

AA1000

**ACCOUNTABILITY
PRINCIPLES** 2018

LETTER TO STAKEHOLDERS

How do organisations become — and remain — sustainable? And why should they go through the trouble? Answers to these questions have both endured and evolved since previous iterations of the AccountAbility Principles first appeared, in 1999 and 2008.

Over the past two decades, and especially in the last 10 years, organisations have become increasingly focused on sustainability: what it is, why it matters and how to manage and measure it. Some have become mature practitioners of sustainability assessment, governance and performance, whilst others are now fast developing their approach or setting out on this journey.

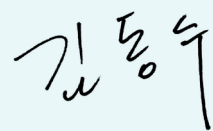
At the same time, a diverse range of stakeholders — from nonprofits to investors, consumers and others — have become more engaged with the spirit and mechanics of shared value creation. They increasingly challenge organisations to set clear sustainability objectives; to measure and monitor their progress; and to show impactful performance in areas of material importance.

Within this expanding and energised landscape, and through in-depth engagement with our own stakeholders, we have revised the AccountAbility Principles to reflect lessons learned over the past decade and best practices for the 21st century.

Designed to be of use to organisations regardless of size or sector, from its inception the AA1000AP has been a practical set of internationally accepted and auditable guiding principles with which organisations can effectively shape their sustainability strategy and successfully manage their sustainability performance. Importantly, the Principles have always been compatible with other leading sustainability standards, certification schemes and reporting frameworks.

Whilst retaining its flexibility and compatibility, this latest edition of the AA1000AP features important updates. We have evolved the Principles, key definitions and discussions, and added greater technical specificity to the required adherence criteria. We've also introduced a new overarching principle, Impact, which underscores the prioritising of results and accountability in today's leading sustainability management practice.

We invite your feedback on the 2018 AccountAbility Principles as we continually work to advance value creation within global organisations and society as a whole. Finally, we wholeheartedly thank those who have generously shared their insights and experience with us throughout the revision of this important framework.



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ABOUT ACCOUNTABILITY

AccountAbility is a global consulting and sustainability standards firm that works with businesses, governments and multilateral organisations to advance responsible business practices and improve long-term performance. Since 1995, AccountAbility has been supporting corporations, nonprofits and governments in embedding ethical, environmental, social and governance accountability in their organisational DNA.

AccountAbility's work is based on the AA1000 Series of Standards, which are founded on the Principles of:

- **Inclusivity** – People should have a say in the decisions that impact them.
- **Materiality** – Decision makers should identify and be clear about the sustainability topics that matter.
- **Responsiveness** – Organisations should act transparently on material sustainability topics and their related impacts.
- **Impact** – Organisations should monitor, measure and be accountable for how their actions affect their broader ecosystems.

Part of our Series of Standards, the new AA1000AP (2018) is an internationally accepted, principles-based framework and guidance that organisations can use to identify, prioritise and respond to sustainability challenges to improve long-term performance.

THE ACCOUNTABILITY STANDARDS BOARD

The AccountAbility Standards Board approves the standards strategy and oversees the ongoing development of the standards used by institutions worldwide. The composition of the Board is designed to provide broad representation from the public and private sectors, civil society and the standards community.

The members of the AccountAbility Standards Board are:

Ms. Amy Springsteel	Assistant Vice President, Corporate Responsibility, Voya Financial, USA
Mr. Anant Nadkarni	Corporate Sustainability and Leadership Advisor and Consultant; Former Vice-President for Sustainability and CSR, TATA Group, India
Dr. Assheton L. Stewart Carter	Head of Advisory Board, Equitable Origin; Managing Director, Dragonfly Initiative, USA (Chair, AccountAbility Standards Board)
Mr. Dongsoo Kim	Director of the Sustainability Management Center at the Korea Productivity Center (KPC), Korea (Chair, AA1000 Steering Committee)
Dr. Natasha M. Matic	Chief Strategy Officer, King Khalid Foundation (KKF), Saudi Arabia and USA

ACKNOWLEDGEMENTS

The AccountAbility Standards Board is most grateful for the contributions of the following AccountAbility representatives, who provided extensive support to the AA1000AP Working Group through authorship, critical review, subject-matter expertise, project coordination, design guidance and other valuable inputs: Mr. Sunil A. Misser, Chief Executive Officer; Mr. David Pritchett, Global Head of Research; Mr. Udaya Nanayakkara, AccountAbility Standards; and Mr. Daniel Metzger, Managing Associate.

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OVERVIEW OF THE AA1000AP (2018)

FOR FIRST-TIME USERS

WHAT IS SUSTAINABILITY MANAGEMENT?

- Improving organisational performance whilst creating social, economic and environmental value
- Engaging those who influence and impact the organisation; identifying, prioritising and managing material topics, and being accountable for organisational impacts

WHAT ARE THE POTENTIAL BENEFITS OF SUSTAINABILITY MANAGEMENT?

- Cost and other operational efficiencies
- Improved governance, risk and reputation management
- Contributions to social, economic and environmental value
- Innovation and new opportunities
- Talent attraction and retention

WHAT ARE THE CORE ELEMENTS OF SUSTAINABILITY MANAGEMENT EXCELLENCE?

- Identifying, prioritising and engaging with organisational stakeholders in an inclusive manner
- Determining material sustainability topics
- Setting goals related to material topics, taking action and communicating progress
- Measuring the impact of actions and being accountable for results

HOW DOES THE AA1000AP (2018) FIT INTO AN ORGANISATION'S MANAGEMENT APPROACH?

- Provides guidance on how to effectively embark on sustainability management
- Works in conjunction with stakeholder engagement guidelines, other international, national, sectoral and/or topic-driven sustainability-related standards and frameworks
- Lends itself to an external assurance process

FOR GENERAL PRACTITIONERS AND PREVIOUS USERS

WHAT IS NEW ABOUT THE AA1000AP (2018)?

- A Guiding Framework of Principles for Sustainability Management rather than a (prescriptive) Standard
- Introduces a fourth, overarching Principle — Impact — that supports results-based management and accountability
- Updates Principles, key definitions and related discussions
- Adds technical specificity to the required adherence criteria
- Graphically illustrates the relationship between the Principles and their useful flexibility for organisations at varying stages of sustainability management
- Facilitates greater alignment with other leading sustainability-related frameworks and standards through content updates
- Clarifies content through use of diagrams and other visuals
- Provides more detail regarding the remit of an 'accountable organisation'
- Clarifies alignment with companion AccountAbility Standards

COMPANION STANDARDS

- *AA1000 Assurance Standard (AA1000AS)*
- *AA1000 Stakeholder Engagement Standard (AA1000SES)*

FOREWORD

1

FOREWORD

THE AA1000AP (2018) DEVELOPMENT PROCESS

Over two decades, AccountAbility has witnessed an **increasing demand for organisations to identify, assess and measure the impacts of their activities on sustainable development – demand that emanates from global voluntary initiatives, government regulations and the expectations of investors and other stakeholders.**

Against this backdrop, the AA1000AP (2018) was developed using a broad-based, global and multi-stakeholder process. The process was overseen by a dedicated Working Group formed in 2016 and comprising experts from a range of stakeholder organisations, geographies and subject areas.

