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AA1000 ACCOUNTABILITY PRINCIPLES STANDARD 2008



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AA1000

AccountAbility Principles Standard 2008

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Foreword

i. Evolution of the AA1000 AccountAbility Principles

The AccountAbility Principles for Sustainable Development first appeared in the AA1000 AccountAbility Framework Standard published in 1999. During the consultations for the development of the first edition of the AA1000 Assurance Standard, which was published in 2003, the principles underwent significant debate and revision. The result was the Commitment to Inclusivity supported by the three principles of Materiality, Completeness and Responsiveness. These principles were at the heart of the AA1000 Assurance Standard published in 2003, AA1000AS (2003), and the AA1000 Stakeholder Engagement Standard published in 2005, AA1000SES (2005). They were further clarified in a Guidance Note on the application of the principles in relation to AA1000AS (2003) published in 2006.

During the consultation process for the 2008 revision of the AA1000 Assurance Standard there was consensus that the AA1000 AccountAbility Principles be placed in a separate standard in order to allow for broader application and to facilitate their use during sustainability assurance engagements. This standard, the AA1000 AccountAbility Principles Standard, AA1000APS (2008), is the product of this consensus and includes three principles: the foundation principle of Inclusivity and the principles of Materiality and Responsiveness. While completeness is not included as an AccountAbility Principle it remains key to providing sustainability assurance, since it refers to the extent to which these three principles have been achieved.

The AA1000 AccountAbility Principles in this standard supersede all previous versions published by AccountAbility.

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ii. Development process

The AA1000APS (2008) was developed using a broad-based, multi-stakeholder process. A period ofi nitial research that included a widely broadcast e-survey was followed by face-to-face consultations in 20 countries with a comprehensive range of stakeholders and a series of workshops with specific stakeholder groups. All of the input received was considered by the AccountAbility Standards Technical Committee, which prepared a draft standard for public review. There were three periods of public review of 60-90 days each. All public review took the form of collaborative drafting with full transparency using wiki software. Between each of these periods of public review and following the final period, the AccountAbility Standards Technical Committee reviewed and revised the draft. The final draft was agreed by the AccountAbility Standards Technical Committee and submitted to the AccountAbility Operating Board which approved it for publication.

The evolving nature ofl earning in the standards field means that the process of developing standards is ongoing. By continually engaging with AA1000 AccountAbility Principles users and stakeholders, AccountAbility is able to reflect learning in the form of additional guidance and revisions to its standards. AccountAbility invites you to share your AA1000 AccountAbility Principles experiences with us so that we can continue to improve the AA1000 Series.

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Introduction

i. Aims and Benefits of the AA1000 AccountAbility Principles

Accountability is acknowledging, assuming responsibility for and being transparent about the impacts of your policies, decisions, actions, products and associated performance.

It obliges an organisation to involve stakeholders in identifying, understanding and responding to sustainability issues and concerns, and to report, explain and be answerable to stakeholders for decisions, actions and performance. It includes the way in which an organisation governs, sets strategy and manages performance.

The basic premise is that an accountable organisation will take action to:

- establish a strategy based on a comprehensive and balanced understanding of and response to material issues and stakeholder issues and concerns;
- establish goals and standards against which the strategy and associated performance can be managed and judged, and
- disclose credible information about strategy, goals, standards and performance to those who base their actions and decisions on this information.

These actions provide the basis for establishing, evaluating and communicating accountability. The AA1000 AccountAbility Principles set out in this standard drive these actions.

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The value of these principles lies in their comprehensive coverage and the flexibility of their application. They demand that an organisation actively engages with its stakeholders, fully identifies and understands the sustainability issues that will have an impact on its performance, including economic, environmental, social and longer term financial performance, and then uses this understanding to develop responsible business strategies and performance objectives. As principles rather than prescriptive rules, they allow the organisation to focus on what is material to its own vision and provide a framework for identifying and acting on opportunities as well as managing non-financial risk and compliance.

ii. Scope of the standard

This standard covers the purpose, meaning, interrelationship and application of the AA1000 AccountAbility Principles.

