YOUR PATH TO EXTERNAL ASSESSMENT
About KPMG
KPMG member firms are some of the world’s leading providers of audit, tax and advisory services. Operating in 156 countries, KPMG’s culture and values are aligned with the UN Global Compact’s ten principles and are at the heart of how it conducts business. Globally, KPMG is using its capacity and capability as an international network to support sustainable development, working strategically with governments, non-government organisations and the private sector to make an impact. KPMG understands that responsible business practices contribute to broad-based development and sustainable markets.

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About the United Nations Global Compact
Launched in 2000, the United Nations Global Compact is both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to catalyze actions in support of broader UN goals. With 8,000 corporate signatories in 145 countries, it is the world’s largest voluntary corporate sustainability initiative. www.unglobalcompact.org

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Introduction

Sustainability reporting has developed into normal practice over the last decade. Stakeholders from various perspectives request more and better information. With that, the need to demonstrate credibility of public disclosures rises.

Robust reporting, however, can be challenging. Misstated data is common, even though systems mature and companies become more sophisticated in understanding and measuring their impact. KPMG’s International Survey of Corporate Responsibility Reporting 2011* showed that data errors appeared in 12% of reports, three times as high as for financial reporting.

External assessment can help strengthen the value that sustainability reporting provides to both the company and its stakeholders. It can bring confidence to investors and other stakeholders, as well as protect a business from market shocks through the creation of goodwill and trust. Furthermore, external assessment can drive improvements in corporate sustainability performance.

External assessment is now seen as a best practice by the Global Compact, which is demonstrated by the incorporation of external assessment into the disclosure framework. Global Compact participants are required to share their sustainability efforts with stakeholders through an annual Communication on Progress (COP). Depending on the level of disclosure, each COP is categorized as GC Learner, GC Active or GC Advanced. Companies at the GC Advanced level report on a comprehensive set of criteria, including some type of external assessment.

This guide is designed to help companies of all types and sizes understand the options available for external assessment and the implementation of an appropriate strategy. It explains what external assessment is, what types of external assessment are available, and suggests a process to select the most appropriate option to the company.

THE COP AND A SUSTAINABILITY REPORT CAN BE ONE AND THE SAME

A Communication on Progress (COP) is an annual public disclosure participating companies make to stakeholders (e.g., investors, consumers, employees, suppliers, civil society, governments etc.) on progress made in implementing the Ten Principles of the Global Compact, and in supporting wider UN goals and issues. Many companies publish a stand-alone COP that is not part of any larger report. Others communicate progress via a broader sustainability report, annual financial report and/or integrated report.

A sustainability report is a medium by which organizations disclose the most relevant social, environmental, governance, and economic issues affecting their business success.** The Global Compact encourages companies to use other complementary reporting frameworks to create their COPs according to their needs.

To make the COP widely available to internal and external stakeholders and to avoid duplication of efforts, it should be fully integrated into the participant’s main medium of stakeholder communications, including (but not limited to) a sustainability report and/or an integrated annual report.

Regardless of the format a company chooses to use to disclose progress, external review can increase the quality and credibility of its corporate reports.

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Understanding External Assessment

What is External Assessment?
External assessment is a review by a credible third party of the information in a sustainability report or a COP. It may focus on accuracy and/or completeness, presentation, clarity, and the reporting organization’s actual conduct, etc. A credible third party is defined as groups or individuals external to the reporting organization who are demonstrably competent in the subject matter and eligible to provide feedback on the basis of their role towards the company and their independent position.

There are two main types of external assessment: assessment by stakeholders and third party assurance providers.

Types of External Assessment

a. ASSESSMENT BY STAKEHOLDERS
Stakeholder panels can help identify material issues and provide comment on sustainability reports or COPs. Ideally, they bring together experts and stakeholders from outside the company to interact with senior management in considering the issues relevant to its operations. Stakeholder panels are best equipped to comment on whether the business understands the material issues and is therefore managing them appropriately. They do not typically assess the accuracy of the information reported or its underlying management systems, though a focused stakeholder panel may have enough expertise to comment meaningfully on some aspects of data integrity.

