints resolved to the acknowledged satisfaction of the customer or any other measurement. Without the detail of the measurement or evaluation criteria, the identifiability requirement may not be met.

- *Capable of consistent measurement or evaluation:* In the case of the number of customer complaints resolved to the acknowledged satisfaction of the customer, it may be said that this is capable of consistent

31. ISAE 3000 (Revised), paragraph A10.

measurement or evaluation if a complaint is well defined and understood. The underlying subject matter should also be observable to the extent that it allows consistent measurement or evaluation. Considerations of consistent measurement or evaluation may also assist if consensus exists around methodologies to measure or evaluate a specific underlying subject matter. It may then appear as if an underlying subject matter that is identifiable should be capable of consistent measurement or evaluation. However, even though there might be no dispute around the identifiability of an underlying subject matter, the method to consistently measure or evaluate the underlying subject matter may be disputed.

Considerations for the Practitioner	The following considerations include questions that are designed to illustrate how the practitioner may determine whether the underlying subject matter is appropriate.
	
	Given the nature of the subject matter information, is the underlying subject matter:
	
	• Clearly identifiable?
	  ○ Is it observable as existing or having occurred?
	  ○ Is it sufficiently specific?
	
	AND:
	
	• Capable of consistent measurement or evaluation?
	  ○ Is there a methodology or basis to measure or evaluate the underlying subject matter, resulting in subject matter information that may be subjected to procedures to obtain sufficient appropriate evidence to support the assurance conclusion?
	  ○ Is the underlying subject matter observable to an extent that allows consistent measurement or evaluation?
	  ○ Other considerations may include:
	  ▪ Are there uncertainties associated with the underlying subject matter?
	  ▪ Are there qualitative versus quantitative, objective versus subjective, historical versus prospective aspects to the subject matter information, and do they relate to a point in time or cover a period?

Step 2: Suitability of criteria

86. Suitable criteria exhibit the following characteristics, and the suitability of criteria for a particular engagement depends on whether they reflect these characteristics:

- *Relevance:* Relevant criteria result in subject matter information that assists decision-making by the intended users of the subject matter information.
- *Completeness:* Criteria are complete when subject matter information

prepared in accordance with them does not omit relevant factors that may reasonably be expected to affect decisions of the intended users of the subject matter information made on the basis of that subject matter information. Complete criteria include, where relevant, benchmarks for presentation and disclosure.

- *Reliability:* Reliable criteria allow reasonably consistent measurement or evaluation of the underlying subject matter, including, where relevant, presentation and disclosure, when used in similar circumstances by different practitioners.
- *Neutrality:* Neutral criteria result in subject matter information that is free from bias, as appropriate, in the engagement circumstances.
- *Understandability:* Understandable criteria result in subject matter information that may be understood by the intended users of the subject matter information[32].

87. In some cases, law or regulation prescribes criteria to be used for an engagement. In the absence of indications to the contrary, such criteria are presumed to be suitable, as are criteria issued by authorised or recognised bodies of experts that follow a transparent due process, if they are relevant to the information needs of the intended users of the subject matter information. Such criteria are known as established criteria[33].

88. Even when established criteria exist for an underlying subject matter, specific users may agree to use other criteria for their specific purposes. For example, various frameworks may be used as established criteria for evaluating the effectiveness of internal controls. Specific users may, however, develop a more detailed set of criteria that meet their specific information needs[34].

General considerations

89. Sustainability information may be presented in a variety of reporting formats, and may be part of a report that is developed using a specific reporting framework. A reporting framework may contain some level of guidance (or criteria) as to how certain underlying subject matter should be interpreted.

90. However, many reporting frameworks provide limited (or no) guidance as to how

32. ISAE 3000 (Revised), paragraph A45.

33. ISAE 3000 (Revised), paragraph A49.

34. ISAE 3000 (Revised), paragraph A49.

certain underlying subject matter should be interpreted. The reporting entity then either internally develops a way to interpret the underlying subject matter (internally developed criteria), or uses pre-existing criteria from another reporting framework/guidance/standard/law or regulation.

91. When the reporting entity uses pre-existing criteria, the practitioner may consider the following to determine its suitability:

    - Are the intended users anticipated by the reporting framework similar to the intended users of the reporting entity's sustainability information?
    - Is the prescribed format of subject matter information prepared in accordance with the reporting framework similar to the format of the reporting entity's intended subject matter information?

92. Based on considering the above or similar questions, the practitioner assesses whether the reporting guidance may be accepted as suitable in its original form, or adapted to cater for different intended users or reporting formats. These considerations may be included in the reporting policies and procedures of the reporting entity.

93. In many cases the reporting entity develops criteria internally to measure or evaluate certain underlying subject matter due to pre-existing criteria not being available. Depending on the complexity and nature of the underlying subject matter, the risk exists that management bias may result in criteria that produces subject matter information that does not meet the information needs of the intended users, or that does not otherwise exhibit all the characteristics of suitable criteria.

94. The considerations made in determining whether the sustainability assurance engagement exhibits a rational purpose may assist the practitioner in assessing whether the reporting policies and procedures are sufficiently robust to produce suitable internally developed criteria.

95. A well-designed due process in developing reporting policies and procedures, with the involvement of the intended users, considers the characteristics of suitable criteria. Ideally, the reporting policies and procedures for measurement or evaluation of the underlying subject matter illustrate how each of the characteristics of suitable criteria are satisfied for each aspect of the underlying subject matter (e.g. related to the selected KPIs) that contains internally developed (or adapted) criteria.

96. However, the practitioner applies professional judgment in determining whether

the sustainability assurance engagement exhibits the criteria that the practitioner expects to be applied in the preparation of the subject matter information that are suitable for the engagement circumstances in situations where a well-designed due process is not followed or where the intended users were not involved in the selection or development of the criteria.

97. Matters that the practitioner may consider when exercising professional judgment are:

- The complexity of the underlying subject matter.
- Other potentially more suitable criteria that may be used to interpret the underlying subject matter in a more effective way, and reasons why those were not considered.
- Reasons why the intended users were not involved in the selection/development of the criteria.
- Potential misunderstanding of the resultant subject matter information by the intended users.
- Other uses of the subject matter information (e.g. link to management remuneration) and the financial/reputational/regulatory risk of misinterpretation of the subject matter information.
- Knowledge of the reporting format, industry and reporting entity, among others, that may contribute to understanding potential misrepresentation of the underlying subject matter.