Building on in-depth research around the AccountAbility Principles, sustainability market trends, and relevant international guidelines, frameworks and standards, the AA1000AP Working Group supported a core AccountAbility team in the development of clear, relevant, easy-to-apply and principles-based guidance for organisations working toward sustainability and the stakeholder community.

Draft documents were made available for public comment, conducted via the globally accessible e-platform collaborase.com in January and February 2017, and were subsequently reviewed and revised¹. The final document was agreed upon by the AA1000AP Working Group and submitted to the AccountAbility Standards Board, which approved it for publication in April 2018 to come into effect immediately for use. Organisation seeking assurance using the AA1000 Assurance Standard may use the AA1000AP for reports published after 1st January 2019.

STRUCTURE OF THE AA1000AP (2018)

The AA1000AP (2018) consists of three main sections.

The Introduction presents the **purpose, scope and advantages of the AA1000AP (2018)** and identifies its intended users. This section also outlines how the AccountAbility Principles can be applied for accountability and sustainability guidance by organisations of all types and sizes. The AA1000AP (2018) can also be used by other stakeholders – including standard-setters, investors and assurance providers – to better understand how organisations using these Principles manage, incentivise and improve sustainability behaviour, performance and reporting.

The second section presents each of the four AccountAbility Principles individually, including **statements of the Principle, key definitions**, a detailed **discussion** and the **criteria required** to support their implementation and, if pursued, their external assurance.

The third section discusses the **interrelated nature of the Principles** and the order in which an organisation might engage with them. It also previews the **adherence and assurance** processes.

The AA1000AP (2018) concludes with Annexes that feature a timeline of the evolution of the AccountAbility Standards and a glossary of terms.

¹ This document is intended for global application, and UK English has been used throughout for consistency. As and when developed, other language versions can be downloaded from www.accountability.org/standards

PURPOSE, SCOPE AND KEY ADVANTAGES OF THE AA1000AP (2018)

THE AA1000AP (2018) PRESENTS THE FOUR PRINCIPLES IN THE FOLLOWING FORMAT:

★ PRINCIPLE

STATEMENT OF PRINCIPLE

Principle Statement — Appearing in large Aqua Blue colour type at the beginning of each section.

🔍 KEY DEFINITIONS

Key Definition Text

Key Definitions — Featured in a dark blue box.

Discussion Text style — Discussion body text

Discussion — Appearing as body text within each section.

✔️ REQUIRED ADHERENCE CRITERIA

Required Adherence Criteria Text

Required Adherence Criteria — Listed at the end of each section in an orange box.

PURPOSE, SCOPE AND KEY ADVANTAGES OF THE AA1000AP (2018)

PURPOSE

The purpose of the AA1000AP (2018) is to provide organisations with a practical set of internationally accepted guiding principles with which they can assess, manage, improve and communicate their accountability and sustainability performance.

The AA1000AP (2018) provides guidance on how organisations can become and remain accountable for their results and broader ecosystem impacts.

KEY DEFINITIONS

Accountability is the state of acknowledging, assuming responsibility for and being transparent about the **impacts of an organisation's policies, decisions, actions, products, services and associated performance.**

When an organisation holds itself fully accountable, it seeks to **involve stakeholders in identifying, understanding and responding to material sustainability topics and concerns**, and to communicate with and be responsive to stakeholders regarding one's decisions, actions and performance.

Accountability comprises the way in which an organisation **sets strategy, governs and manages performance.**

ACCOUNTABLE ORGANISATIONS TAKE ACTIONS TO:

- establish relevant internal governance, structures, policies and processes;
- identify the needs and expectations of relevant stakeholders as part of their decision-making;
- develop a strategy based on a comprehensive and balanced understanding of and response to material sustainability topics and stakeholder concerns;
- establish goals against which the organisation's strategy and associated performance can be measured, evaluated, managed and monitored; and
- disclose credible and verifiable information about strategy, goals, standards and performance to those stakeholders who partly or wholly base their decisions and actions on this information.

SCOPE

The AA1000AP (2018), applicable to organisations of all types and sizes, is primarily intended for organisations intending to develop an open, accountable and strategic approach to managing sustainability performance.

It provides a practical guide for implementing a verifiable set of principles with clear criteria and can be used in conjunction with any industry-, market- or topic-based sustainability standard or guideline.

As seen in *Figure 1a*, the Principle of Impact is of central importance to the accountability process and supports the interactions between Inclusivity, Materiality and Responsiveness. The AccountAbility Principles are meant to guide not only the internal operations of an organisation, but also the management of its value chain, including its suppliers, business partners and customers.

