

Memorandum of Understanding (MoU)

Agreement between Ecologic Designs (GRI Reporting Organization), Symbiotic Engineering (Assurance Provider), and Valparaiso University (as part of the GRI Matchmaker program) providing additional overview



MEMORANDUM OF UNDERSTANDING (MoU)

Ecologic Designs, Inc. (ED), Symbiotic Engineering, LLC (SE), and Valparaiso University (VU)

Background

Ecologic Designs, Inc (ED), is a Boulder, Colorado based manufacturer of adventure and lifestyle gear that is changing the outdoor industry. We are devoted to outdoor lifestyle and business promotional products that have a positive environmental and social impact, while raising ecological awareness. We specialize in using recycled and reclaimed materials such as reclaimed highway billboards, inner tubes, recycled climbing rope and natural sustainable fabrics. Our products actually have a positive impact on the planet and give consumers a variety of one-of-a-kind products that match their personality.

Symbiotic Engineering, LLC (SE) is a greenhouse gas and sustainability management company, located in Boulder, Colorado. Our mission statement states that we are Defining Green™ and sustainability together with clients using an iterative participatory approach. This requires quantifying environmental, economic and social impacts, utilizing internationally accepted protocols and methodologies, to provide innovative and cost-effective solutions that enhance our client's sustainability. For these reasons, we have chosen the Global Reporting Initiative (GRI) framework for reporting sustainability and the AccountAbility assurance standard (AA1000AS – 2008) as the internationally most relevant protocol.

Valparaiso University, founded in 1859, is an independent coeducational institution of higher education situate in Valparaiso, Indiana, just outside of Chicago. With a student population of approximately 4,000, "Valpo" belongs to a distinctive group of colleges and universities that consistently earns national recognition for the quality of its academic programs that integrate liberal arts education with professional preparation. In addition to its Liberal Arts program, Valpo maintains four professional colleges: Law, Engineering, Nursing and Business Administration. Valpo's School of Business Administration also offers an MBA program. Both business programs emphasize in each of the degrees and majors offered, a keen and firm commitment to researching and developing business practices which infuse ethics and environmental concerns into operational systems.

Work Performed

The work tasks performed by ED, SE, and VU are separate and objective documents and are described in detail in this section. No monetary exchange will occur between the parties identified in this MoU other than an undetermined and totally voluntary donation from ED to a not for profit called Birambye International (BI – www.birambye.org) that supports an orphanage in Western Province, Rwanda. SE also supports BI as members, but not financially. In the spirit of transparency, all work completed by SE, VU and ED will be posted on CorporateRegister.com and will be open for use to all interested parties, but with the requirement that the authoring organizations will be referenced. The tasks outlined in this MoU are described below.

- ED will complete a sustainability report for the year 2007 following the G3 GRI framework (Appendix A-1) and will also complete the economic, environmental, and social indicators (Appendix A-2) that have been deemed material by their stakeholders, both internal and external.

- SE will complete an objective external assurance report based on the AA1000AS-2008 standard (Appendix B-1) to review ED's GRI report. The only interaction between SE and ED will be to discuss the AA1000AS-2008 standard requirements and discuss the principles contained within the assurance report.
- VU will provide an overall critique of both ED's and SE's tasks to identify risks or conclusions not stated in either report, and comment on how methodologies for reporting and stakeholder engagement could be improved for future iterations of ED's sustainability reporting.

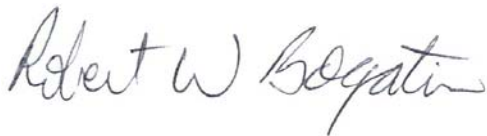
Reporting Requirements

As stated earlier, all three reports will be separate and objective. The sequence of reporting requires that ED complete their GRI sustainability report prior to SE's assurance report. Likewise, VU will then report on the process after both GRI and Assurance reports are completed. Given semester time constraints for VU, the anticipated schedule is as follows:

- ED's GRI report to be completed by end of March, 2008
- SE's Assurance report to be completed by mid-April, 2008
- VU's overview report to be completed by mid-May, 2008

Signatures

Ecologic Designs, Inc.



Robert W. Bogatin, VP Business Operations, Owner

DATE: March 15th, 2008

Symbiotic Engineering, LLC



Mark Reiner, Principal,

DATE March 13, 2008

Valparaiso University

Elizabeth Gingerich

Elizabeth F. R. Gingerich, J.D., Associate Professor of Business Law,

DATE March 22, 2008

APPENDIX A-1

GRI Reporting Framework

Section 1.1:

Statement from the most senior decisionmaker of the organization. Short-, Medium- and Long-term trends and challenges. Key events, achievements and views on performance. Broader trends affecting sustainability.

Section 1.2:

Description of key impacts, risks, and opportunities. Section two should focus on the impact of sustainability trends, risks and opportunities.

Section 2.1:

Name of the organization

Section 2.2:

Primary brands, products, and/or services

Section 2.3:

Operational structure of the organization

Section 2.4:

Location of organization's headquarters

Section 2.5:

Number of countries where the organization operates

Section 2.6:

Nature of ownership and legal form

Section 2.7:

Markets served (including geographic breakdown, sectors, and types of customers)

Section 2.8:

Scale of the reporting organization, including: #employees, net sales, products.

Section 2.9:

Significant changes during the reporting period regarding size, structure, or ownership.

Section 2.10:

Awards received in the reporting period

Section 3.1:

Reporting period (e.g., fiscal/calendar year) for information reported

Section 3.2:

Date of most recent previous report (if any)

Section 3.3:

Reporting cycle (annual, biennial, etc.)