Effective panels should be a two-way process and go beyond a company merely informing stakeholders. They should enable stakeholders to influence decisions before they are made, rather than being apprised of them afterwards.

When developing a strategy for external assessment of sustainability reports, and when designing a stakeholder panel, consideration needs to be given to its scope and terms of reference (ToRs), the areas of expertise required and ensuring the independence of its members.

Companies have often used stakeholders’ input to develop understanding and achieve solutions on a number of issues, such as enhancing corporate reporting. In fact, the Global Compact, GRI, OECD Principles on Corporate Governance and AccountAbility’s AA1000 Stakeholder Engagement Standard all drive business towards identifying, prioritizing and being accountable to stakeholders. Likewise, the move towards integrated reporting also demands meaningful interaction and engagement with stakeholders to identify material issues and demonstrate responsiveness on the part of companies.

**Global Reporting Initiative, The External Assurance of Sustainability Reporting, 2013, p 5**

EMERGING TRENDS: INTEGRATED REPORTING <IR>

Beyond the information that has been provided in traditional, regulated financial disclosures, integrated reporting <IR> is emerging as a way to take the aspects of a company’s environmental, social and ethical performance that are material to value creation and integrate them with material information about the financial and intangibles, such as intellectual capital, to produce a concise communication of value - an integrated report.

WHAT COULD <IR> MEAN FOR THE PRACTICE OF EXTERNAL ASSESSMENT?

• Consensus on the right terminology to use when referring to integrated assurance/auditing;
• Need for more multi-disciplinary assurance teams with higher degrees of specialization;
• Creation of interim solutions while companies’ non-financial management systems, internal control and information quality catches up to existing financial standards; and
• Development of market-led, internationally accepted standards for measuring and reporting non-financial information to enable standardization and comparability.

EXTERNAL ASSESSMENT OF SUSTAINABILITY REPORTS SHOULD:

• Reassure stakeholders, directors, and senior management of the accuracy and credibility of publicly disclosed information;
• Provide confidence to management that sustainability information can be used in the decision making process;
• Provide useful feedback to improve internal controls and sustainability performance as well as transparency on key achievements and challenges.

Stakeholder panels primarily address the question, “Is the business reporting the relevant information?”