Considerations for the Practitioner	To obtain an understanding of the suitability of criteria it may be appropriate for the practitioner to consider:
	• Concerning the suitability of criteria, consider:
	  ○ The intended users who are interested in the underlying subject matter.
	  ○ Whether the criteria were specifically designed to address:
	  ▪ The information needs of the intended users.
	  ▪ The relevant reporting context.
	• If the reporting entity uses criteria from an existing framework, consider:
	  ○ Whether the intended users anticipated by the reporting framework are similar to the intended users of the reporting entity's sustainability information.
	  ○ Whether the existing reporting framework will support the reporting entity's intended format of the subject matter information.
	• If the reporting entity uses criteria from an internally developed criteria, consider:
	  ○ Whether the criteria are part of a formal reporting policy on measurement or evaluation.
	  ○ To what extent the intended users were involved in the development of the policy/criteria.
	  ○ Whether an internal transparent due process was followed to develop the policy.
	  ○ Whether the measurement or evaluation criteria are available to the intended user.
	  ○ Whether the design of the measurement or evaluation criteria is described sufficiently to produce relevant and reliable subject matter information.

Measurement or evaluation criteria

98. In determining whether the sustainability assurance engagement exhibits

suitable measurement or evaluation criteria for the engagement circumstances, the characteristics of relevance, completeness, reliability, neutrality and understandability[35] need to be considered. In other words, all the relevant characteristics that may affect the decisions of the intended users should be included in the measurement or evaluation criteria. Suitable measurement or evaluation criteria also yields consistent measurement or evaluation from period to period, have minimal susceptibility to management bias and are easily understandable.

99. The example of customer satisfaction is used to illustrate what a practitioner may encounter in a sustainability assurance engagement. In this example, the underlying subject matter is customer satisfaction and the subject matter information is the actual number of complaints resolved to the acknowledged satisfaction of the customer. In this case, the measurement or evaluation criteria may be the benchmarks (or measurement or evaluation protocols) used to arrive at the actual number of complaints resolved to the acknowledged satisfaction of the customer. The following considerations may be found in the reporting entity's reporting policies (or equivalent):

    - *Relevance:* Is the way that the measurement or evaluation is defined relevant to assist the decision-making of the intended users? In this example, it may be relevant to measure or evaluate customer satisfaction by way of the resolution of complaints to the acknowledged satisfaction of the customer, since that provides decision-useful information about customer satisfaction. However, if the measure or evaluation was the number of returned calls to aggrieved customers, this is unlikely to be a relevant measure or evaluation because a return call may not have completely resolved the complaint and may therefore not provide decision-useful information about customer satisfaction.

    - *Completeness:* Do the measurement or evaluation criteria omit any relevant factors that may reasonably be expected to affect the decisions the intended users made on the basis of that subject matter information? For example, the measurement or evaluation of the number of complaints resolved to the acknowledged satisfaction of the customer may rely on information from a variety of sources. Complete criteria include an appropriate description of all the sources that are to be included as part of the measurement or evaluation. Complete measurement or evaluation

35. ISAE 3000 (Revised), paragraph 24(b)(ii).

thereof would not omit information from any of the relevant sources.

- *Reliability:* This characteristic applies more to the robustness of the actual measurement or evaluation protocol. The practitioner assesses whether the measurement or evaluation effectively describes the sources of information and how the calculation should be performed to ensure that results are consistent and not dependent on prior knowledge of the topic by the preparer or practitioner. In the example above, the way that the number of complaints resolved to the acknowledged satisfaction of the customer is defined may determine whether the practitioner is satisfied that the reliability characteristic is met.
- *Neutrality:* Management may define a specific measurement or evaluation in such a way that it slants the result and sheds a favourable light on a specific area of performance. For example, management may define the number of complaints resolved to the acknowledged satisfaction of the customer as a return call to a customer. However, a return call may not have completely resolved the complaint. Even though this definition may be reliable, it may not be free from bias and may not be said to be neutral. Neutrality speaks to how information is identified, collated, summarised, adjusted and presented (quantitatively and qualitatively), and how any bias in this is recognised and managed. Once again, an understanding of the information needs of the intended users may assist the practitioner in this assessment.
- *Understandability:* To reach a conclusion on the understandability characteristic, the practitioner matches the information needs of the intended users to the complexity of the measurement or evaluation, i.e. whether the resulting subject matter information may be understood by the intended users, including that it is not presented and disclosed in such a way that it may adversely affect the user's interpretation and understanding of the message being communicated. This judgment may largely be based on the knowledge of the intended users and the industry of the reporting entity.

Considerations for the Practitioner	In determining whether the sustainability assurance engagement exhibits suitable measurement or evaluation criteria for the engagement circumstances it may be appropriate for the practitioner to consider: • Whether the criteria are relevant in relation to the underlying subject matter in providing subject matter information that assists decision-making by the intended users (relevance). • Whether the criteria are complete so that all factors that may affect the intended users/practitioners' conclusions about the underlying subject matter are identified (completeness). • Whether the design of the criteria is highly likely to result in a consistent measurement or evaluation of the underlying subject matter (reliability). • Whether the risk of management bias is known and can be managed (neutrality). • Whether the criteria are communicated clearly and not subject to significantly different interpretations by the intended users and whether the criteria result in subject matter information that is understood by the intended users (understandability).

Conclusion on the appropriateness of underlying subject matter and suitability of criteria

100. Based on the practitioner's understanding obtained during step 1 (appropriateness of underlying subject matter) and step 2 (suitability of criteria), the practitioner concludes on determining whether the sustainability assurance engagement exhibits that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.

101. The practitioner applies professional judgment in determining whether these preconditions are present.

Overall conclusions on rational purpose and appropriateness of underlying subject matter and suitability of criteria

102. After completing the process of determining whether the sustainability assurance engagement exhibits a rational purpose, that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement

circumstances, the practitioner determines whether these preconditions for a sustainability assurance engagement are present.

103. If, in the practitioner's professional judgment, the preconditions for a sustainability assurance engagement are present (those considered in terms of this SAAEPS and all other aspects considered that are beyond the scope of this SAAEPS), the practitioner may accept or continue the sustainability assurance engagement subject to any other acceptance and continuance considerations applied in accordance with the practitioner's or firm's quality control policies and procedures, and as required in terms of ISAE 3000 (Revised), paragraphs 21-30.

104. If the practitioner has concluded that the preconditions for a sustainability assurance engagement are not present (those considered in terms of this SAAEPS and all other aspects considered that are beyond the scope of this SAAEPS), the practitioner discusses the matter with the reporting entity. If changes cannot be made to meet the preconditions, the practitioner does not accept or continue the engagement as a sustainability assurance engagement[36].