Section 3.4:

Contact point for questions regarding the report or its contents

Section 3.5:

Process for defining report content, including: materiality, prioritization, stakeholders

Section 3.6:

Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities..etc)

Section 3.7:

State any specific limitations on the scope or boundary of the report

Section 3.8:

Basis for reporting on joint ventures, subsidiaries that can significantly affect comparability

Section 3.9:

Data measurement techniques and the bases of calculations, assumptions and omission of GRI Protocols

Section 3.10:

Explanation of the effect of any re-statements of information in earlier reports

Section 3.11:

Significant changes from previous reporting periods in scope, boundary or measurements

Section 3.12:

Table of Contents identifying the location of the Standard Disclosures in the report

Section 3.13:

Policy and current practice with regard to seeking external assurance on the report

Section 4.1:

Governance structure of the organization, including committees responsible for strategy

Section 4.2:

Indicate whether the Chair of the highest governance body is also an executive officer

Section 4.3:

Unitary board structure, # of members of the highest governance body that are non-executives

Section 4.4:

Mechanisms for shareholders/employees to provide recommendations to governance body

Section 4.5:

Linkage between compensation for highest members and organizations performance (including env. and social)

Section 4.6:

Processes in place for the highest governance to ensure conflicts of interest are avoided

Section 4.7:

Process for determining the qualifications of highest members for guiding through 3Es

Section 4.8:

Internally developed statements of mission or codes of conduct relevant to 3Es and implementation

Section 4.9:

Frequency of which the highest governance body assesses movement towards sustainability

Section 4.10:

Processes for evaluating the highest governance body's own performance with respect to the 3Es

Section 4.11:

Explanation of risk management and new products is addressed by the precautionary approach

Section 4.12:

Externally developed economic, environmental, and social charters organization subscribes to

Section 4.13:

Memberships in associations and/or national/international advocacy

Section 4.14:

List of stakeholder groups: community, clients, shareholders, employees, suppliers

Section 4.15:

Basis for identification and selection of stakeholders with whom to engage

Section 4.16:

Approaches to stakeholder engagement, including frequency of engagement and type

Section 4.17:

Key topics and concerns that have been raised through stakeholder engagement and response

Section 5.0:

Management Approach and Performance Indicators

Section 5.1:

Economic – Disclosure on Management Approach and Indicators Reported

Section 5.1.1: Disclosure on Performance Indicators

Section 5.1.2: Goals and Performance

Section 5.1.3: Policy Disclosure

Section 5.1.4: Organizational Responsibilities

Section 5.1.5: Training and Awareness

Section 5.1.6: Monitoring and Follow-up

Section 5.1.7: Additional Contextual Information

Section 5.2:

Environmental – Disclosure on Management Approach and Indicators Reported

Section 5.2.1: Disclosure on Performance Indicators

Section 5.2.2: Goals and Performance

Section 5.2.3: Policy Disclosure

Section 5.2.4: Organizational Responsibilities

Section 5.2.5: Training and Awareness
Section 5.2.6: Monitoring and Follow-up
Section 5.2.7: Additional Contextual Information

Section 5.3:

Social -- Disclosure on Management Approach and Indicators Reported

Section 5.3.1: Disclosure on Performance Indicators
Section 5.3.2: Goals and Performance
Section 5.3.3: Policy Disclosure
Section 5.3.4: Organizational Responsibilities
Section 5.3.5: Training and Awareness
Section 5.3.6: Monitoring and Follow-up
Section 5.3.7: Additional Contextual Information

APPENDIX A-2

Sustainability Indicators

Global Reporting Initiative - G3 Report Level Content							
Report Application Level	Sections			Section Description and Requirements	Level	Level	Level
					C	B	A
Management Approach and Performance Indicators	Economic Indicators						
	Management Approach Disclosures						✓
	Economic Performance	EC1	Core	Direct economic value generated including; operating costs, employee compensation, community investment, taxes.	Report on 10 indicators including at least one from Economic, Environmental, and Social.	✓	Report on 20 indicators including at least one from Economic, Environmental, and Labor Practices, Human Rights, Society.
		EC2	Core	Financial implications and other risks and opportunities for organization's activities due to climate change			
		EC3	Core	Coverage of the organization's defined benefit plan obligations			
		EC4	Core	Significant financial assistance received from government			
	Market Presence	EC5	Additional	Range of ratios of standard entry level wage compared to local minimum wage at locations of significant operations			
		EC6	Core	Policy, practices, and proportion of spending on locally-based suppliers at locations of significant operations			
		EC7	Core	Procedures for local hiring and proportion of senior management from local community			
	Indirect Economics	EC8	Core	Development of infrastructure investments and services provided for public benefit through commercial or in-kind			
		EC9	Additional	Understanding and describing significant indirect economic impacts, including extent of impacts			
	Environmental Indicators						
	Management Approach Disclosures						✓
	Materials	EN1	Core	Materials used by weight or volume	Report on 10 indicators including at least one from Economic, Environmental, and Social.	✓	Report on 20 indicators including at least one from Economic, Environmental, and Labor Practices, Human Rights, Society.
		EN2	Core	Percentage of materials used that are recycled input materials			
	Energy	EN3	Core	Direct energy consumption by primary energy source			
		EN4	Core	Indirect energy consumption by primary source			
		EN5	Additional	Energy saved due to conservation and efficiency improvements			
		EN6	Additional	Initiatives to provide energy-efficient or renewable energy based products and reduction in energy demand			
		EN7	Additional	Initiatives to reduce indirect energy consumption and reductions achieved			
	Water	EN8	Core	Total water withdrawal by source.			
		EN9	Additional	Water sources significantly affected by withdrawal of water			
		EN10	Additional	Percentage and total volume of water recycled and reused			
	Biodiversity	EN11	Core	Location and size of land owned, managed in or adjacent to, protected areas of high biodiversity outside of boundary.			
		EN12	Core	Description of significant impacts of activities, on biodiversity in protected areas and outside of protected areas.			
EN13		Additional	Habitats protected or restored.				
EN14		Additional	Strategies, current actions, and future plans for managing impacts on biodiversity.				
EN15		Additional	Number of IUCN Red List species and national conservation list species in areas of operation.				
Emissions, Effluent, and Waste	EN16	Core	Total direct and indirect greenhouse gas emissions by weight.				
	EN17	Core	Other relevant indirect greenhouse gas emissions by weight.				
	EN18	Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved.				
	EN19	Core	Emissions of ozone-depleting substances by weight.				
	EN20	Core	NO, SO, and other significant air emissions by type and weight.				
	EN21	Core	Total water discharge by quality and destination.				
	EN22	Core	Total weight of waste by type and disposal method.				
	EN23	Core	Total number and volume of significant spills.				
	EN24	Additional	Weight of imported/exported/treated waste deemed hazardous and percent of waste shipped internationally.				
	EN25	Additional	Identity, size, protected status, and biodiversity value of water bodies affected by organization's discharge.				