Assurance providers generally focus on answering the question, “Does the information reported provide a reliable picture?”
<table>
<thead>
<tr>
<th>PANEL TYPE</th>
<th>OVERVIEW</th>
<th>ADVANTAGES</th>
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<td><strong>FOCUSED STAKEHOLDER PANELS</strong></td>
<td>Focused stakeholder panels review specific KPIs or specific activity based on the Ten Principles of the Global Compact – in the areas of human rights, labour, the environment and Anti-Corruption. Members include trade union and work counsel representatives, investors, local government, NGOs, academics or other opinion leaders relevant to the panel’s focus.</td>
<td>Focused panels are able to engage stakeholders on complicated or locally sensitive issues to help ensure effectiveness and credibility. Through knowledge and expertise, comments are made about how the specific issues or locally sensitive concerns are being managed and reported. Focused panels can report on the company’s actual progress and thus add to the transparency of the COP as well as drive progress.</td>
<td>Despite its focus, stakeholder panels do not perform detailed investigation or audit quality and accuracy of information. However, because of its focus and expertise, it may be able to provide limited comments on data integrity. Investment is needed to ensure the panel understands the needs of the company in relation to its area of focus. Without this, panels can lack impact with debate remaining theoretical. Focused stakeholder panels will not take a comprehensive view on the company’s total progress.</td>
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<td><strong>GENERAL STAKEHOLDER PANELS</strong></td>
<td>General stakeholder panels review the broad performance related to the Global Compact providing comments and advice on the company’s COP. Members need to represent a wide range of interest and skills including internal stakeholders, investors, local government, NGOs, academics and external opinion leaders.</td>
<td>General stakeholder panels provide far reaching strategic input into how the company manages its commitment to the Global Compact as well as how the COP has reported the material issues affecting the business. Through the wider set of experts and interests represented, comments can be made concerning the wider performance of the business, how it understands its impacts and if it is managing them appropriately.</td>
<td>Similar to focused panels, general panels do not audit quality and accuracy of information. As with focused panels, general panels need investment to ensure relevance and influence on the company. General panels have difficulty balancing representation of stakeholders with expert opinion, e.g. an NGO’s opinion could differ from an academic opinion.</td>
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<tr>
<td><strong>PEER GROUP COP REVIEW PANELS</strong></td>
<td>Although individual companies, trade alliances and professional bodies can develop their own methodology, the Global Compact Networks in the UK, Netherlands and the Nordic countries have worked together to develop an approach to assess COPs. This method has reviewers consider each COP along two critical dimensions: (1) Implementation of Global Compact principles (2) Transparency and disclosure. Members of peer group COP review panels are made up of participants from the Global Compact and are facilitated by select Global Compact Local network offices. A number of COPs can be reviewed at one time by the same panel.</td>
<td>If following the methodology developed by the Global Compact Local Networks, peer group panels are able to comment on the company’s performance against the principles of the Global Compact due to their knowledge of the issue areas and commitment to the Global Compact. These panels are a cost-effective way of providing external assessment of COPs due to the role the Global Compact Local Networks play in facilitating the review.</td>
<td>As with focused and general panels, peer group review panels do not investigate or audit quality and accuracy of information reported. Peer group panels are not specific to the company and provide a similar service to other members. The time and investment available to understand the business to ensure influence on its strategy might be limited. Peer group panels are not necessarily experts and only provide general comment. Consideration needs to be given on how to ensure independence of these panels. Bias could occur due to the presence of competitors (negative bias) or because the company under review will also be reviewing the companies on the panel (positive bias).</td>
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Source: Adapted from “Critical Friends: The Emerging Role of Stakeholder Panels in Corporate Governance, Reporting, and Assurance” © 2007 AccountAbility and UTOPIES, p. 38
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<tr>
<th>TERMS OF REFERENCE</th>
<th>RECRUITMENT</th>
<th>INDEPENDENCE</th>
<th>OUTPUT</th>
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<td>The company convening the panel should draft a Terms of Reference (ToR), with external assistance if necessary asking “what do we want to get from a panel?” and “what will the outcomes be?” The ToR should cover the process to be followed, including access to information from the company, independence of the stakeholder panel and how the panel has impacted management decisions. The final ToR should be agreed between the panel and the convening company and be made publically available.</td>
<td>The AA1000 Stakeholder Engagement Standard is recommended for this process. The company should map material issues and identify key stakeholder groups, skills and expertise needed. Based upon analysis, the company should identify individuals or organizations for invitation onto the panel. Structure and remuneration of the panel should be publically available.</td>
<td>Remuneration will be expected – directly or through covering costs and ensuring appropriate donations are provided. Ensure that the individual or organization understands their independence to the company. Panel members should recognize their role in influencing the business and the panel’s interaction with other stakeholders.</td>
<td>Regardless of the focus of the panel, or who convenes it, the outputs need to be clear and transparent. There is no standard format. However, common practice suggests that the outcome of review panels should include: 1) Structure of the panel including people’s names, jobs/titles and why they have been invited to be on the panel. 2) Overview of the process followed and a reminder of the terms of reference guiding the panel. 3) Feedback on areas being reviewed and other areas of concern or praise identified by the panel. This section should also include recommendations and guidance for improvement. 4) Company response to the panel’s findings and recommendations and if it believes it is unable to act upon a recommendation, a justification as to why.</td>
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If following the Global Compact methodology ToR should be set by the Local Networks and made publically available. For companies, trade alliance and professional bodies designing Peer Group COP review panels, ensure ToR are publically available. Members are made up of Global Compact participants and Local Network representatives. In some instances, independent facilitators are engaged to assist this process. | | |

If developing a new process through a trade alliance or professional body, or if running a panel through the Global Compact Local Networks, peer group COP review panels are often seen as part of participating companies’ commitment to the organization. Those who attend are both reviewer and reviewee. To ensure independence and due process is followed, an external rating agency or professional service firms can help facilitate/chair the process. |
b. THIRD PARTY ASSURANCE PROVIDERS

The role of financial auditing is well understood. It adds confidence that the financial statements fairly represent a business’s position and performance when communicating with its stakeholders, including regulators and investors.