105. However, the practitioner may consider accepting a new assurance engagement (with a new scope) to address the concerns raised in determining whether the sustainability assurance engagement exhibits a rational purpose, that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances (and other concerns raised in all other aspects considered that are beyond the scope of this SAAEPS). In addition, the fact that these preconditions (and other preconditions considered that are beyond the scope of this SAAEPS) were not present does not preclude the reporting entity from considering alternative forms of engagement types, for example, an agreed-upon procedures engagement[37] or an engagement to assess assurance readiness. The alternative forms of engagement types are generally performed to support the reporting entity in its journey to obtaining assurance over its sustainability report.

Documentation

106. The engagement partner shall be satisfied that appropriate procedures regarding

36. ISAE 3000 (Revised), paragraph 25.

37. ISRS 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*.

the acceptance and continuance of client relationships and assurance engagements have been followed by the firm, and shall determine that conclusions reached in this regard are appropriate[38].

107. The practitioner shall prepare on a timely basis engagement documentation that provides a record of the basis for the assurance report that is sufficient and appropriate to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of procedures performed to comply with relevant ISAE and applicable legal and regulatory requirements[39].

108. Documentation includes a record of the considerations and conclusions made by the practitioner to determine whether the engagement exhibits the characteristics to establish whether the preconditions for an assurance engagement are present (those considered in terms of this SAAEPS and all other aspects considered that are beyond the scope of this SAAEPS).

109. Documentation includes a record of the practitioner's reasoning on all significant matters that require the exercise of professional judgment, and related conclusions. When difficult questions of principle or professional judgment exist, documentation that includes the relevant facts that were known by the practitioner at the time the conclusion was reached may assist in demonstrating the practitioner's knowledge[40]. Such documentation may include conclusions reached regarding the acceptance and continuance of client relationships and assurance engagements.

110. In applying professional judgment to assessing the extent of documentation to be prepared and retained, the practitioner may consider what is necessary to provide an understanding of the work performed and the basis of the principal decisions taken (but not the detailed aspects of the engagement) to another practitioner who has no previous experience with the engagement. That other practitioner may only be able to obtain an understanding of detailed aspects of the engagement by discussing them with the practitioner who prepared the documentation[41].

38. ISAE 3000 (Revised), paragraph 21.

39. ISAE 3000 (Revised), paragraph 79(a).

40. ISAE 3000 (Revised), paragraph A193.

41. ISAE 3000 (Revised), paragraph A195.

SOUTH AFRICAN ASSURANCE ENGAGEMENTS PRACTICE STATEMENT (SAAEPS) 1

SUSTAINABILITY ASSURANCE ENGAGEMENTS: RATIONAL PURPOSE, APPROPRIATENESS OF UNDERLYING SUBJECT MATTER AND SUITABILITY OF CRITERIA

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APPENDIX A: Considerations

The guidance on determining whether the sustainability assurance engagement exhibits a rational purpose, that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances is supported by considerations that may assist the practitioner in making professional judgments in determining whether the sustainability assurance engagement exhibits the characteristics set out in paragraph 16 of this SAAEPS. These considerations are included as part of the guidance under each respective heading. The considerations included in this SAAEPS are not exhaustive and other considerations may be more appropriate in the circumstance of a particular sustainability assurance engagement.

Appendix A represents an accumulation of the considerations contained under each of the headings within the body of this SAAEPS and is merely replicated here.

Considerations by the Practitioner

Rational purpose

Underlying subject matter

To obtain an understanding of the underlying subject matter it may be appropriate for the practitioner to consider:

- The underlying subject matter (phenomenon) to be reported on.
- The reporting entity's understanding of the underlying subject matter and how that relates to the information needs of the intended users.
- Whether the underlying subject matter has been formally adopted and documented by the entity.
- Whether there is an indication of consistent interpretation and understanding of the underlying subject matter.

Entity context

To obtain an understanding of the entity context it may be appropriate for the practitioner to consider:

- The relevant contextual issues that may impact considerations around the reporting content.
- The issues to be considered when assessing the scope of what may be reported on and how that relates to the information needs of the intended users.
- Given the current understanding of the operations of the reporting entity, the stakeholders that the reporting entity impacts by these operations.

Reporting infrastructure

<u>Relevant reporting frameworks</u>

To obtain an understanding of the relevant reporting framework it may be appropriate for the practitioner to consider:

- The reporting framework(s) that the reporting entity is utilising in reporting on the subject matter information.
- The process the entity has followed to adopt the reporting framework(s).
- The process the entity has followed to engage the intended users and other stakeholders to determine their information needs.
- The level of management bias that exists in the reporting framework(s) used by management in the selection of reporting content.

- Whether the following areas are included in the reporting framework(s):
  - Determination of the scope of what may be reported on.
  - Determining the material issues to report on.
  - Definition of processes to measure or evaluate certain areas of performance.

  If not, whether these areas been addressed in another way by the reporting entity.

<u>Reporting policies and procedures</u>

To obtain an understanding of the reporting policies and procedures it may be appropriate for the practitioner to consider:

- Given the potential for management bias in the development of reporting content, whether the reporting entity has a formal process for the selection or development of reporting policies and procedures around:
  - The engagement of the intended users and other stakeholders.
  - The scope of what may be reported on.
  - The process for determining reporting materiality.
  - Measurement or evaluation.
  - Other relevant reporting issues.

With respect to the above aspects, it may be appropriate for the practitioner to consider:

- Whether the reporting policies and procedures are aligned to the reporting framework(s).
- Whether the reporting policies and procedures were developed internally or adopted from a pre-existing framework or other guidance.
- Whether a transparent due process was followed in the selection or development of the reporting policies and procedures.
- To what extent the intended users of the reported information were involved in the selection or development of the reporting policies and procedures.
- Whether the reporting policies and procedures are made available to the intended users of the report.
- Whether the design of the reporting policies and procedures facilitate ease of implementation; and whether they have the potential to generate relevant

and reliable information.

- Whether responsibility has been assigned within the reporting entity to implement the reporting policies and procedures.
- Whether there are any internal controls around the implementation and monitoring of the reporting policies and procedures?

In the absence of a formal process, as referred to above, consider:

- Whether management explanations satisfy the requirements of effective reporting policies and procedures.
- The processed or practices that management have implemented to achieve the requirements of effective reporting policies and procedures.

Reporting systems and controls

To obtain an understanding of reporting systems and controls it may be appropriate for the practitioner to consider whether there are reporting systems and controls in place to support the reporting entity's reporting policies and procedures.

Governance and oversight

To obtain an understanding of governance and oversight it may be appropriate for the practitioner to consider whether there are governance and oversight functions in place that support the reporting entity in its approval processes that ensure that the external reports meet the information needs of material stakeholders.