Sustainability Indicators - Continued

Management Approach and Performance Indicators	Products and Services	EN26	Core	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.	Report on 10 IR	Report on 20 IR Practices, Hur	Report on each	
		EN27	Core	Percentage of products sold and their packaging materials that are reclaimed by category.				
	Compliance	EN28	Core	Monetary value of significant fines and non-monetary sanctions for non-compliance with environmental laws.				
	Transport	EN29	Additional	Environmental impacts of transporting products/goods/ and other materials used for organization's operations.				
	Overall	EN30	Additional	Total environmental protection expenditures and investments by type.				
	Social Performance Indicators							
	Management Approach Disclosures						√	√
	Labor Practices and Decent Work							
	Employment	LA1	Core	Total workforce by employment type, employment contract and region.	Report on 10 indicators including at least one from Economic, Environmental, and Social.	Report on 20 indicators including at least one from Economic, Environmental, and Labor Practices, Human Rights, Society, and Product Responsibility.	Report on each Core Indicator, or reason for omission.	
		LA2	Core	Total number and rate of employee turnover by age group, gender and region.				
		LA3	Additional	Benefits provided to full-time employees that are not provided to temporary or part-time employees by operation				
	Labor/Management Relations	LA4	Core	Percentage of employees covered by collective bargaining agreements.				
		LA5	Core	Minimum notice period(s) regarding operational changes, including whether specified in collective agreements.				
	Occupational Health and Safety	LA6	Additional	Percentage of total workforce represented in formal joint management-worker health and safety committees.				
LA7		Core	Rates of injury, occupational diseases, lost days and absenteeism and work related fatalities by region.					
LA8		Core	Ed./training/counseling/prevention/risk programs in place to assist workforce members and families regarding disease.					
Training and Education	LA9	Additional	Health and safety topics covered in formal agreements with trade unions.					
	LA10	Core	Average hours of training per year per employee by employee category.					
	LA11	Additional	Programs for skills management and life-long learning and employability of employees.					
Diversity and Equal Opportunity	LA12	Additional	Percentage of employees receiving regular performance and career development reviews.					
	LA13	Core	Breakdown of employees; according to gender, age group, minority group and other indicators of diversity.					
	LA14	Core	Ratio of basic salary of men to women by employee category.					
Human Rights								
Investment and Procurement Practices	HR1	Core	Percentage and total number of investment agreements that include human rights or screening for human rights.					
	HR2	Core	Percentage of significant suppliers and contractors that have undergone human rights screening.					
	HR3	Additional	Total hours of employee training on policies and procedures concerning human rights relevant to operations.					
Non-Discrimination	HR4	Core	Total number of incidents of discrimination and actions taken					
Collective Bargaining	HR5	Core	Operations identified in which the right to exercise freedom of association and collective bargaining may be at risk.					
	HR6	Core	Operations having significant risk for incidents of child labor and measures toward elimination of child labor.					
Forced Labor	HR7	Core	Operations identified as having significant risk for incidents of forced or compulsory labor and measures to eliminate.					
Security Practices	HR8	Additional	Percentage of security personnel trained in organization's policies regarding human rights relevant to operations.					
Indigenous Rights	HR9	Additional	Total number of incidents of violations involving rights of indigenous people, and actions taken.					
Society Performance								
Community	S01	Core	Nature, scope, and effectiveness of any programs that assess impacts of operations on communities.					
	S02	Core	Percentage and total number of business units analyzed for risks associated with corruption.					
Corruption	S03	Core	Percentage of employees trained in organization's anti-corruption policies.					
	S04	Core	Actions taken in response to incidents of corruption.					
Public Policy	S05	Core	Public policy positions and participation in public policy development and lobbying.					
	S06	Additional	Total value of financial and in-kind contributions to political parties and politicians by country.					
Anti-Competitive	S07	Additional	Total number of legal actions for anti-competitive behavior and their outcomes.					
Compliance	S08	Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws.					
Product Responsibility								
Customer Health and Safety	PR1	Core	Life cycle stages in which health and safety impacts of products and services are assessed for improvements.					
	PR2	Additional	Number of incidents of non-compliance with regulations and voluntary codes regarding health and safety of products.					
Product and Service Labeling	PR3	Core	Type of product and service information required by procedures, services and products subject to info requirements.					
	PR4	Additional	Total number of incidents of non-compliance concerning project and service labeling by outcome.					
	PR5	Additional	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.					
Marketing Communications	PR6	Core	Programs for adherence to laws, standards, related to advertising, promotion and sponsorship.					
Customer Privacy	PR7	Additional	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing regulations.					
	PR8	Additional	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.					
Compliance	PR9	Core	Monetary value of significant fines for non-compliance with laws and regulations concerning use products and services.					