Figure 1a: The AccountAbility Principles

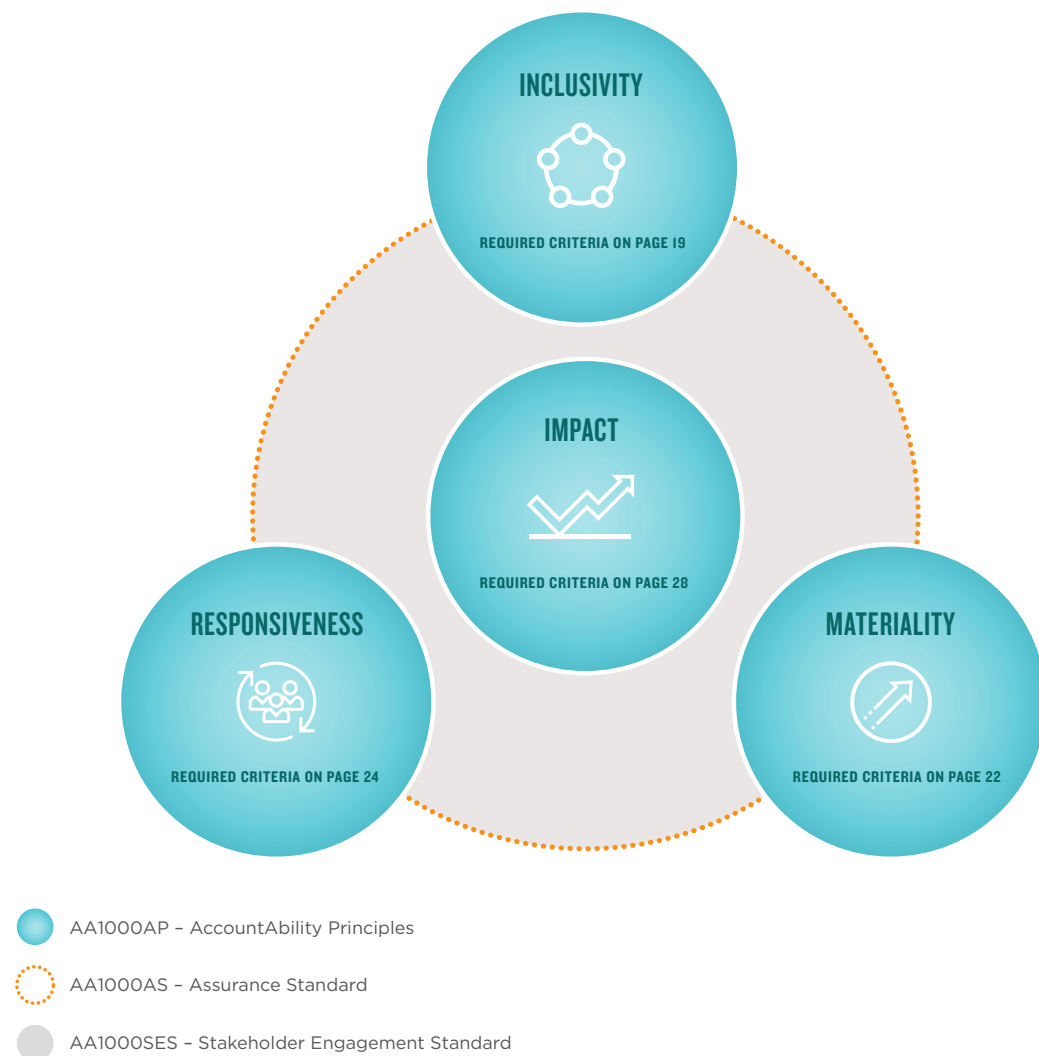


The application of the Principles should be consistent with the boundaries of disclosure maintained in the organisation’s reporting, and aligned with its fiscal year and corresponding organisational ownership model, where applicable, to ensure that the information shared with stakeholders is aligned with the organisation’s financial reporting.

Each of the AccountAbility Principles, as defined in this document, may have other definitions in national standards, local laws, and required financial or regulatory disclosures. In the event the definitions are not complementary, the prevailing definition as used by the organisation to meet the corresponding requirement should be clearly explained in the disclosure, including where any variation exists.

The AccountAbility Principles form the core of the AA1000 Standards Series (Figure 1b). The 2018 Principles will continue to provide the foundation for our AA1000 Stakeholder Engagement Standard (AA1000SES) – AccountAbility’s globally leading standard for high-quality stakeholder engagement. The Principles are also designed to be subject to external assurance by AccountAbility-licensed assurance providers, using the AA1000 Assurance Standard (AA1000AS).

Figure 1b: The AA1000 Standards Overview



KEY ADVANTAGES

The AA1000 AccountAbility Principles offer simplicity, comprehensive coverage and flexibility of application. Adopting the Principles can provide senior management with a robust and relevant structure, based on a legitimate external framework, for managing its organisation’s sustainability performance.

The Principles guide an organisation in:

- actively and meaningfully engaging with its stakeholders;
- fully identifying the sustainability areas that impact both its non-financial and long-term financial performance; and
- using this understanding to develop clear organisational strategies and balanced sustainability performance objectives.

The Principles also provide a framework and foundation to help organisations determine their own vision, beliefs, strategy and objectives related to sustainability performance. Further, the Principles can help an organisation manage compliance and non-financial risk, as well as identify opportunities and understand the impact of its actions on broader ecosystems.

ADVANTAGES OF EFFECTIVE IMPLEMENTATION OF THE AA1000 ACCOUNTABILITY PRINCIPLES

- Provides affiliation with an internationally recognised and accepted principles-based approach to long-term performance management;
- Complements, and can be used with, other international, national, sectoral and/or topic-driven sustainability-related standards, frameworks and guidelines;
- When used in combination with the forthcoming AA1000 Assurance Standard (2019) by AccountAbility-licensed assurance providers, the AA1000AP:
 - improves confidence in disclosures, building trust and credibility regarding the quality of one’s publicly disclosed information on sustainability performance;
 - draws conclusions on the alignment, quality and rigour of an organisation’s overall management and reporting practices with the fundamental AA1000 AccountAbility Principles;
 - demonstrates external assurance of sustainability management and non-financial performance in line with the AccountAbility Principles;
- Establishes a responsive framework to capture stakeholder sentiment, build trust, and ultimately improve stakeholder relations;
- Drives effective governance practices and thereby improves an organisation’s risk profile;
- Improves organisational efficiency and the effective allocation of resources; and
- Enhances the robustness, accountability and relevance of decisions made by the organisation.

THE AA1000 ACCOUNTABILITY PRINCIPLES

THE PRINCIPLE OF INCLUSIVITY

★ PRINCIPLE

PEOPLE SHOULD HAVE A SAY IN THE DECISIONS THAT IMPACT THEM.

🔍 KEY DEFINITIONS



Inclusivity is actively identifying stakeholders and enabling their participation in establishing an organisation's material **sustainability topics** and **developing a strategic response** to them.

An **inclusive organisation** accepts its **accountability** to those on whom it has an impact and to those who have an impact on it.

Figure 2: Establishing Inclusivity



DISCUSSION

IDENTIFYING EXTERNAL AND INTERNAL STAKEHOLDERS

Stakeholders are those individuals, groups of individuals and/or organisations that affect and/or could be affected by an organisation’s activities, products or services and associated performance.

Organisations generally have many stakeholders, each with distinct types and levels of involvement, and often with diverse and sometimes conflicting interests and concerns.

INCLUSIVITY is more than a stakeholder engagement process. It is the commitment of an organisation to be accountable to its stakeholders and to enable their participation in identifying relevant material sustainability topics and their solutions.

INCLUSIVITY also involves internal collaboration at all levels of an organisation, across governance, strategy, management and operations, to achieve continual improvement. A collective organisational effort, rather than a top-down approach, supports effective implementation of the Principles.

As seen in *Figure 2*, most organisations have many types of stakeholders, who both influence and impact the organisation and are influenced and impacted by it. Achieving Inclusivity requires a defined process of engagement with and participation by these stakeholders. The goal is to allow full and balanced involvement by stakeholders in the organisation’s varied decision-making processes related to sustainability, resulting in strategies, plans, actions and outcomes that address and respond to material topics and impacts in an accountable manner.

IMPLEMENTING ENGAGEMENT

To begin the engagement process, an organisation should develop a comprehensive understanding of:

- who its stakeholders are;
- their needs and concerns; and
- the impact (where impact represents a significant influence) of its strategies and operations on them.

The way in which an organisation engages and communicates with stakeholders will depend on the capacities of both and, often, the maturity of the existing relationship.

Accepting accountability to those on whom it has an impact (ie, its stakeholders) does not mean that an organisation has to cater to all stakeholder requests at all times, nor that it is relieved of the responsibility to make its own decisions.