Appropriateness of underlying subject matter and suitability of criteria

Step 1: Appropriateness of the underlying subject matter

The following considerations include questions that are designed to illustrate how the practitioner may determine whether the underlying subject matter is appropriate.

Given the nature of the subject matter information, is the underlying subject matter:

- Clearly identifiable?
    - Is it observable as existing or having occurred?
    - Is it sufficiently specific?

  AND:

- Capable of consistent measurement or evaluation?
    - Is there a methodology or basis to measure or evaluate the underlying subject matter, resulting in subject matter information that may be

subjected to procedures to obtain sufficient appropriate evidence to support the assurance conclusion?

- Is the underlying subject matter observable to an extent that allows consistent measurement or evaluation?
- Other considerations may include:
  - Are there uncertainties associated with the underlying subject matter?
  - Are there qualitative versus quantitative, objective versus subjective, historical versus prospective aspects to the subject matter information, and do they relate to a point in time or cover a period?

Step 2: Suitability of criteria

<u>General considerations</u>

To obtain an understanding of the suitability of criteria it may be appropriate for the practitioner to consider:

- Concerning the suitability of criteria, consider:
  - The intended users who are interested in the underlying subject matter.
  - Whether the criteria were specifically designed to address:
    - The information needs of the intended users.
    - The relevant reporting context.
- If the reporting entity uses criteria from an existing framework, consider:
  - Whether the intended users anticipated by the reporting framework are similar to the intended users of the reporting entity's sustainability information.
  - Whether the existing reporting framework will support the reporting entity's intended format of the subject matter information.
- If the reporting entity uses criteria from an internally developed criteria, consider:
  - Whether the criteria are part of a formal reporting policy on measurement or evaluation.
  - To what extent the intended users were involved in the development of the policy/criteria.

- Whether an internal transparent due process was followed to develop the policy.
- Whether the measurement or evaluation criteria are available to the intended user.
- Whether the design of the measurement or evaluation criteria is described sufficiently to produce relevant and reliable subject matter information.

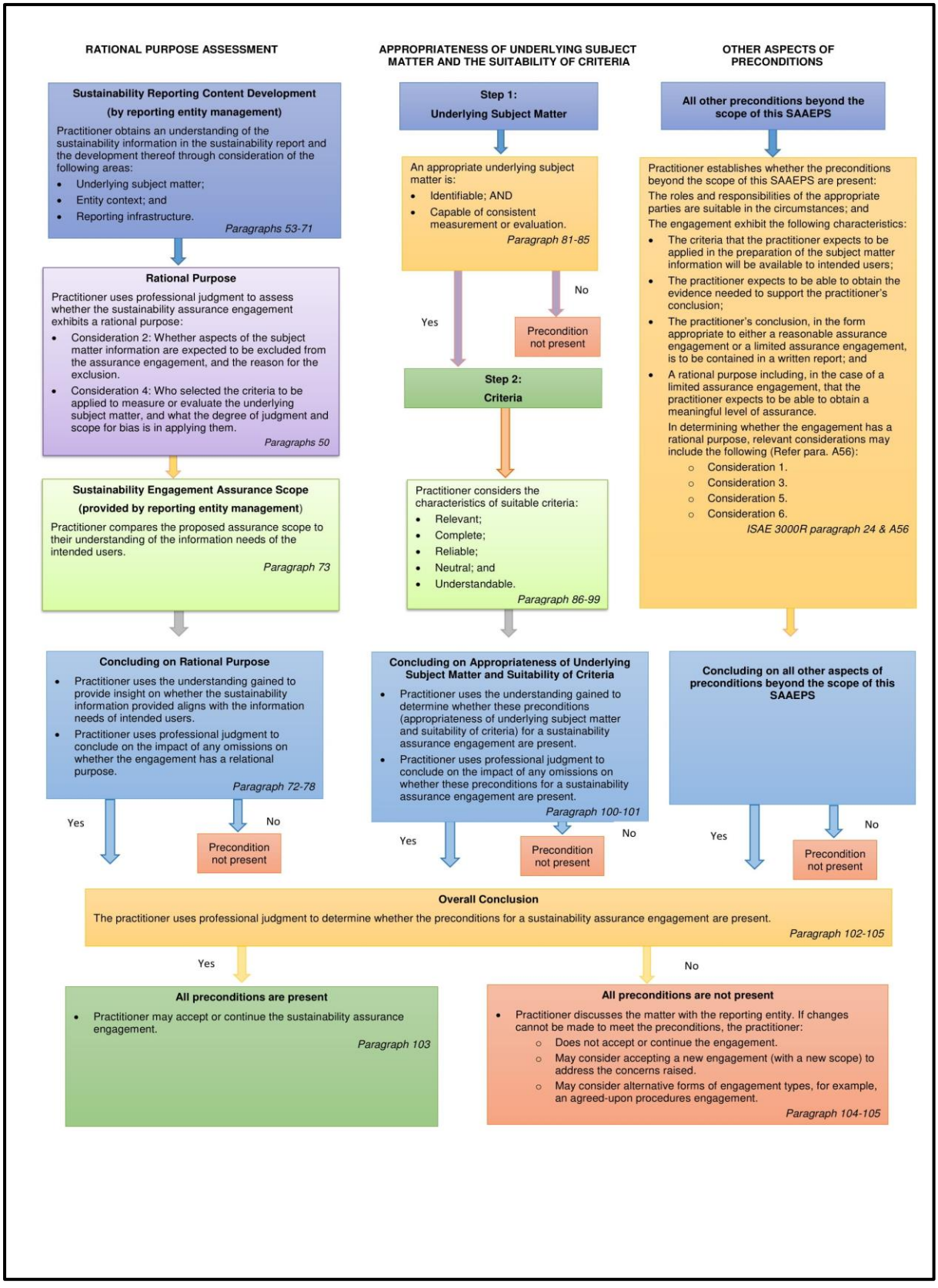
Measurement or evaluation criteria

In determining whether the sustainability assurance engagement exhibits suitable measurement or evaluation criteria for the engagement circumstances it may be appropriate for the practitioner to consider:

- Whether the criteria are relevant in relation to the underlying subject matter in providing subject matter information that assists decision-making by the intended users (relevance).
- Whether the criteria are complete so that all factors that may affect the intended users/practitioners' conclusions about the underlying subject matter are identified (completeness).
- Whether the design of the criteria is highly likely to result in a consistent measurement or evaluation of the underlying subject matter (reliability).
- Whether the risk of management bias is known and can be managed (neutrality).
- Whether the criteria are communicated clearly and not subject to significantly different interpretations by the intended users and whether the criteria result in subject matter information that is understood by the intended users (understandability).