Assurance engagements share a number of similarities with financial auditing. Through assurance, specialized professionals such as sustainability service firms, engineering firms, accountants and consulting firms, review the accuracy and integrity of the data and information reported. They then draw a conclusion meant to enhance the readers’ confidence about the outcome of the evaluation against criteria related to the subject matter.7

In order to assess the reported information and provide a credible opinion on the accuracy of the data in a COP, assurance providers must have knowledge of the issue areas of the Global Compact principles — human rights, labour, environment and anti-corruption. In contrast to financial auditing, this often means that sustainability assurance engagements are performed by teams of specialists with different backgrounds. Many professionals in these specialist departments have a background in environmental or social issues.
Engineering firms are often not specialists in social performance indicators including human rights and labour and anti-bribery and corruption and therefore usually can only provide assurance over a limited scope.

Furthermore there is not an overarching assurance standard that they can be held to account for, making the quality and accountability dependent on the quality of the individual firm/professionals.

Some of the larger firms of chartered accounts have developed methodologies that include an assessment of the material issues affecting a business and the strategy it has developed to deal with them. However, this is not consistent.

Sustainability service firms cover a broad set of organizations – from small, boutique consultancies to larger organizations. Some of the latter have begun to develop their own standards, such as the AA1000 series. These firms may or may not have the skills to provide assurance on specific KPIs and datasets, such as GHG emissions and anti-bribery and corruption.

Smaller firms may struggle to provide meaningful assurance for large multinational, multisite engagements.

The scope of an assurance engagement is similar to the ToR for a stakeholder panel.

When drafting a scope, the company needs to ask itself what it wants to achieve through the assurance engagement and what it expects from the outcome of the assurance process.

During this process, the company should also decide what it wants assurance provided on – the whole report or only specific data sets such as GHG emissions – and what level of assurance it wants. Providers offer either “reasonable assurance” (high but not absolute) or “limited assurance” (moderate).

Traditionally, the focus of the assurance engagement is data quality, which means management information and systems and internal control will need to be assessed. However, increasingly companies are asking for assurance to be carried out on the whole report.

According to the Institute of Chartered Accountants of England and Wales and the GRI, the elements of an independent assurance report should include:

- Addressee of the report e.g., management,
- Introduction including a statement of the overall objectives and the responsibilities of reporter and assurer,
- Scope referencing the sustainability information assured,
- Level of assurance. Assurance providers often offer two levels: “reasonable assurance” (i.e. high but not absolute) or “limited assurance” (i.e. moderate),
- Identification of criteria according to which the professional accountant assessed the sustainability information,
- Reference to relevant standards (e.g., ISAE 3000),
- Limitations including comments on any noteworthy restrictions on either the scope of the information assured or on the assurance activities, such as the unavailability of some data, or changes in the data gathering systems,
- Summary of the work the professional accountant performed and
- Assurance conclusion, including recommendations, worded according to the type of assurance provided.

Adapted from the following sources: “Sustainability Assurance: Your Choice” © 2010 ICAEW Audit and Assurance Faculty. “The External Assurance of Sustainability Reporting” © 2013 Global Reporting Initiative.

rather than accounting. This mixed background is crucial for assurance on sustainability reports, no matter who is providing it.**

Among assurance services rendered by sustainability service firms, engineering firms, accountants and individual providers, a number of differences exist concerning what is assessed and the type of checks carried out. For example, accountants are governed by an institutionalized framework which includes assurance standards, extensive training requirements to ensure quality, codes of conduct and disciplinary court options. They are also trained in assessing governance and controls in relation to information and can therefore provide advice on the underlying management systems. Sustainability service firms more often provide commentary on whether the report is tackling the material issues affecting the company, rather than drawing a single conclusion on the reliability of the information presented.