An organisation will have many factors to consider when determining the extent to which it will involve stakeholders in its decision-making and how it will communicate with them. Whilst not all demands and requests resulting from engagement may be considered relevant or legitimate, it is of utmost importance that organisations consider the views of stakeholders who typically have few means of influence in the standard sense and little to no voice.

Further, effective engagement requires that stakeholders themselves are also responsible for accountable behaviour and practices.

Engaging with relevant stakeholders in an appropriate format, through appropriate channels and at a frequency sufficient to account for the evolving nature of the stakeholder landscape are central pillars of effectively determining material sustainability topics.

The outputs of stakeholder engagement and stakeholder responses, including formalised action plans, should inform an organisation’s strategy, governance and operational management.

The AA1000 Stakeholder Engagement Standard (AA1000SES) establishes the benchmark for high-quality engagement and is recommended as a useful starting point for organisations committed to achieving Inclusivity. The AA1000SES is a generally applicable framework for the assessment, design, implementation and communication of quality stakeholder engagement from which organisations, regardless of size, can benefit.

REQUIRED ADHERENCE CRITERIA

The following action items are designed to guide organisations in both applying the Principle of Inclusivity and monitoring their own progress in its application. Fulfilment of the criteria leads to adherence with the Principle. These criteria are also used by assurance providers to assess an organisation’s enactment of the Principle.

COMMITMENT, INTEGRATION & CAPACITY BUILDING

1. Formalise a commitment from the highest governing body of the organisation to be accountable to stakeholders.
2. Integrate stakeholder engagement processes into governance, strategy and relevant decision-making processes across the full organisation, seeking senior management, cross-functional and cross-geographical involvement as appropriate.
3. Establish the scope and objectives of stakeholder participation.
4. Integrate stakeholder engagement and responses into relevant policies, operational procedures and systems, for example by performing risk analyses, materiality assessments, and setting and monitoring meaningful objectives.
5. Ensure that the necessary competencies and resources are allocated and available for stakeholder engagement.

ENGAGEMENT STRATEGY & PROCESS DEVELOPMENT

6. Identify and understand stakeholders, including their capacity to engage and their views and expectations, and address potential stakeholder and engagement risks.
7. Develop formal strategies for ongoing engagement and communication with stakeholders.

PERFORMANCE MEASUREMENT & STAKEHOLDER COMMUNICATIONS

8. Set relevant metrics to measure engagement effectiveness, outcomes and impact.
9. Use outputs of engagement to facilitate understanding, learning and improvement of the organisation.
10. Communicate with stakeholders in an appropriate, transparent and timely manner, as per the organisation’s established boundaries of disclosure.

THE PRINCIPLE OF MATERIALITY

★ **PRINCIPLE**

DECISION MAKERS SHOULD IDENTIFY AND BE CLEAR ABOUT THE SUSTAINABILITY TOPICS THAT MATTER.

🔍 **KEY DEFINITIONS**

➡ Materiality relates to **identifying** and **prioritising** the **most relevant sustainability topics**, taking into account the **effect** each topic has on an **organisation** and its **stakeholders**.

A material topic is a topic that will substantively influence and impact the **assessments, decisions, actions** and **performance** of an organisation and/or its stakeholders in the short, medium and/or long term.

DISCUSSION

DETERMINING MATERIALITY

Traditionally the term *materiality* has been defined in the context of financial reporting. However, its meaning now includes the disclosure of risks and opportunities posed by sustainability topics that affect the environmental, social and governance (ESG) domains impacting organisational performance and/or stakeholders in the short, medium and/or long term.

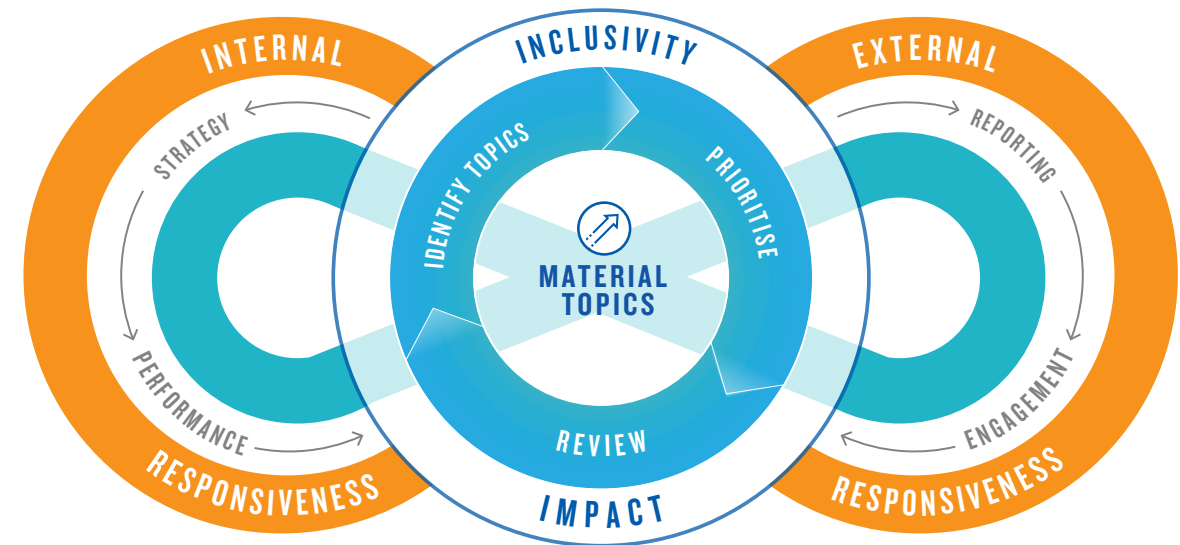
What is meant by short, medium and long term should be defined by an organisation in line with its own expectations and reporting requirements. AccountAbility prioritises a principles-based process of materiality, one that should be used in conjunction (to the extent possible) with a rules-based process of materiality relevant to the organisation and its regulatory environment (See also 'Scope' on Page 13).

To make informed decisions and take calculated actions, an organisation and its stakeholders need to identify the topics that are material to the sustainability performance of the organisation. Material topics are those that will also affect the behaviour of the organisation and its stakeholders.

Determining which topics are material requires a materiality determination process (Figure 3), which evaluates both the actual and likely impacts of an organisation's strategy, governance and activities, including:

- the identification and fair representation of topics relative to an organisation's sector, industry, geography, business model and structure;
- the development of clear, balanced and replicable assessment criteria; and
- an assessment approach that is integrated into organisational processes.

Figure 3: Materiality Determination



COLLECTING AND ANALYSING INPUTS

The materiality determination process should be designed to ensure that comprehensive and balanced information is considered and analysed. An organisation needs input from all relevant sources and stakeholders, including both internal and external sources, covering an appropriate time period.

Such inputs include a broad range of information beyond financial information and drivers, including stakeholder profiles, stakeholder concerns and suggestions, societal and peer-based norms, sustainability context, macroeconomic and geopolitical factors, and appropriate policy, reporting and regulatory frameworks.