APPENDIX B: Flowchart

The process to establish whether the preconditions for an assurance engagement are present is not linear. Determining whether the sustainability assurance engagement exhibits a rational purpose, that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances are considered individually and collectively. The interrelatedness of the preconditions is acknowledged, since a conclusion relating to one precondition is unlikely to be reached in isolation of the other information.


RATIONAL PURPOSE ASSESSMENT
APPROPRIATENESS OF UNDERLYING SUBJECT MATTER AND THE SUITABILITY OF CRITERIA
OTHER ASPECTS OF PRECONDITIONS
Sustainability Reporting Content Development
(by reporting entity management)
Practitioner obtains an understanding of the sustainability information in the sustainability report and the development thereof through consideration of the following areas:
Underlying subject matter;
Entity context; and
Reporting infrastructure.
Paragraphs 53-71
Rational Purpose
Practitioner uses professional judgment to assess whether the sustainability assurance engagement exhibits a rational purpose:
Consideration 2: Whether aspects of the subject matter information are expected to be excluded from the assurance engagement, and the reason for the exclusion.
Consideration 4: Who selected the criteria to be applied to measure or evaluate the underlying subject matter, and what the degree of judgment and scope for bias is in applying them.
Paragraphs 50
Sustainability Engagement Assurance Scope
(provided by reporting entity management)
Practitioner compares the proposed assurance scope to their understanding of the information needs of the intended users.
Paragraph 73
Concluding on Rational Purpose
Practitioner uses the understanding gained to provide insight on whether the sustainability information provided aligns with the information needs of intended users.
Practitioner uses professional judgment to conclude on the impact of any omissions on whether the engagement has a relational purpose.
Paragraph 72-78
Yes
No
Precondition not present
Step 1:
Underlying Subject Matter
An appropriate underlying subject matter is:
Identifiable; AND
Capable of consistent measurement or evaluation.
Paragraph 81-85
Yes
No
Precondition not present
Step 2:
Criteria
Practitioner considers the characteristics of suitable criteria:
Relevant;
Complete;
Reliable;
Neutral; and
Understandable.
Paragraph 86-99
Concluding on Appropriateness of Underlying Subject Matter and Suitability of Criteria
Practitioner uses the understanding gained to determine whether these preconditions (appropriateness of underlying subject matter and suitability of criteria) for a sustainability assurance engagement are present.
Practitioner uses professional judgment to conclude on the impact of any omissions on whether these preconditions for a sustainability assurance engagement are present.
Paragraph 100-101
Yes
No
Precondition not present
All other preconditions beyond the scope of this SAAEPS
Practitioner establishes whether the preconditions beyond the scope of this SAAEPS are present:
The roles and responsibilities of the appropriate parties are suitable in the circumstances; and
The engagement exhibit the following characteristics:
The criteria that the practitioner expects to be applied in the preparation of the subject matter information will be available to intended users;
The practitioner expects to be able to obtain the evidence needed to support the practitioner's conclusion;
The practitioner's conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is to be contained in a written report; and
A rational purpose including, in the case of a limited assurance engagement, that the practitioner expects to be able to obtain a meaningful level of assurance.
In determining whether the engagement has a rational purpose, relevant considerations may include the following (Refer para. A56):
Consideration 1.
Consideration 3.
Consideration 5.
Consideration 6.
ISAE 3000R paragraph 24 & A56
Concluding on all other aspects of preconditions beyond the scope of this SAAEPS
Yes
No
Precondition not present
Overall Conclusion
The practitioner uses professional judgment to determine whether the preconditions for a sustainability assurance engagement are present.
Paragraph 102-105
Yes
No
All preconditions are present
Practitioner may accept or continue the sustainability assurance engagement.
Paragraph 103
All preconditions are not present
Practitioner discusses the matter with the reporting entity. If changes cannot be made to meet the preconditions, the practitioner:
Does not accept or continue the engagement.
May consider accepting a new engagement (with a new scope) to address the concerns raised.
May consider alternative forms of engagement types, for example, an agreed-upon procedures engagement.
Paragraph 104-105

APPENDIX C: Practical Example

Underlying subject matter, subject matter information and criteria

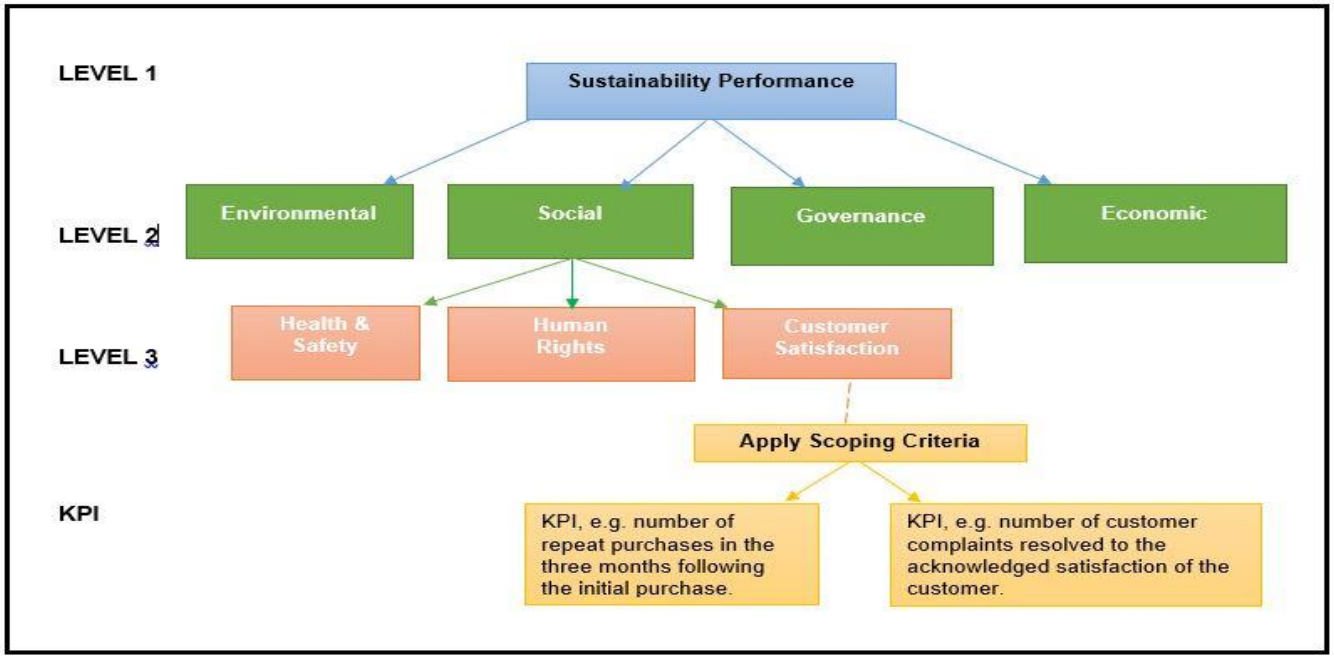
An example on customer satisfaction is demonstrated throughout this SAAEPS and included in the first column of the table. Two additional practical examples are provided to illustrate underlying subject matter, subject matter information and criteria.