** KPMG Sustainability, Better assurance starts with better understanding, 2006, p 13
Selecting an External Assessment Option

Getting Ready
Before choosing from the types of assessment available, a company should master two key inputs to a successful external assessment: disclosing materiality and the internal audit function. Once they are in place, external assessment options, including stakeholder panels and/or third party assurance, must be agreed upon.

KEY INPUT 1: DISCLOSING MATERIALITY
Commonly accepted definitions of materiality vary among countries, jurisdictions, professional fields, and disciplines. To ensure quality, reporters are encouraged to determine the most appropriate definition in their context, make it clear at the outset, and consistently apply this principle in developing reports.

Through stakeholder engagement (which can be defined as collecting input from parties who are materially impacted by the business and identifying the issues that need to be addressed to optimize these impacts) and stakeholder panels, the material issues affecting a business can be agreed upon and prioritized so that a strategy can be developed for managing them. These will vary from company to company and between sectors and geographies.

Companies should regard the Global Compact issue areas as paramount in their lists of issues, while recognizing that the Ten Principles will apply differently to each company. There may also be a number of material issues not captured by the Global Compact issue areas, but that could impact the broader sustainability performance of the company. These should be included in the process.

In the COP, it is just as important to outline the process to determine the outcomes of the materiality assessment as it is to disclose the outcomes themselves. Indeed, the information will be scrutinized as a whole in a high-quality external assessment.

KEY INPUT 2: INTERNAL AUDIT
As internal audit teams are employed by the company, they cannot provide an independent external opinion. However, they can play an important role in relation to external assessment of sustainability information. In fact, the internal audit should be the foundation of any external audit or assurance engagement and can help a company prepare its systems for external assessment.

An integrated internal audit plan covering the evaluation of material sustainability issues can remove functional divisions, which improves transparency between internal audit, external audit, sustainability, health and safety and other risk functions. This can enhance management by reducing the risk of publically misstated data, increasing confidence and providing a holistic understanding of a company’s performance.*

Identifying the Options
After agreeing and prioritizing material issues and developing an appropriate strategy to manage and report on them, a company should consider which external assessment options it should apply to its sustainability report or COP. Its objectives, the maturity of its reporting systems and management approach towards sustainability, as well as its budget, will not only impact the type and mix of external assessment options, but will also determine the classification of the COP within the Global Compact Differentiation Programme.

The following is intended to help companies understand the connection between the maturity of reporting systems and internal controls in relation to the maturity of management of sustainability issues and the different levels within the Global Compact platform. Once a company has gained this understanding, it will be able to create its strategy for external assessment.

GC Learner (low maturity of reporting, internal controls and management of sustainability issues): A COP at this level reveals that the company is at its least mature stage in managing sustainability issues and disclosing progress. It is beginning to understand the impact it has on its stakeholders but there has been no materiality assessment and there

are no formal systems in place to manage impact. Informal management systems — even if undocumented — might have been developed, although implementation can be ad hoc. A company’s COP is unlikely to fulfill the minimum requirements or to withstand the scrutiny of external assessment and is classified as GC Learner. However, it is a good idea to disclose plans for external assessment of the COP at this stage.

GC Active (medium maturity of reporting, internal controls and management of sustainability issues): A COP at this level reveals a coordinated approach towards managing sustainability and disclosure has been developed. A basic understanding of the company’s material issues is in place, although this is most often derived from internal stakeholder perspectives. Management systems are in place and documented, although some issue areas are stronger than others. A COP at this stage contains quantitative and/or qualitative KPIs on the four issue areas of the Ten Principles of the Global Compact.