Analysis of the collected information needs to include consideration of sustainability drivers, which may include financial impacts, and should account for the needs, interests and priorities of the organisation and its stakeholders. It is the organisation that is ultimately responsible for determining, understanding and communicating its material sustainability topics.

UNDERTAKING THE ASSESSMENT

The materiality determination or assessment process should be undertaken regularly and aligned with the organisation's processes for strategy development, decision-making, risk and compliance management, operational management and reporting. It should also be clearly documented and, when completed, disclosed to stakeholders.

An effective materiality assessment provides an organisation with a comprehensive understanding of its sustainability context, which topics are material or not, and to whom these topics are material and why.

An organisation's material topics will evolve over time as topics mature, drivers fluctuate, and understanding improves based on additional stakeholder input. Material topics also will evolve if and when an organisation includes its value chain in its sustainability performance management.

CONSIDERING LIKELY AS WELL AS ACTUAL IMPACTS

Given this continuous evolution, evaluating both the actual and likely impacts of an organisation's strategy, governance and activities is all the more important. The magnitude of impacts assessed as likely during one assessment can increase or decrease during subsequent assessments, notably when an actual impact becomes better understood. Regularly assessing the evolution of likely impacts will support the accuracy, relevance and effectiveness of an organisation's overall materiality determination process over time.

REQUIRED ADHERENCE CRITERIA

The following action items are designed to guide organisations in both applying the Principle of Materiality and monitoring their own progress in its application. Fulfilment of the criteria leads to adherence with the Principle. These criteria are also used by assurance providers to assess an organisation's enactment of the Principle.

COMMITMENT, INTEGRATION & CAPACITY BUILDING

1. Establish an organisation-wide, robust, systematic and ongoing materiality determination process under the governance of senior management, including key cross-functional involvement.
2. Ensure integration of the assessment process across the organisation, including through relevant processes, such as risk management and compliance with laws, regulations, and internal policies and procedures.
3. Provide the necessary competencies and resources to apply the results of the materiality assessment process.

MATERIALITY DETERMINATION

4. Set consistent and clear boundaries, as well as a purpose, time period and scope, for the materiality assessment, with underlying assumptions appropriately documented.
5. Identify and fairly represent topics from a wide range of sources.
6. Evaluate the relevance of identified material sustainability topics based on suitable and explicit criteria*.
7. Determine the significance, likelihood, and present and expected future impact of identified material sustainability topics, using appropriate criteria and thresholds*.
8. Take into account the evolving sustainability, macroeconomic, geopolitical and regulatory contexts and maturity of topics and concerns, allowing for industry-related, geographical, cultural and operational-level differences.
9. Include a means of addressing conflicts or dilemmas arising from diverging or conflicting expectations regarding material topics.

COMMUNICATION

10. Create and disclose a comprehensive and balanced understanding and prioritisation of material sustainability topics for the organisation and its stakeholders.

** Criteria and/or thresholds that are credible, clear and understandable as well as replicable, defensible and can be subject to external assurance.*

THE PRINCIPLE OF RESPONSIVENESS

★ PRINCIPLE

ORGANISATIONS SHOULD ACT TRANSPARENTLY ON MATERIAL SUSTAINABILITY TOPICS AND THEIR RELATED IMPACTS.

🔍 KEY DEFINITIONS

 Responsiveness is an **organisation's timely and relevant reaction** to material sustainability topics and their related **impacts**.

Responsiveness is realised through **decisions, actions and performance**, as well as **communication** with stakeholders.

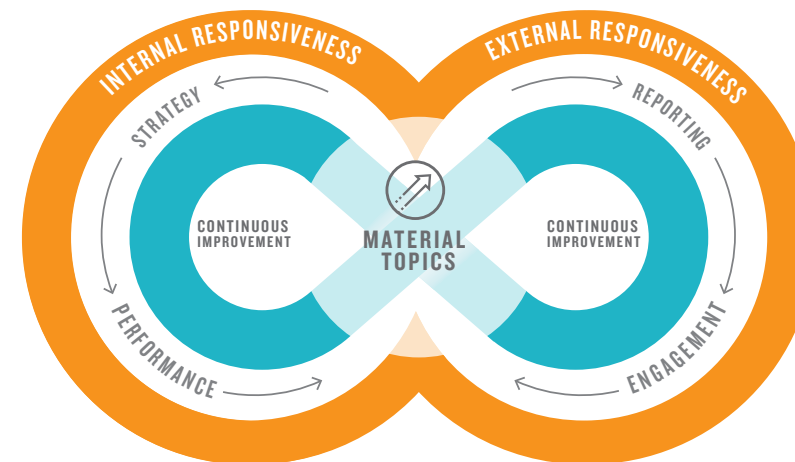
DISCUSSION

ACTING ON MATERIAL TOPICS

Responsiveness comprises when and how an organisation responds to material sustainability topics and their related impacts on its external and internal stakeholders. An effective response is aligned with the organisation's objectives and integrated into its strategy, taking into account identified material topics and their related impacts (Figure 4).

Responses may include establishing policies, objectives and targets; enhancing governance structures; developing or advancing management systems and processes; developing or implementing action plans; engaging stakeholders; measuring and monitoring sustainability performance and impacts; reporting; issuing communications; and/or achieving assurance.

Figure 4: Responsiveness to material topics and their related impacts



PRIORITISING RESPONSES

Since responses will compete for available resources within an organisation, they, like material topics, should be prioritised and addressed in a timely manner.

Response prioritisation should align with:

- organisational strategies and operations;
- outcomes of materiality and impact assessments;
- stakeholder interests and/or legitimacy;
- availability of resources;
- internal management and reporting schedules and timelines; and
- regulatory reporting requirements.

DETERMINING SCOPE

The way in which an organisation responds to a material topic should depend on the nature, impact and prioritisation of the topic as well as the maturity of the organisation’s strategy, positioning, objectives, policies, systems and processes.

Resources are adequate when they allow an organisation to achieve its stated commitments within a stated time period and to communicate its responses in a way that takes into consideration stakeholder interests and expectations. Organisations should put in place the necessary competencies, capacities and processes to achieve the responses to which they commit.

A responsive organisation should respond to its material sustainability topics, related impacts and stakeholders in a comprehensive, accurate, timely, accessible and balanced manner. Whilst stakeholders may provide input in the development of responses, an organisation’s responses may not be consistent with the views of all stakeholders.

REQUIRED ADHERENCE CRITERIA

The following action items are designed to guide organisations in both applying the Principle of Responsiveness and monitoring their own progress in its application. Fulfilment of the criteria leads to adherence with the Principle. These criteria are also used by assurance providers to assess an organisation’s enactment of the Principle.

COMMITMENT, INTEGRATION & CAPACITY BUILDING

1. Under the governance of senior management, including key cross-functional involvement, implement a process for developing responses related to material topics and communicating them to stakeholders that is applied across the organisation.
2. Integrate this process into the organisation, including through relevant organisational processes, such as risk management, compliance and strategy development.
3. Provide the necessary competencies and resources to respond appropriately to material topics, using a range of response types.