The purpose of these examples is to highlight the thought-process a practitioner may undertake in determining whether the sustainability assurance engagement exhibits that the underlying subject matter is appropriate and the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.

Example of customer satisfaction used in this SAAEPS (Social) – Quantitative	**Example of Water Performance (Environmental) – Quantitative**	**Example of Employee Wellbeing (Social) – Qualitative**
Paragraphs 38-46		

Paragraph 38

In the context of sustainability reporting, the process of understanding the underlying subject matter may be disaggregated into multiple levels. To facilitate the consistent application of these concepts, a practical example is depicted in **Figure 1** and described in paragraphs 39-46. A three-level scenario is utilised to illustrate this.



Example of customer satisfaction used in this SAAEPS (Social) – Quantitative	**Example of Water Performance (Environmental) – Quantitative**	**Example of Employee Wellbeing (Social) – Qualitative**
Paragraph 39 Level 1: In the context of a sustainability report, the underlying subject matter is considered to be sustainability performance.		
Paragraph 40		
Level 2: Sustainability performance may be disaggregated into environmental, social, governance and economic performance, which become the underlying subject matter at this level. In this example, social performance is the underlying subject matter.	Level 2: Sustainability performance may be disaggregated into environmental, social, governance and economic performance, which become the underlying subject matter at this level. In this example, environmental performance is the underlying subject matter.	Level 2: Sustainability performance may be disaggregated into environmental, social, governance and economic performance, which become the underlying subject matter at this level. In this example, social performance is the underlying subject matter.
Paragraph 41		
Level 3: In disaggregating social performance further, the underlying subject matter at this level may be, for example, health and safety, human rights or customer satisfaction. Customer satisfaction is used in this example.	Level 3: In disaggregating environmental performance further, the underlying subject matter at this level may be, for example, water performance, carbon footprint or waste generated. Water performance is used in this example.	Level 3: In disaggregating social performance further, the underlying subject matter at this level may be, for example, employee wellbeing, non-discrimination or employee ethics. Employee wellbeing is used in this example.
Paragraph 42 The definition of criteria contained in ISAE 3000 (Revised) refers to the benchmarks used to measure or evaluate the underlying subject matter. In the context of sustainability reporting, it is recommended to distinguish between criteria for developing reporting content (scoping criteria) and criteria for measurement (measurement or evaluation criteria). The two may be defined as follows:		

<table>
<tr><th>Example of customer satisfaction used in this SAAEPS (Social) – Quantitative</th><th>Example of Water Performance (Environmental) – Quantitative</th><th>Example of Employee Wellbeing (Social) – Qualitative</th></tr>
<tr><td colspan="3">Scoping criteria: This considers which KPIs and/or disclosures may be used to evaluate performance pertaining to the underlying subject matter at the various levels, and which disclosed KPIs are scoped into the sustainability assurance engagement. This may be considered as part of determining whether the sustainability assurance engagement exhibits a rational purpose.
Measurement or evaluation criteria: This considers measurement or evaluation protocols for identified KPIs and/or disclosures, i.e. the criteria used in the particular engagement to measure or evaluate the underlying subject matter. This may be considered as part of determining whether the sustainability assurance engagement exhibits the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.</td></tr>
<tr><td colspan="3">Paragraph 43

Unless specified, when this SAAEPS refers to criteria it refers to both the scoping criteria and measurement or evaluation criteria.</td></tr>
<tr><td colspan="3">Paragraph 44

In the context of providing assurance on sustainability information, the selection or development of criteria is the responsibility of the reporting entity. The practitioner’s responsibility is to determine whether the sustainability assurance engagement exhibits the criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances.</td></tr>
<tr><td colspan="3">Paragraph 45</td></tr>
<tr><td>Using the example of customer satisfaction, the application of scoping criteria may result in the selection by management of the most appropriate KPIs in the context of the reporting entity. An example may be the number of customer complaints resolved to the acknowledged</td><td>Using the example of water performance, the application of scoping criteria may result in the selection by management of the most appropriate KPIs in the context of the reporting entity. An example may be the quantity of water recycled or the recycled water reintroduced into production.</td><td>Using the example of employee wellbeing, the application of scoping criteria may result in the selection by management of the most appropriate KPIs in the context of the reporting entity. An example may be compliance with the grievance policy of the reporting entity. The measurement or</td></tr>
</table>

Example of customer satisfaction used in this SAAEPS (Social) – Quantitative	**Example of Water Performance (Environmental) – Quantitative**	**Example of Employee Wellbeing (Social) – Qualitative**
satisfaction of the customer or the number of repeat purchases in the three months following the initial purchase. The measurement or evaluation criteria may provide measurement protocols that are relevant to both of these KPIs.	The measurement or evaluation criteria may provide measurement protocols that are relevant to both of these KPIs.	evaluation criteria may provide measurement protocols that are relevant to this KPI.
Paragraph 46		
An example of subject matter information in this case may be the actual number of customer complaints resolved to the acknowledged satisfaction of the customer (e.g. 20 customer complaints resolved), resulting from applying the relevant measurement or evaluation criteria.	An example of subject matter information in this case may be the actual quantity of water recycled (e.g. 20,000 Kl of water), resulting from applying the relevant measurement or evaluation criteria.	An example of subject matter information in this case may be a statement made by management of the reporting entity that it has fully complied with the grievance policy of the reporting entity, resulting from applying the relevant measurement or evaluation criteria.
Paragraph 85		
To illustrate how the determination of whether the sustainability assurance engagement exhibits that the underlying subject matter is appropriate may work in practice, the example in ISAE 3000 (Revised)[42] is used. In the example, the measurement protocols used in relation to the	In the example, the measurement protocols used in relation to the quantity of water recycled are the measurement or evaluation criteria, and water performance is the underlying subject matter. • *Identifiable:* For water performance to be	In the example, the measurement protocols used in relation to compliance with the grievance policy of the reporting entity are the measurement or evaluation criteria, and employee wellbeing is the underlying subject matter.