GC Advanced (high maturity of reporting, internal controls and management of sustainability issues): A COP at this level reveals a highly mature sustainability strategy augmenting the business strategy and allowing a company to understand its material issues through comprehensive stakeholder engagement. Management systems are robust, applied across the company and monitored to ensure effectiveness. They allow for real-time management information to be provided, which informs decision-making. The few COPs at this stage cover material aspects of all four issue areas and broader UN goals, and are externally assessed in line with company needs and stakeholder expectations. Among these, some COPs are pioneering new approaches to reporting that enable the company to meet changing information needs of stakeholders and, concurrently, piloting new methods of external assessment beyond traditional financial information.

What to expect from external assessment?
There are three distinct phases in carrying out any type of external assessment — planning, execution, and reporting and feedback. According to the Global Reporting Initiative (GRI)*, external assessment needs to be integrated into the reporting process, and whatever method of assessment is chosen, regular and open communication with the assessment provider is advised throughout the process. Throughout the external assessment process discussions take place between the assessors who challenge the scope of the information, the completeness of the issues dealt with and the exact wording of the report. A well-designed and implemented assessment strategy not only results in an opinion by assessors about whether the company reports honestly and openly, it also produces recommendations on how to better embed the management of sustainability issues in the organization and how to improve internal information systems**.

** KPMG Sustainability, BETTER ASSURANCE STARTS WITH BETTER UNDERSTANDING, 2006, p8.
How to Make the Right Decision

There is no “one size fits all” approach to the external assessment of COPs. Depending on the maturity of the company, the needs identified by its management, and stakeholder expectations, the type of assessment will vary. There may also be a need to develop a hybrid approach for external assessment that will change over time as a company’s systems mature.

For example, a company might seek external assurance over a number of data sets as well as commentary from a stakeholder panel on the report as a whole. Or, if the systems behind the data sets are not mature enough, a focused stakeholder panel could be used until systems are developed enough to withstand the scrutiny of external assurance.

In developing the right strategy for external assessment a company needs to ask itself the right questions in the right order.
1. Objective:
   a) Why is the company developing a strategy for external assessment? E.g., to provide internal and external confidence over data, to meet legal and other requirements on corporate reporting or to help ensure continuous improvement of internal controls and management systems.
   b) What does the company want to achieve through external assessment? E.g., an opinion to be included in its report or clear recommendations for improving performance.
   c) Who is the audience of the COP? E.g., investors, community groups or other stakeholders.

2. Materiality:
   a) Has the company developed an approach to analyze the material issues affecting it?
   b) Has the company integrated these into the strategy for managing its commitment to the Global Compact?

3. Organizational Maturity:
   a) An assessment of the company’s maturity in relation to the following questions:
      › Strategy to implement sustainability and the Global Compact issue areas into the business?
      › Reporting processes compared to external standards and competitors?
   b) Does the COP cover all issue areas to the necessary extent?

4. Scope:
   a) What will be assessed? E.g., the whole report, specific KPIs or a mixture of different areas. This will be driven partially by understanding the company’s objectives, but also by having an understanding of the maturity of its systems and material issues.
   b) What type of external assessment is right for the company?

Making the Right Choices
External assessment is a process. Once the right strategy has been approved, it will need to be revisited periodically to ensure it meets the objective and scope and remains relevant to the company. The right external assessment will help a company advance its strategies and move forward on the progression.
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<th>MATURITY LEVEL</th>
<th>RECOMMENDATIONS</th>
<th>EXTERNAL ASSESSMENT OPTIONS</th>
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<tr>
<td><strong>Low maturity of sustainability reporting, internal controls and management (GC Learner)</strong></td>
<td>Engage internal stakeholders, including management, to formalize a sustainability strategy, including reporting and external assessment plans. Prioritize material issues and formalize management systems across the business. This can be done step-by-step. Disclose plans to have the credibility of the information in the report or COP externally assessed. Establish and/or strengthen internal controls.</td>
<td>Peer group review panels – This type of panel best suits companies that are not used to external assessment. It helps the company become familiar with the assessment process while providing advice on improving management systems. Chartered accountants and sustainability service firms will be able to help a company devise appropriate strategies and prepare it for external assessment. Stakeholder panels could do the same, if the company is prepared to take this step.</td>
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| **Medium maturity of sustainability reporting, internal controls and management (GC Active)** | Develop understanding of materiality through engagement with external stakeholders – a general or focused stakeholder panel. This will help develop a full sustainability strategy which could withstand external assessment. Strengthen internal controls and ensure they are comprehensively applied across the company. | As there will be some areas of good practice and some weaknesses, a hybrid approach to external assessment could be developed: Where KPI performance and management systems are robust, chartered accountants, sustainability service firms and engineering firms can provide third party verification or formal assurance. For less developed KPIs, focused stakeholder panels can guide a company in developing the right strategy while providing comment for reporting and preparing it for formal assurance. General or focused stakeholder panels – They can help a company assess materiality and can provide comment, for reporting purposes, on the company’s sustainability performance as a whole. |