APPENDIX B-1

Assurance Report – AA1000AS-2008 Format

AA1000AS (2008) Table of Contents

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1.0 Principles for Conducting Sustainability Assurance

1.1 Stakeholder Engagement

The AA1000 Stakeholder Engagement Standard (AA1000SES) establishes requirements for effective, quality stakeholder engagement. AA1000SES requires that the reporting organization have in place a stakeholder engagement strategy and plans and processes to achieve the strategy. The following steps are included:

1. Identify stakeholders
2. Initial identification of material issues
3. Determine and define engagement strategy, objective and scope
4. Establish engagement plan and implementation schedule
5. Identify ways of engaging that work
6. Build and strengthen capacity
7. Engage with stakeholders in ways that facilitate understanding, learning and improvement
8. Operationalize, internalize and communicate learning
9. Measure and assess performance
10. Assess, re-map and re-define

Tests

1. Does the reporting organization have in place a stakeholder strategy and processes adequate to achieve this strategy?
2. Have stakeholders been involved in the determination of material issues?
3. Is there a process for resolving conflicts or dilemmas between different expectations regarding materiality?

1.2 Content Principles

These principles enable the assurance provider to evaluate the extent to which the organization has identified, understands and responds to those sustainability issues that are material to its ability to create and sustain value. Evaluations of the organization's identification, understanding and response shall be based on these Principles.

1.2.1 Materiality

Material sustainability issues are those social, environmental and economic issues that affect an organization's ability to create and maintain value while addressing stakeholder needs and concerns.

The Assurance Provider shall evaluate the manner and extent to which the Reporting Organization has determined what issues, concerns and impacts are relevant and important to its sustainability performance; why, how and at what point they are relevant and important to sustainability performance; and who they are relevant and important for. An organization should consider not only those issues over which it has management control but also those issues that it can influence. The Assurance Provider should also clearly state the boundaries of enquiry in the assurance statement.

Materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful. The relative importance of qualitative and quantitative factors in

determining materiality is a matter of professional judgment. The criteria should provide a complete understanding of relevance and importance.

- Relevance is determined by analyzing an issue or concern in relation to sustainability drivers and key relationships with stakeholders.
- Importance is determined by analyzing the severity of impact (nature, extent and scale) in relation to whether it has occurred, is occurring or is likely to occur.

Establishing criteria for analyzing the relevance and importance of issues and thereby determining their materiality can be linked to current risk practices. The effective use of risk management practices requires the consideration of both positive and negative issues, and should identify and evaluate opportunities as well as risks.

AccountAbility has developed the 5-part materiality test. This is explained in detail in *Redefining Materiality*³. While this process intends to provide a benchmark for analyzing relevance, it is not a requirement. The process identifies and tests issues in relation to:

- direct financial impacts,
- policy-related performance,
- organizational peer-based norms,
- stakeholder behavior and concerns, and
- societal norms.

The following criteria provide a benchmark for evaluating adherence to the principle. An Assurance Provider will need to establish what is required to determine that these criteria are met and what evidence is necessary. Different levels of assurance may require different levels of evidence.

1. Is there a process in place to determine what is material?
2. Does the process include an evaluation of relevance?
3. Does the process include an evaluation of importance?
4. Does the process fairly represent the views and importance of stakeholders?
5. Are the criteria for evaluation clear and understandable?
6. Have the processes been systematically applied?
7. Is the determination of materiality consistent with stakeholder views?
8. In your professional judgment, are there any material omissions or misrepresentations?
9. In your professional judgment, does the report address all material performance issues?
10. Is the relative significance of material issues and related performance put into context?

1.2.2 Completeness

There is a growing trend towards reporting on specific issues and to specific stakeholders or users, and to providing assurance appropriate to those users. Completeness is fully understanding your material issues, their associated impacts and opportunities, and why they are a concern for you and your stakeholders. The Assurance Provider shall evaluate the manner and extent to which the Reporting Organization ensures that the identification of material aspects, and their relation to the stakeholders for whom they are material, is fair and balanced and that the understanding and communication of the material aspects and the organization's performance in response to them is fair and balanced.

- Fairness should consider factors such as the importance, relevance, reliability, comparability, and understandability of information.
- Balance requires that the reporting organization's reported sustainability performance is not distorted by overemphasis that camouflages an omission.

An Assurance Provider should analyze the way in which the organization has established boundaries for:

- the identification of the organization's issues and concerns,
- the scope of the assurance engagement, and
- the scope of the report.

The following criteria provide a benchmark for evaluating adherence to the principle.

1. Is there a process in place to determine boundaries (e.g. of the organization, of the assurance engagement, of the report)?
2. Is there a process in place to fully research and understand the range of issues and concerns material to the organization and its stakeholders?
3. Is there a process in place to address the range of issues and concerns raised by stakeholders?
4. Does the organization have a process for deciding what is fair and balanced for any specific report?
5. Have the above processes (1-4) been systematically applied?
6. Do stakeholders agree that reporting is fair and balanced?
7. Are specific reports and communications fair and balanced?

1.2.3 Responsiveness

Responsiveness is coherently responding to material issues and material stakeholders concerns.

The Assurance Provider shall evaluate the manner and extent to which the Reporting Organization has responding to the relevant and important issues, concerns and impacts (material issues), and communicated these responses to stakeholders without material misstatement.