42. ISAE 3000 (Revised), paragraph A10.

Example of customer satisfaction used in this SAAEPS (Social) – Quantitative	**Example of Water Performance (Environmental) – Quantitative**	**Example of Employee Wellbeing (Social) – Qualitative**
number of customer complaints resolved to the acknowledged satisfaction of the customer are the measurement or evaluation criteria, and customer satisfaction is the underlying subject matter. • *Identifiable:* For customer satisfaction to be identifiable, it should be observable as existing or having occurred. It may be argued that customer satisfaction may take many forms, and its identifiability as an underlying subject matter may not be immediately apparent. However, if the practitioner notes that the underlying subject matter of customer satisfaction, in this case, is interpreted as the number of customer complaints resolved to the acknowledged satisfaction of the customer, this assists with the identifiability question because customer complaints may be identified and observed through the records of customer complaints. However, if the reporting entity requests the practitioner to, for example, assure a statement that	identifiable, it must be observable as existing or having occurred. It may be argued that water performance may take many forms, and its identifiability as an underlying subject matter may not be immediately apparent. However, if the practitioner notes that the underlying subject matter of water performance, in this case, is interpreted as the quantity of water recycled, this assists with the identifiability question because the quantity of water recycled can be identified and observed through the water measurement records. However, if the reporting entity requests the practitioner to, for example, assure a statement that reporting entity X has the best water performance in the industry, the identifiability of the underlying subject matter is challenging. In this case, the practitioner does not have enough information to identify the actual underlying subject matter. The practitioner will have trouble identifying the specific aspect of water performance that can	• *Identifiable:* For employee wellbeing to be identifiable, it must be observable as existing or having occurred. It may be argued that employee wellbeing may take many forms, and its identifiability as an underlying subject matter may not be immediately apparent. However, if the practitioner notes that the underlying subject matter of employee wellbeing, in this case, is interpreted as compliance with the grievance policy of the reporting entity, this assists with the identifiability question because compliance with the grievance policy of the reporting entity can be identified and observed through the records of employee grievances. • Capable *of consistent measurement or evaluation:* In the case of compliance with the grievance policy of the reporting entity, it may be said that this is capable of consistent measurement or evaluation if the grievance policy is well defined and understood. The underlying subject matter must also be

Example of customer satisfaction used in this SAAEPS (Social) – Quantitative	**Example of Water Performance (Environmental) – Quantitative**	**Example of Employee Wellbeing (Social) – Qualitative**
reporting entity X has the highest level of customer satisfaction in its industry, the identifiability of the underlying subject matter may be challenging. In this case, the practitioner may not have enough information to identify the actual underlying subject matter. The practitioner may have difficulty in identifying the specific aspect of customer satisfaction that may be said to be better than reporting entity X's competitors, i.e. one entity's definition of customer satisfaction compared to that of another entity. Customer satisfaction may be interpreted as the number of repeat purchases in the three months following the initial purchase, customer complaints resolved to the acknowledged satisfaction of the customer or any other measurement. Without the detail of the measurement or evaluation criteria, the identifiability requirement may not be met. • *Capable of consistent measurement or*	be said to be better than reporting entity X's competitors. Water performance could be interpreted as the quantity of water recycled, the recycled water reintroduced into production or any other measurement. Without the detail of the criteria, the identifiability requirement cannot be met. • *Capable of consistent measurement or evaluation:* In the case of the quantity of water recycled, it may be said that this is capable of consistent measurement or evaluation if recycled water is well defined and understood. The underlying subject matter must also be observable to an extent that it allows consistent measurement or evaluation. Considerations of consistent measurement or evaluation can also assist if consensus exists around accepted methodologies to measure or evaluate a specific underlying subject matter. It would then appear as if an underlying subject matter that is identifiable should be capable	observable to an extent that it allows consistent measurement or evaluation. Considerations of consistent measurement or evaluation can also assist if consensus exists around accepted methodologies to measure or evaluate a specific underlying subject matter. It would then appear as if an underlying subject matter that is identifiable should be capable of consistent measurement or evaluation. However, even though there might be no dispute around the identifiability of an underlying subject matter, the method to consistently measure or evaluate the underlying subject matter may be disputed.

Example of customer satisfaction used in this SAAEPS (Social) – Quantitative	**Example of Water Performance (Environmental) – Quantitative**	**Example of Employee Wellbeing (Social) – Qualitative**
evaluation: In the case of the number of customer complaints resolved to the acknowledged satisfaction of the customer, it may be said that this is capable of consistent measurement or evaluation if a complaint is well defined and understood. The underlying subject matter should also be observable to the extent that it allows consistent measurement or evaluation. Considerations of consistent measurement or evaluation may also assist if consensus exists around methodologies to measure or evaluate a specific underlying subject matter. It may then appear as if an underlying subject matter that is identifiable should be capable of consistent measurement or evaluation. However, even though there might be no dispute around the identifiability of an underlying subject matter, the method to consistently measure or evaluate the underlying subject matter may be disputed.	of consistent measurement or evaluation. However, even though there might be no dispute around the identifiability of an underlying subject matter, the method to consistently measure or evaluate the underlying subject matter may be disputed.	

Example of customer satisfaction used in this SAAEPS (Social) – Quantitative	**Example of Water Performance (Environmental) – Quantitative**	**Example of Employee Wellbeing (Social) – Qualitative**
Paragraph 99		
The example of customer satisfaction is used to illustrate what a practitioner may encounter in a sustainability assurance engagement. In this example, the underlying subject matter is customer satisfaction and the subject matter information is the actual number of complaints resolved to the acknowledged satisfaction of the customer. In this case, the measurement or evaluation criteria may be the benchmarks (or measurement or evaluation protocols) used to arrive at the actual number of complaints resolved to the acknowledged satisfaction of the customer. The following considerations may be found in the reporting entity's reporting policies (or equivalent): • *Relevance:* Is the way that the measurement or evaluation is defined relevant to assist the decision-making of the intended users? In this example, it may be relevant to measure or evaluate customer satisfaction by way of the resolution of	The example of water performance is used to illustrate what a practitioner may encounter in a sustainability assurance engagement. In this example, the underlying subject matter is water performance and the subject matter information is the actual quantity of water recycled. In this case, the measurement or evaluation criteria may be the benchmarks (or measurement or evaluation protocols) used to arrive at the actual quantity of water recycled. The following considerations may be typical: • *Relevance:* Is the way that the measurement or evaluation is defined relevant to assist the decision-making of the intended users? In this example, the relevant measure or evaluation is recycled water that can be reused as drinking water, which is relevant since that measures or evaluates recycled water quality to a desired standard. However, if the measure or evaluation was the recycled	The example of employee wellbeing is used to illustrate what a practitioner may encounter in a sustainability assurance engagement. In this example, the underlying subject matter is employee wellbeing and the subject matter information is a statement made by management of the reporting entity that it has fully complied with the grievance policy of the reporting entity. In this case, the measurement or evaluation criteria may be the benchmarks (or measurement or evaluation protocols) used to arrive at a statement made by management of the reporting entity that it has fully complied with the grievance policy of the reporting entity. The following considerations may be typical: • *Relevance:* Is the way that the measurement or evaluation is defined relevant to assist the decision-making of the intended users? In this example, compliance with the grievance policy of the reporting entity is unlikely to be a relevant measure or evaluation criteria.