> *Required Adherence criteria continued on following page*

REQUIRED ADHERENCE CRITERIA

RESPONSE STRATEGY DEVELOPMENT

4. Implement a process for developing responses and communicating with stakeholders that is continuous and ongoing.
5. Consider the relationship between the maturity, impact and prioritisation of a topic and the appropriateness of the response.
6. Validate proposed responses with internal and, when appropriate, external stakeholders, and assure feasibility to deliver reasonable and viable responses.

RESPONSE IMPLEMENTATION & ONGOING COMMUNICATION

7. Respond in a way that addresses the needs, concerns and expectations of stakeholders.
8. Report to stakeholders in a comprehensive, accurate, timely, accessible and balanced way, using suitable reporting principles, frameworks and guidelines that support comparability of information.

THE PRINCIPLE OF IMPACT

★ **PRINCIPLE**

ORGANISATIONS SHOULD MONITOR, MEASURE AND BE ACCOUNTABLE FOR HOW THEIR ACTIONS AFFECT THEIR BROADER ECOSYSTEMS.

🔍 **KEY DEFINITIONS**

 **Impact** is the **effect** of **behaviour, performance** and/or **outcomes**, on the part of individuals or an organisation, on the economy, the environment, society, stakeholders or the organisation itself.

Material topics have potential **direct** and **indirect impacts** — which may be positive or negative, intended or unintended, expected or realised, and short, medium or long term.

DISCUSSION

APPRECIATING IMPACT

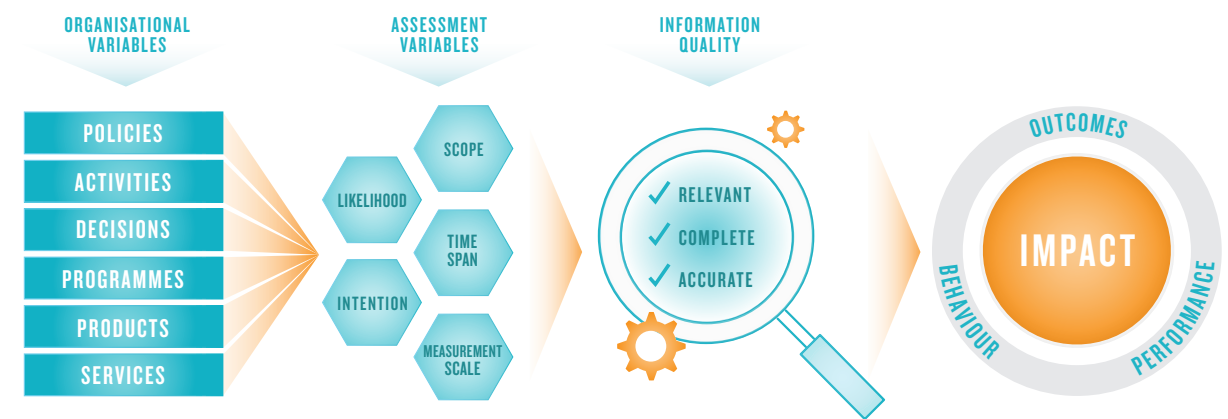
Acknowledging, understanding, measuring, managing and evaluating impact leads to more effective decision-making and results-based management within an organisation.

Impact is the result of an organisation’s plans and activities. It can also stem from its policies, programmes, decisions, products and services, and associated performance (*Figure 5*). Impact can create change, value and opportunity for an organisation and its stakeholders — or be detrimental to one or both parties.

Evaluating the actual and likely impacts of an organisation’s material topics requires an effective management process that includes:

- a defined strategic intent;
- accompanying goals, baselines and boundaries;
- *relevant, complete and accurate* data/information; and
- appropriate resources and competencies.

Figure 5: Sustainability Impact



MEASURING IMPACT

Impact can encompass a range of environmental, social and governance topics and can be measured on a local, regional or global level.

The monitoring, measurement and evaluation of impact may be qualitative, quantitative or monetised in nature. It can also focus on an immediate or a longer-term time period, depending on the sustainability context. The processes of monitoring, measuring and evaluating impact should consider science, ethics, laws, regulations and context-based metrics.

Because a number of key variables should be considered when assessing impact, organisations should adopt an approach that is consistent and documented but also flexible enough to consider:

- strategic and operational intent;
- maturity of sustainability management;
- a variety of boundaries and scopes, including geographical area, cultural context, organisational activity, ranges of one’s value chain; and
- various timeframes.

In measuring an identified impact, organisations should consider all sources that may also contribute to the impact, to reduce the possibility of attributing the impact incorrectly. Further, a structured analysis of the probability of impacts should be included.

INFORMING ENGAGEMENT AND COMPENSATION PRACTICES

Identified impacts should be incorporated into both stakeholder engagement and the periodic materiality assessment process to inform organisational governance, strategy, goal-setting and operations, thus enabling more informed decision-making and greater responsiveness (*Figure 3*).

Linking short- and long-term management remuneration to organisational impact through the performance management system is an effective method of integrating impact into decision making. Impact should inform relevant people management, work accountability and compensation practices within an organisation.

DISCLOSING IMPACT

Impact should be measured and disclosed in the most balanced and effective way possible, indicating both realised and unrealised goals and taking into account the target audience and objective of the disclosure.

REQUIRED ADHERENCE CRITERIA

The following action items are designed to guide organisations in both applying the Principle of Impact and monitoring their own progress in its application. Fulfilment of the criteria leads to adherence with the Principle. These criteria are also used by assurance providers to assess an organisation's enactment of the Principle.

COMMITMENT, INTEGRATION & CAPACITY BUILDING

1. Perform robust processes to understand, measure, evaluate and manage the organisation's impacts that are applied across the organisation under the governance of senior management, including key cross-functional involvement.
2. Ensure these processes are documented and integrated into the organisation, including through relevant organisational processes such as risk management, compliance, strategy development and performance management.
3. Provide the necessary competencies and resources to understand, measure, evaluate and manage the organisation's impacts.
4. Integrate identified impacts into key management processes, for example, the materiality assessment process and organisational strategy, governance, goal-setting and operations.

IMPACT IDENTIFICATION & METRICS DEVELOPMENT

5. Set consistent and clear boundaries, as well as a purpose, time period and scope, for impact assessment, with underlying assumptions appropriately documented.
6. Establish processes to understand, measure, evaluate and manage impacts that are credible, clear and understandable as well as replicable, defensible and can be subject to external assurance.
7. Include a means of capturing and measuring actual as well as potential impacts, such as direct and indirect, intended and unintended, and positive and negative impacts.
8. Identify and fairly represent impacts from a wide range of sources, such as activities, policies, programmes, decisions, and products and services, as well as any related performance. Furthermore, the sustainability context of each impact should be clearly understood.
9. Present impacts as a qualitative, quantitative or monetised measurement.