An organization should have a process in place to respond to material issues, that is, to develop and implement policies, strategies and plans consistent with stakeholder interests. A systematic process for determining the relevance and importance of material issues will provide the basis for decisions about priority. An organization's processes and mechanisms for providing access should reflect the different needs and capacities of its stakeholders and should not require unreasonable effort. Information should be clear and understandable. An Assurance Provider should evaluate the access of stakeholders

- to the process for developing responses (policies, strategies, plans), and
- to information about responses.

The following criteria provide a benchmark for evaluating adherence to the principle.

1. Does the organization have in place a process to decide what issues to respond to?
2. Does the organization have a process in place to integrate its responses into its management, governance and change processes?
3. Have the above processes been systematically applied?

4. Does the organization allocate adequate resources to enable the implementation of commitments?
5. Is the information on the organization's response available and accessible to stakeholders?
6. Is communication of the response consistent with stakeholder views?
7. Does the organization have processes in place to prevent material misstatements when communicating its response to stakeholders?
8. Does the organization identify any shortfalls and implement corrective action in relation to its responsiveness?

1.2.4 The Interrelationship of the principles

All principles are based on a foundation of inclusivity. Inclusivity is the starting point for determining material aspects. Responsiveness depends on the determination of material aspects. Completeness ensures that the determination of material aspects, and their relation to the stakeholders for whom they are material, is fair and balanced; and that the response to material aspects, as well as to stakeholders, is also fair and balanced.

The assurance provider shall evaluate the report and underlying systems and information to assess whether information and processes used in the preparation of a report have been gathered, recorded, compiled, analyzed, and disclosed in a way that, when examined, establishes the quality and materiality of the information. The information and data included in a report should be supported by internal controls or documentation that could be reviewed by individuals other than those who prepared the report.

Disclosures about performance that are not substantiated by evidence should not appear in a sustainability report unless they represent material information, and the report provides unambiguous explanations of any uncertainties associated with the information. The decision-making processes underlying a report should be documented in a manner that allows the basis of key decisions (such as processes for determining the report content and boundary or stakeholder engagement) to be examined. In designing information systems, reporting organizations should anticipate that the systems could be examined as part of an external assurance process.

An Assurance Provider will need to establish what is required to determine that these criteria are met and what evidence is necessary.

1. The scope and extent of external assurance is identified.
2. The original source of the information in the report can be identified by the organization.
3. Reliable evidence to support assumptions or complex calculations can be identified by the organization.
4. Representation is available from the original data or information owners, attesting to its accuracy within acceptable margins of error.

1.3 *Quality of information principles*

These principles enable the assurance provider to evaluate the quality of information. Evaluations of information shall be based on these Principles. Note: These principles are based on those on GRI G3.

1.3.1 Reliability

The assurance provider shall evaluate the report and underlying systems and information to assess whether information and processes used in the preparation of a report have been gathered, recorded, compiled, analyzed, and disclosed in a way that, when examined, establishes the quality and materiality of the information. Stakeholders should have confidence that a report could be checked to establish the veracity of its contents and

the extent to which it has appropriately applied Reporting Principles. Disclosures about performance that are not substantiated by evidence should not appear in a sustainability report unless they represent material information, and the report provides unambiguous explanations of any uncertainties associated with the information.

The following criteria provide a benchmark for evaluating adherence to the principle.

1. The scope and extent of external assurance is identified.
2. The original source of the information in the report can be identified by the organization.
3. Reliable evidence to support assumptions or complex calculations can be identified by the organization.
4. Representation is available from the original data or information owners, attesting to its accuracy within acceptable margins of error.

1.3.2 Clarity

The assurance provider shall evaluate the report and underlying systems and information to assess whether information is made available in a manner that is understandable and accessible to the intended users of the report.

The following criteria provide a benchmark for evaluating adherence to the principle.

1. The report contains the level of information required by stakeholders, but avoids excessive and unnecessary detail.
2. Stakeholders can find the specific information they want without unreasonable effort through tables of contents, maps, links, or other aids.
3. The report avoids technical terms, acronyms, jargon, or other content likely to be unfamiliar to stakeholders, and should include explanations (where necessary) in the relevant section or in a glossary.
4. The data and information in the report is available to stakeholders, including those with particular accessibility needs (e.g., differing abilities, language, or technology).

1.3.3 Balance

The assurance provider shall evaluate the report and underlying systems and information to assess whether it reflects both positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance.

The following criteria provide a benchmark for evaluating adherence to the principle.

1. The report discloses both favorable and unfavorable results and topics.
2. The information in the report is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis.
3. The emphasis on the various topics in the report is proportionate to their relative materiality.

1.3.4 Comparability

The assurance provider shall evaluate the report and underlying systems and information to assess whether issues and information have been selected, compiled, and reported consistently, and whether reported information has been presented in a manner that enables stakeholders to analyze changes in the organization's

performance over time, and could support analysis relative to other organizations. Comparability is necessary for evaluating performance. Stakeholders using the report should be able to compare information reported on economic, environmental, and social performance against the organization's past performance, its objectives, and, to the degree possible, against the performance of other organizations.

Consistency in reporting allows internal and external parties to benchmark performance and assess progress as part of rating activities, investment decisions, advocacy programs, and other activities. Comparisons between organizations require sensitivity to factors such as differences in organizational size, geographic influences, and other considerations that may affect the relative performance of an organization. However, within the confines of the Principle of Materiality, organizations should aim for consistency in their reports over time. When changes occur with the boundary, scope, length of the reporting period, or content (including the design, definitions, and use of any Indicators in the report), reporting organizations should, whenever practicable, restate current disclosures alongside historical data (or vice versa).