| **High maturity of sustainability reporting, internal controls and management (GC Advanced)** | Strengthen company-wide understanding and buy-in to the sustainability strategy. This requires leadership from senior management and in communications including the COP. Use reporting to strengthen strategy and improve performance. Use global standards/guidelines for reporting where useful. Streamlining reporting systems to make reporting less burdensome. Continue implementing the external assessment strategy. Optimize information gathering and data collection processes. Shape the direction of corporate reporting globally. Integrate material sustainability information into annual financial reporting in value and competitiveness terms. Pilot new methods of external assessment beyond traditional financial information. | A hybrid approach to external assessment best suits companies with this level of maturity: It is expected that all Global Compact issue areas will be well managed, plus other material sustainability issues. Chartered accountants, sustainability service firms and engineering firms can be engaged to provide formal assurance or third party verification on the report to assess accuracy and completeness. General stakeholder panels – Ongoing stakeholder engagement programmes to manage materiality. These panels can also provide comment for the report and help evolve the sustainability strategy. Focused Stakeholder Panels – Companies with a fully integrated business strategy can benefit from focused panels for specific areas of activity (e.g., low-carbon design, inclusive business models, etc). They can also provide comment for annual reporting. Chartered accountants may provide formal assurance on sustainability-related information in conjunction with the financial audit. This is particularly pertinent for companies with integrated reports who seek insight on a company’s value creation story. Sustainability service firms and engineering firms could provide a similar service. |
Help is available through Global Compact Local Networks, relevant business associations and trade bodies. As the ownership and structure of many companies make external assessment challenging, it is important to remain pragmatic about what can be achieved, timelines involved and the budget needed. With this analysis in hand, a company can better engage with stakeholders and peers, chartered accountants, sustainability service firms and/or engineering firms to ensure that external assessment not only provides confidence to internal and external stakeholders, but also helps to progress the company with its sustainability strategies and the integration of the Global Compact issue areas.
Appendix: Suggested Checklist

Understand External Assessment (p. 5-9)
› Materiality analysis is in place.
› Appropriate management systems have been developed.
› An internal audit function has been considered to assess sustainability performance.
› Understand the benefits external assessment brings to the company.
› Know the difference between assessment by stakeholders and third party assurance providers, who can provide it, and when each option is ideal.

Identifying the Options (p. 10-11)
› Recognize where the company falls on the progression matrix

How to Make the Right Decision (p. 12-15)
› Use the questions to examine the company’s objectives, materiality analysis, organizational maturity, and scope.
› Consider the recommendations and available external assessment options.
› Choose the best option(s) for the company and be aware this may change in the future.
› Sustainable management and external assessment strategies are reviewed and progressed when needed.
The Ten Principles of the United Nations Global Compact

HUMAN RIGHTS

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2 make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4 the elimination of all forms of forced and compulsory labour;
Principle 5 the effective abolition of child labour; and
Principle 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7 Businesses should support a precautionary approach to environmental challenges;
Principle 8 undertake initiatives to promote greater environmental responsibility; and
Principle 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.