IMPACT ASSESSMENT & DISCLOSURE

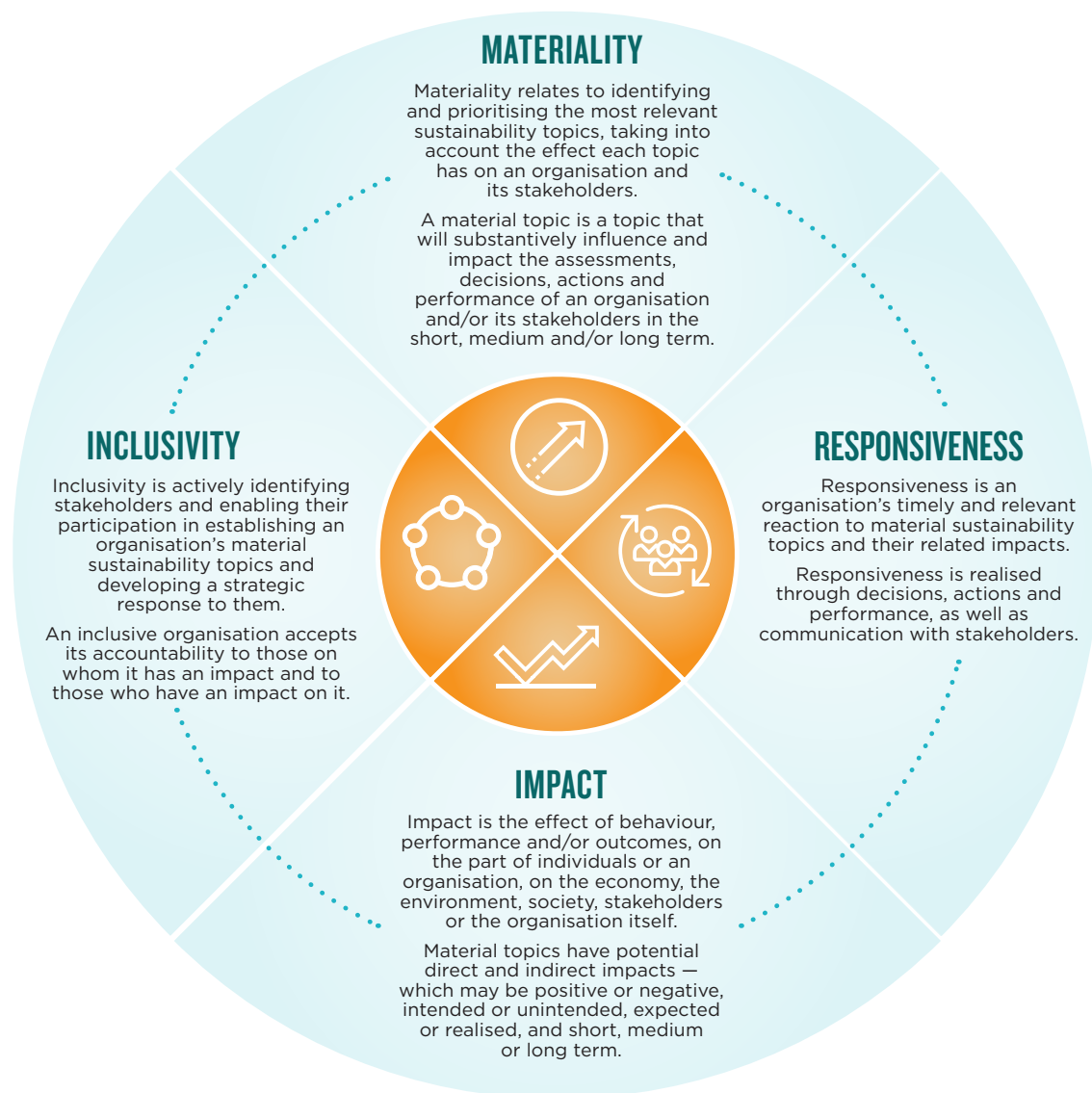
10. Create and disclose a comprehensive and balanced understanding of the measurement and evaluation of the organisation's impacts on stakeholders and on the organisation itself.

APPLYING THE ACCOUNTABILITY PRINCIPLES

APPLYING THE ACCOUNTABILITY PRINCIPLES

When applied together, the four Principles support the realisation of accountability and sustainability performance (Figure 6).

Figure 6: AccountAbility Principles Overview



For organisations formally adopting these Principles for the first time, it is recommended to engage with the first three Principles, in the order in which they are presented in this document, whilst relating and linking to the principle of Impact at different stages of the management process.

Adopting the criteria for Inclusivity sets a strong foundation for addressing the remaining Principles. However, depending on the maturity of its systems, processes and policies, an organisation may equally begin with a focus on another Principle. What is important is that organisations eventually complete the work of all four Principles, which over time interact in one continuous process.

For organisations experienced in embedding the Principles in their governance, management and operations, a review against the Principles, in no specific order, may be more appropriate, on the basis of individual organisational context and characteristics.

ADHERENCE AND ASSURANCE

Organisations must complete adoption of all four Principles (Figure 6) to be considered in adherence with the AccountAbility Principles. An organisation should formally document evidence of adherence to the criteria; this will notably be required in the case of an assurance process against the Principles.

Adherence by reporting organisations is assessed through the AA1000AS by assurance providers licensed by AccountAbility. This assessment takes into consideration the maturity and size of the reporting organisation. (Please see Annex A "Working with the AA1000AP (2018)".)

Adherence to **INCLUSIVITY** ensures that all relevant perspectives of stakeholders are considered in determining materiality and impact for the formulation of relevant and commensurate responses.

Adherence to **MATERIALITY** ensures that the most relevant and significant topics and underlying drivers impacting an organisation and its stakeholders are identified and prioritised for an appropriate response.

Adherence to **RESPONSIVENESS** ensures the decisions, actions and performance of an organisation, including communications, incorporate material topics and their related impacts.

Adherence to **IMPACT** ensures the monitoring, measurement and evaluation of the effects of an organisation's behaviour, performance and outcomes on the economy, the environment, society, stakeholders and the organisation itself.

ANNEXES

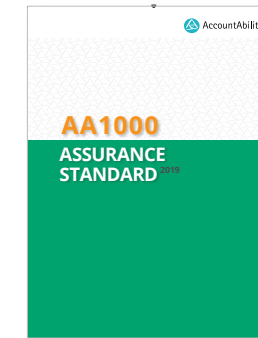
A.

THE AA1000 SERIES OF STANDARDS

The AA1000 Series consists of one set of Guiding Principles and two Standards



AA1000 AccountAbility Principles (2018)



UPCOMING - AA1000 Assurance Standard (2019)



AA1000 Stakeholder Engagement Standard (2015) - Revision in process

WORKING WITH THE AA1000AP (2018)

The AA1000AP (2018) is an internationally accepted, principles-based framework and guidance that organisations can use to identify, prioritise and respond to sustainability challenges to improve long-term performance.