The following criteria provide a benchmark for evaluating adherence to the principle.

1. The report and the information contained within it can be compared on a year-to-year basis.
2. The organization's performance can be compared with appropriate benchmarks.
3. Any significant variation between reporting periods in the boundary, scope, length of reporting period, or information covered in the report can be identified and explained.
4. Where they are available, the report utilizes generally accepted protocols for compiling, measuring, and presenting information, including the GRI Technical Protocols for Indicators contained in the Guidelines.
5. The report uses GRI Sector Supplements, where available.

1.3.5 Accuracy

The assurance provider shall evaluate the report and underlying systems and information to assess whether the reported information is sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance. The accuracy of qualitative information is largely determined by the degree of clarity, detail, and balance in presentation within the appropriate Report Boundary. The accuracy of quantitative information, on the other hand, may depend on the specific methods used to gather, compile, and analyze data.

The following criteria provide a benchmark for evaluating adherence to the principle.

1. The report indicates the data that has been measured.
2. The data measurement techniques and bases for calculations are adequately described, and can be replicated with similar results.
3. The margin of error for quantitative data is not sufficient to substantially influence the ability of stakeholders to reach appropriate and informed conclusions on performance.
4. The report indicates which data has been estimated and the underlying assumptions and techniques used to produce the estimates, or where that information can be found.
5. The qualitative statements in the report are valid on the basis of other reported information and other available evidence.

1.3.6 Timeliness

The assurance provider shall evaluate the report and underlying systems and information to assess whether reporting occurs on a regular schedule and information is available in time for stakeholders to make informed decisions. The timing of release refers both to the regularity of reporting as well as its proximity to the actual events described in the report.

The following criteria provide a benchmark for evaluating adherence to the principle.

1. Information in the report has been disclosed while it is recent relative to the reporting period.
2. The collection and publication of key performance information is aligned with the sustainability reporting schedule.
3. The information in the report (including web-based reports) clearly indicates the time period to which it relates, when it will be updated, and when the last updates were made.

2.0 Methodology for Conducting Sustainability Assurance

2.1 *Defining the scope of the engagement*

The scope of the assurance engagement shall be agreed between the reporting organization and the assurance provider before the assurance engagement begins. The agreement on scope shall take into consideration the affect on engagement scope that may result from the application of the content principles. A process shall be agreed that allows for adjustments to scope during the assurance engagement. Where the scope of an assurance engagement is limited, the AA1000 Assurance Standard requires that any limitations in scope are clearly stated in the assurance statement.

2.1.1 Process for identifying Intended audience / user

The scope of the assurance engagement shall include an evaluation of the process used by the organization to determine the intended users of the report and the results of that determination. The intended users shall be evaluated in the context of the organization's reporting policy and the material concerns of the intended users.

2.1.2 Process for identifying the material issues for the report

The scope of the assurance engagement shall include an evaluation of the process the organization has used to determine its material sustainability issues and the results of that process. The consideration of material issues must take place within the context of financial concerns and not just social, environmental and economic issues. There are for examples financial issues with social implications such as incentive systems.

2.1.3 Process for determining the report boundary

The scope of the assurance engagement shall include an evaluation of the process the organization has used to determine the report boundaries and the results of that process, and shall evaluate those boundaries within the context of the boundaries associated with the identification, understanding and response of the organization to its material sustainability issues.

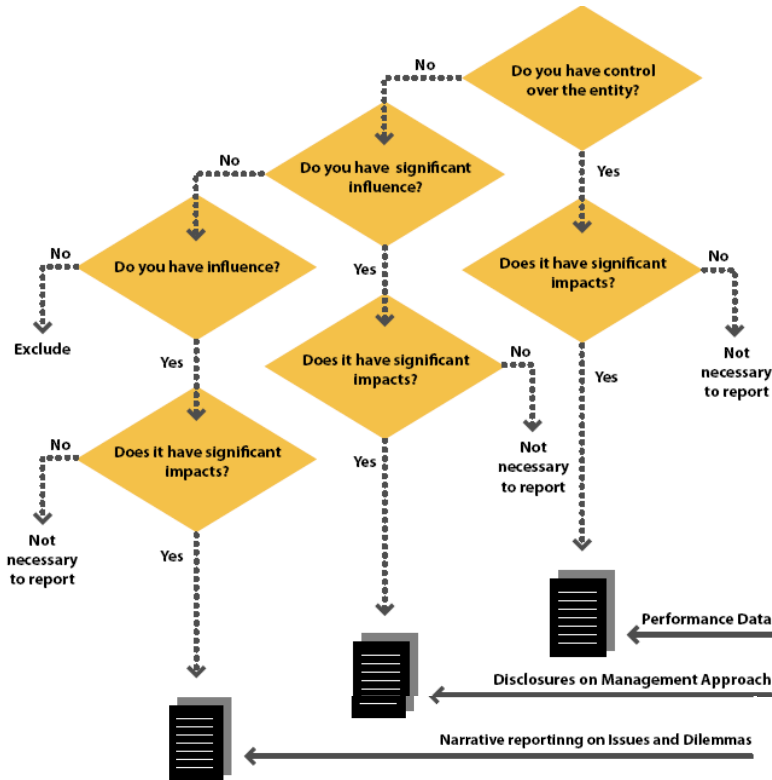


Figure 6: Decision Tree for Boundary Setting

2.1.4 Limitations

Where the full list of material sustainability issues of the organization is not included in the report because of the defined material issues of interests to the intended audience, or where the boundaries covered in the report are restricted because of the defined interest of the intended audience, the assurance provider shall ensure that this is made clear in the report and in the assurance statement.