complaints to the acknowledged satisfaction of the customer, since that provides decision-useful information about customer satisfaction. However, if the measure or evaluation was the number of returned calls to aggrieved customers, this is unlikely to be a relevant measure or evaluation because a return call may not have completely resolved the complaint and may therefore not provide decision-useful information about customer satisfaction. • *Completeness:* Do the measurement or evaluation criteria omit any relevant factors that may reasonably be expected to affect the decisions the intended users made on the basis of that subject matter information? For example, the measurement or evaluation of the number of complaints resolved to the acknowledged satisfaction of the customer may rely on information from a variety of sources. Complete criteria includes an appropriate description of all the sources that are to be included as part of the measurement or evaluation. Complete measurement or evaluation thereof would	water reintroduced into production, this is unlikely to be a relevant measure or evaluation because the quality standards relating to recycled water that is reintroduced into production may be different (higher/lower) from those needed for recycled water that can be reused as drinking water. • *Completeness:* Do the measurement or evaluation criteria omit any relevant factors that could reasonably be expected to affect the decisions the intended users made on the basis of that subject matter information? For example, the measurement or evaluation of the quantity of water recycled may rely on information from a variety of sources. Complete criteria should include an adequate description of all the sources that are to be included as part of the measurement or evaluation. Complete measurement or evaluation thereof would not omit information from any of the relevant sources. • *Reliability:* This characteristic applies more to the robustness of the actual measurement or	However, an employee satisfaction survey may be a more relevant measure or evaluation criteria. • *Completeness:* Do the measurement or evaluation criteria omit any relevant factors that could reasonably be expected to affect the decisions the intended users made on the basis of that subject matter information? For example, the measurement or evaluation of compliance with the grievance policy of the reporting entity may rely on information from a variety of sources. Complete criteria should include an adequate description of all the sources that are to be included as part of the measurement or evaluation. Complete measurement or evaluation thereof would not omit information from any of the relevant sources. • *Reliability:* This characteristic applies more to the robustness of the actual measurement or evaluation protocol. The practitioner assesses whether the measurement or evaluation effectively describes the sources of information and how the calculation should

not omit information from any of the relevant sources. • *Reliability:* This characteristic applies more to the robustness of the actual measurement or evaluation protocol. The practitioner assesses whether the measurement or evaluation effectively describes the sources of information and how the calculation should be performed to ensure that results are consistent and not dependent on prior knowledge of the topic by the preparer or practitioner. In the example above, the way that the number of complaints resolved to the acknowledged satisfaction of the customer is defined may determine whether the practitioner is satisfied that the reliability characteristic is met. • *Neutrality:* Management may define a specific measurement or evaluation in such a way that it slants the result and sheds a favourable light on a specific area of performance. For example, management may define the number of complaints	evaluation protocol. The practitioner assesses whether the measurement or evaluation effectively describes the sources of information and how the calculation should be performed to ensure that results are consistent and not dependent on prior knowledge of the topic by the preparer or practitioner. In the example above, the way that the quantity of water recycled is defined may determine whether the practitioner is satisfied that the reliability characteristic is met. • *Neutrality:* Management may define a specific measurement or evaluation in such a way that it slants the result and sheds a favourable light on a specific area of performance. For example, management may define the quantity of water recycled as the recycled water reintroduced into production. However, the recycled water reintroduced into production may not be reusable as drinking water. Even though this definition may be reliable, it will not be free from bias and cannot be said to be neutral. Neutrality speaks to how information is	be performed to ensure that results are consistent and not dependent on prior knowledge of the topic by the preparer or practitioner. In the example above, the way that compliance with the grievance policy of the reporting entity is defined may determine whether the practitioner is satisfied that the reliability characteristic is met. • *Neutrality:* Management may define a specific measurement or evaluation in such a way that it slants the result and sheds a favourable light on a specific area of performance. For example, management may make a statement in the reporting entity's sustainability report that it has fully complied with the grievance policy. However, an employee satisfaction survey may provide a more neutral measurement or evaluation. Even though this definition may be reliable, it will not be free from bias and cannot be said to be neutral. Neutrality speaks to how information is required to be identified, collated, summarised, adjusted and presented (quantitatively and qualitatively), and how any bias in this is recognised and

resolved to the acknowledged satisfaction of the customer as a return call to a customer. However, a return call may not have completely resolved the complaint. Even though this definition may be reliable, it may not be free from bias and may not be said to be neutral. Neutrality speaks to how information is identified, collated, summarised, adjusted and presented (quantitatively and qualitatively), and how any bias in this is recognised and managed. Once again, an understanding of the information needs of the intended users may assist the practitioner in this assessment. • *Understandability:* To reach a conclusion on the understandability characteristic, the practitioner matches the information needs of the intended users to the complexity of the measurement or evaluation, i.e. whether the resulting subject matter information may be understood by the intended users, including that it is not presented and disclosed in such a way that it may adversely affect the user's interpretation	required to be identified, collated, summarised, adjusted and presented (quantitatively and qualitatively), and how any bias in this is recognised and managed. Once again, a sound understanding of the information needs of the intended users may assist the practitioner in this assessment. • *Understandability:* To reach a conclusion on the understandability characteristic, the practitioner needs to match the information needs of the intended users to the complexity of the measurement or evaluation. This judgment will be largely based on the knowledge of the intended users and the industry of the reporting entity.	managed. Once again, a sound understanding of the information needs of the intended users may assist the practitioner in this assessment. • *Understandability:* To reach a conclusion on the understandability characteristic, the practitioner needs to match the information needs of the intended users to the complexity of the measurement or evaluation. This judgment will be largely based on the knowledge of the intended users and the industry of the reporting entity.

and understanding of the message being communicated. This judgment may largely be based on the knowledge of the intended users and the industry of the reporting entity.		