The AA1000 AccountAbility Principles are used as a foundation for the AA1000 Standards. The AA1000AP (2018) represents a recognised and leading international framework used to assess an organisation's sustainability management performance against a coherent set of principles. What's more, its verifiable set of Principles and clear criteria can be used together with any sector-, market- or topic-based sustainability standard, framework or guidelines.

The Principles are designed to be subject to external assurance using the AA1000 Assurance Standard (AA1000AS). Use of the AA1000AS by assurance practitioners is subject to the signing of and adherence to the terms of the formal licensing agreement for assurance providers from AccountAbility.

The AA1000 Stakeholder Engagement Standard (AA1000SES) requires organisations to make a formal commitment to the AccountAbility Principles as criteria for high-quality stakeholder engagement.

Reference to any content in the AA1000AP (2018) is to be acknowledged in all relevant internal and external communications by reporting organisations.

B. EVOLUTION OF THE AA1000 ACCOUNTABILITY STANDARDS

1999

THE ACCOUNTABILITY PRINCIPLES FOR SUSTAINABLE DEVELOPMENT

The **AA1000 Framework Standard**, the foundational platform of the AA1000 Series of Standards, was formally published in 1999. The Framework Standard was designed to strengthen the quality of specialised accountability standards and also serve as a **stand-alone system for guiding, managing and communicating social and ethical accountability and performance.**

2005

AA1000 STAKEHOLDER ENGAGEMENT STANDARD

To support organisations' achievement of the Principle of Inclusivity, guidance on how to design and conduct stakeholder engagement evolved into the **AA1000 Stakeholder Engagement Standard (2005)**. The AA1000SES (2005) is recognised as the **first internationally accepted standard** on stakeholder engagement to be published.



AA1000 ASSURANCE STANDARD

This **first edition** of the **AA1000 Assurance Standard** was published as the **world's first sustainability assurance standard**. The result of a two-year, worldwide consultation, the Assurance Standard was developed to **assure the credibility and quality of sustainability performance and reporting.**

2003

AA1000 ASSURANCE STANDARD

In 2008, the second edition of the **AA1000 Assurance Standard** was released, featuring revisions and enhancements that specifically focused on sustainability assurance engagements.

AA1000 ACCOUNTABILITY PRINCIPLES STANDARD

During consultation for the AA1000 Assurance Standard (2008) revision, a consensus was reached for placing the **AA1000 AccountAbility Principles** in a **separate standard** to allow for their broader application and to facilitate their use during sustainability assurance engagements.

2008

2015

AA1000 STAKEHOLDER ENGAGEMENT STANDARD

Considering feedback from the first version and critical expert review following a broad-based multi-stakeholder process, the AA1000SES Exposure Draft released in 2011 was edited, refined, validated and published as the final **A1000 Stakeholder Engagement Standard (AA1000SES, 2015)**.

2018

AA1000 ACCOUNTABILITY PRINCIPLES

During the AA1000AS (Assurance Standard) revision period, stakeholder feedback supported and a consensus was reached for the AA1000 AccountAbility Principles Standard to undergo, in parallel, a structured rethinking and a formal revision process.

To advance the **relevance and applicability** of the **AA1000 Principles**, it was decided that they would move away from the format and expectations associated with a standard and instead take the **form of an overall framework and guidance mechanism for principles-based sustainability management and reporting.**

Furthermore, a **fourth Principle – Impact** – was added, whilst the definitions, explanations and criteria related to the three original Principles – Inclusivity, Materiality and Responsiveness – were updated to reflect the evolution of sustainability as a whole since the Principles' first publication.

The AA1000 AccountAbility Principles (2018) is a flexible, applicable and practical framework designed to underpin and shape AccountAbility's global Standards, the AA1000 Assurance Standard (AA1000AS) and the AA1000 Stakeholder Engagement Standard (AA1000SES).

A1000 ASSURANCE STANDARD

In 2019, a revised edition of the **AA1000 Assurance Standard** will be published, featuring **updates, revisions and enhancements**. It will focus on organisations' adherence to the **AA1000 AccountAbility Principles (2018)** in sustainability assurance engagements through mandatory licensing.

2019

C.

RELATED DEFINITIONS

ACTIVITY

Work performed, with a consumption of required resources for a period of time.

ASSURANCE

The methods and processes employed by an assurance provider to evaluate an organisation's public disclosures about its performance as well as underlying data, processes and systems, against suitable criteria and standards in order to increase the credibility of public disclosure. Assurance includes the communication of the results of the assurance process in an assurance statement.

ASSURANCE ENGAGEMENT

An engagement in which an assurance provider evaluates and expresses a conclusion on an organisation's disclosure about its performance and underlying processes, systems, and controls against suitable criteria in order to enhance the credibility and legitimacy of the information for the intended audience.

ASSURANCE PROVIDER

An assurance provider is an independent organisation that evaluates and expresses a conclusion on a reporting organisation's public disclosure about its performance and underlying processes, systems, and controls against suitable criteria.

BOUNDARIES OF DISCLOSURE

The information the owners of the engagement will share with their stakeholders, and what information stakeholders may share outside of the engagement process.

ESG

Environmental, social and governance (ESG) refers to the three central factors in measuring the sustainability and ethical performance of an organisation.

GOVERNANCE

Policies, and continuous monitoring of implementation by the members of a governing body. Governance includes the mechanisms required to balance and specify the powers of members, to carry out their expected duties.

INFLUENCE

The capacity to have an effect on the development, behaviour and/or actions of someone or something, or the effect itself.

OUTCOME

Changes or benefits resulting from an output.

OUTPUT

The immediate result of an activity.

PERFORMANCE

The results of activities over a period of time.

POLICY

A set of basic principles and associated guidelines, formulated and enforced by a relevant governing body.

REPORTING ORGANISATION

An organisation that is responsible for the preparation and publication of public disclosures on sustainability topics, and that engages an assurance provider to undertake an assurance engagement relating to its sustainability report.

STAKEHOLDERS

Stakeholders are those groups who affect and/or could be affected by an organisation's activities, products or services and associated performance. This does not include all those who may have knowledge of or views about an organisation. Organisations will have many stakeholders, each with distinct types and levels of involvement, and often with diverse and sometimes conflicting interests and concerns.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is the process used by an organisation to engage relevant stakeholders for the purpose of achieving agreed outcomes.

STRATEGY

A chosen action plan for achieving a desired goal.

SUSTAINABLE DEVELOPMENT

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs. *(Source: 1987 report of the Brundtland Commission: The World Commission on Environment and Development.)*

SUSTAINABILITY

The responsible management of social, environmental, economic and governance impact for improved long-term organisational performance and societal development.

D.**THE ACCOUNTABILITY AA1000AP (2018) WORKING GROUP**

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