2.1.5 Disclosures covered

The scope of the assurance engagement shall identify all disclosures (i.e. reports and other forms of communication) covered by the engagement. The assurance statement shall identify those disclosures covered by the engagement.

2.1.6 Level of assurance

The scope of the engagement shall define the anticipated level of assurance. The level of assurance shall be adjusted if during the performance of the engagement it becomes evident that information required to achieve the agreed level is not available. The assurance engagement plan shall ensure that sufficient evidence is gathered to provide the level of assurance.

AccountAbility defines ‘level of assurance’ as the level of confidence the Assurance Provider obtains concerning:

1. The scope of the subject matter (i.e. have you identified and addressing the right issues?)
2. The reliability of the information (i.e. is information accurate and consistent).

During the assurance engagement, the Assurance Provider obtains a level of assurance about the organization and articulates this in the assurance statement, recognizing that in practice the level of assurance is usually agreed between the organization and Assurance Provider at the outset of the engagement and is related to work effort; and that assurance is an iterative process during which weaknesses in the evidence and the disclosure are resolved or explained in the Report and may result in the level being adjusted. The question then becomes: how do you name or identify the levels?

The highest level of assurance is not a guarantee but an acknowledgement on the part of the Assurance Provider that any additional information would not increase their level of confidence in the conclusions has reached. The level below which assurance is not possible means that the type and quality of information available does not provide the Assurance Provider with any level of confidence. Any refinement to the statement of level obtained would explain why the highest level of confidence has not been obtained, for example, something to do with:

- deficiencies in the nature, timing or extent of evidence gathering procedures, or
- the lack of resources available to fully assess reliability.

The AA1000AS takes an open-scope approach determined by stakeholder-based materiality. It defines stakeholders as individuals and groups that affect and/or are affected by the organization and requires that Assurance Providers assess the quality of the organization's engagement with these stakeholders and the robustness of its decision-making processes regarding "stakeholder-based" materiality. The AA1000AS defines level of assurance as the level of confidence the assurance provider obtains concerning the reliability of information and the scope of the subject matter, and does not define specific levels of assurance.

2.1.7 Limitations

Any restrictions in the scope of the assurance engagement shall be addressed in the sustainability report and in the assurance statement.

2.2 *Engagement acceptance*

2.2.1 Independence and impartiality

The Assurance Provider shall be demonstrably independent from the Reporting Organization.
The Assurance Provider shall be impartial in its dealings with the Reporting Organization and its Stakeholders.

Given the diversity of possible Assurance Providers and contexts, the Provider is required to make a public Statement of Independence covering each Assurance assignment that would include:

- Declaration of independence with respect to the Reporting Organization.
- Conflict-of-interest policies that it adheres to, concerning employment relationships, for example, including any professional codes on a voluntary or mandatory basis.
- An account of any recent, ongoing or potential financial or commercial relationships between the Assurance Provider and the Reporting Organization.

The Assurance Provider is required to make public a Statement of Impartiality covering each Assurance assignment that would include:

- Declaration of impartiality with respect to Stakeholder interests.
- Recent, ongoing or potential financial or commercial relationships between the Assurance Provider and the Reporting Organization's Stakeholders involving fee-for service (e.g. consultancy, research, other forms of accounting, Assurance, or advice), governance arrangements and/or ownership (e.g. directorships or shareholdings) or membership. This should apply to both the organizations concerned.

2.2.2 Competence

Assurance Practitioners, Providers and the Reporting Organization shall ensure that the individuals and organizations involved in an Assurance Engagement are demonstrably competent. The Reporting Organization shall require the Assurance Provider to be prepared to make information available to interested Stakeholders about the competencies of the individuals involved in the Assurance Engagement.

The credibility of a Report's Assurance relies on the Assurance Provider's competencies as well as the use of appropriate standards, including the AA1000 Assurance Standard. The competencies of individual Assurance Practitioners providing Assurance should include:

- An understanding of Sustainability Assurance, including accounting and data review procedures and auditing practice
- An understanding of and ability to apply and to embed techniques and processes of stakeholder engagement and to assess and assure against these principles
- An overall understanding of sustainable development encompassing: Social and ethical issues
Environmental issues
Economic issues
- The ability to make informed professional judgments on an organization's sustainability performance

The CSAP qualification demonstrates the required competence (see the Annex below).

The competencies of the Assurance Providers should include:

- Adequate Assurance oversight to ensure that the organization is undertaking Assurance to the highest possible standards and is not compromised by commercial interests or inadequate competencies. Oversight of Assurance work is required by one or more mechanisms or processes, such as an Assurance Committee, involving people neither undertaking nor directly benefiting from the Assurance work in question.
- Adequate understanding of the legal aspects of the Assurance process, and adequate professional indemnity insurance.
- Infrastructure to ensure the above as well as the secure, long-term storage of Assurance-related material. Individual Assurance Providers (i.e. not part of any organization) must ensure that they have equivalent arrangements in place.

2.2.4 Duty of care

Assurance providers shall exercise care in accordance with the importance of the task and the confidence placed in them by the users of their assurance statement. Possessing the necessary competence is a necessary prerequisite.

2.2.5 Reporting criteria and evidence

Before accepting an engagement, the Assurance Provider shall satisfy himself that it is reasonable to assume that the reporting criteria used by the reporting organization are suitable (fit for purpose) and that sufficient evidence is available.

2.2.6 Requirements of AA1000AS (2008)

Before accepting an engagement the Assurance Provider shall satisfy himself that it is reasonable to assume that the requirements of AA1000AS (2008) can be met during the course of the engagement and that the Reporting Organization is acting in good faith.

2.2.7 Engagement Letter

The terms and conditions shall be set out in an engagement letter which shall cover:

- Objectives
- Responsibilities of reporter and assurance provider
- Applicable Code of Conduct
- Scope
- Standards to be used
- Assumptions regarding reporting criteria and evidence
- Requirements for reports and statements
- Summary of activities, including milestones, timeframes and progress reporting requirements
- Assurance Report and Assurance Statement requirements
- Confidentiality requirements
- A declaration of independence from the assurance provider
- Level of assurance anticipated
- Risks and constraints
- Fees and costs

2.3 *Performing the Engagement*

The Assurance provider shall prepare a documented plan for conducting the assurance engagement. In addition to addressing the items in the engagement letter, the Assurance provider shall provide detail on:

- Identification of key Reporting Organization and Assurance Provider contacts
- Risk assessment and planning
- Review of reporting criteria
- Evidence gathering plan for evaluations against both the content principles and the quality of information principles, including,
 - Depth and breadth of evidence gathering (to demonstrate how the anticipated level of assurance will be achieved)
 - Types of evidence

- Sources of evidence
- Activities schedule including dates and durations
- Resource requirements (human, financial, technological)
- Sampling plans to be used and rationale
- Assurance procedures to be used
- Reference documents, protocols, checklists and other working documents to be used
- Identification of key Reporting Organization and Assurance Provider contacts
- Risk assessment and planning
- Review of reporting criteria. There shall be a system in place that articulates the reporting process and structure – for example GRI – and it shall be publicly available.
- Evidence gathering plan for evaluations against both the content principles and the quality of information principles, including,
- Depth and breadth of evidence gathering (to demonstrate how the anticipated level of assurance will be achieved)
- Types of evidence
- Sources of evidence
- Activities schedule including dates and durations
- Resource requirements (human, financial, technological)
- Sampling plans to be used and rationale
- Assurance procedures to be used
- Document and quality control procedures to be used
- Reference documents, protocols, checklists and other working documents to be used

2.4 Reporting

2.4.1 Assurance statement

An assurance statement shall be issued. Any restrictions to the scope of the sustainability report or assurance engagement shall be addressed in the assurance statement. Any Claim of accordance with AA1000AS (2008) shall meet all requirements of the standard. An assurance Statement shall include the following information:

- Title
- Note on audience
- Note on roles and responsibilities
- Description of the scope of the assurance engagement
- Note on criteria
- Disclosure of methodology (including commentary on the level of assurance)
- Conclusions concerning the principles
- Findings, commentary and recommendations
- Disclosure on competencies, impartiality and independence
- Signature
- Introduction by the reporting organization to the Assurance Statement by the Reporting Organization though not mandatory can be useful. It could explain the organization's current and future approach to assurance, including:

- why assurance was used, including expectations and perceived benefits;
- the design of the assurance process; and
- which standards and frameworks were chosen for the engagement and why.
- the assurance statement
- Title. A simple and clear title should be used, for example: Independent Assurance Statement

If there is no list of intended users provided in the Report, the organization leading the assurance engagement should consider identifying the agreed audience of the Report in the Assurance Statement. The statement should state which sections of the report are the subject of the assurance engagement. Any exclusions and limitations should be explained. The statement should state how the report has defined:

- the organizational boundaries;
- the period of time covered; and
- the subject matter covered (the material issues is the responsibility of the organization).

The statement should identify the criteria used for the engagement, their suitability and their source. The statement should provide a description of the methodology used during the engagement. This should include:

- the identification of the standards and principles used and how they were used (e.g. for reference or as the basis for determining compliance) including any limitations to use;
- commentary on the level of assurance obtained by the provider;
- the evidence sought (quantity and quality of information);
- a description of the evidence gathering methods, including the depth of investigation; and
- any constraints or limitations on the access to or sufficiency of evidence.

At a minimum this should include conclusions on:

- the robustness of the process and systems used by the organization to determine material issues;
- any material omissions or misstatements;
- the robustness of the process and systems used to understand as completely as possible the impacts and opportunities associated with material issues;
- the reliability of the data and information;
- the robustness of the process and systems used to identify responses;
- the responses provided (i.e. policies, targets) in relation to stakeholder interests.

Findings, commentary and recommendations should include:

- findings concerning assertions relating to compliance to agreed standards, codes, regulations and policies;
- commentary and recommendations on areas of past and future improvement;
- commentary and recommendations on current and future values & strategy;
- commentary and recommendations on Report and assurance scope.

Disclosure on competencies, impartiality and independence. This should be provided for all Assurance Providers and experts involved in the assurance process.

Signature

Name of the lead Assurance Provider, date and location of the organization.

2.4.2 Report to management

If agreed in the letter of engagement, the Assurance provider shall provide a report to management. The report to management shall provide a greater level of detail on the conduct of the engagement and the findings. The report to management shall not communicate different or additional conclusions than those found in the assurance statement except in those cases where there is an agreed and justified need for confidentiality.

The content and style of the report should be discussed with Reporting organization as part of the design of the engagement. The report to will typically follow the structure of the assurance statement. In addition to further detail on the conduct and findings of the engagement, the report may also include information that benchmarks the reporting organization with peer organizations.

Additional detail on the conduct of the engagement should address in detail any constraints encountered during the engagement and should outline the relative strengths and limitations of the process used in the collection and analysis of information.

Retrieved from "<http://accountability.opendemocracy.net/aa1000/index.php/Methodology>"

Retrieved from "<http://accountability.opendemocracy.net/aa1000/index.php/Principles>"