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1. Purpose of the AA1000APS (2008)

The purpose of the AA1000APS (2008) is to provide organisations with an internationally accepted, freely available set of principles to frame and structure the way in which they understand, govern, administer, implement, evaluate and communicate their accountability.

The AA1000 AccountAbility Principles are primarily intended for use by organisations developing an accountable and strategic approach to sustainability. They will help such an organisation understand, manage and improve its sustainability performance.

In addition, users of other standards in the AA1000 Series use these principles according to the requirements of the relevant AA1000 standard.

Note: The AA1000 AccountAbility Principles provide the basis for understanding and achieving sustainability assurance according to the AA1000AS (2008) and accountable stakeholder engagement according to the AA1000SES (2005).

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2. The AccountAbility Principles

There are three AA1000 AccountAbility Principles, one of which is a foundation principle.

The Foundation Principle of Inclusivity
The Principle of Materiality
The Principle of Responsiveness

The foundation principle of Inclusivity is necessary for the achievement of Materiality and Responsiveness. Together the three principles support the realisation of accountability.

Inclusivity is the starting point for determining materiality. The materiality process determines the most relevant and significant issues for an organisation and its stakeholders. Responsiveness is the decisions, actions and performance related to those material issues.

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2.1 The Foundation Principle of Inclusivity

Principle
An organisation shall be inclusive.

Definition
For an organisation that accepts its accountability to those on whom it has an impact and who have an impact on it, inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

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

Explanation
Inclusivity is much more than a stakeholder engagement process. It is the commitment to be accountable to those on whom the organisation has an impact and who have an impact on it, and to enable their participation in identifying issues and finding solutions. It is about collaborating at all levels, including governance, to achieve better outcomes.

Accepting accountability to those it has an impact on (its stakeholders) does not mean that an organisation has to do everything that a stakeholder requests, nor that it loses the responsibility to make its own decisions.

Inclusivity requires a defined process of engagement and participation that provides comprehensive and balanced involvement and results in strategies, plans, actions and outcomes that address and respond to issues and impacts in an accountable way.

An organisation seeks to have a comprehensive understanding of who its stakeholders are and a comprehensive and balanced understanding of their needs and concerns and the ways in which they engage.

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

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Criteria
An organisation will adhere to the principle ofi nclusivity when:

- It has made a commitment to be accountable to those on whom it has an impact or who have an impact on it.
- It has in place a process of stakeholder participation that:
  - is applied across the organisation (e.g. group and local level);
  - is integrated in the organisation, and
  - is ongoing and not 'one off'.
- It has in place, or has access to, the necessary competencies and resources to operate the process of stakeholder participation.
- The stakeholder participation process:
  - identifies and understands stakeholders, their capacity to engage, and their views and expectations;
  - identifies, develops and implements appropriate, robust and balanced engagement strategies, plans and modes of engagement for stakeholders;
  - facilitates understanding, learning and improvement of the organisation;
  - establishes ways for stakeholders to be involved in decisions that will improve sustainability performance;
  - builds the capacity ofi nternal stakeholders and supports building capacity for external stakeholders to engage, and
  - addresses conflicts or dilemmas between different stakeholder expectations.
- The stakeholder engagement results in the involvement of stakeholders in developing and achieving an accountable and strategic response to sustainability.

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2.2 The Principle of Materiality

Principle
An organisation shall identify its material issues.

Definitions
Materiality is determining the relevance and significance of an issue to an organisation and its stakeholders.

A material issue is an issue that will influence the decisions, actions and performance of an organisation or its stakeholders.

Explanation
To make good decisions and actions an organisation and its stakeholders need to know what issues are material to the sustainability performance of the organisation.

To determine what is material requires a materiality determination process. The process is designed to ensure that comprehensive and balanced information is input and then analysed. An organisation needs to input the right types of information from the right sources, covering an appropriate time period. Such inputs include information other than financial information: information on non-financial, sustainability drivers and their impact on stakeholders. The sources ofi nformation will include information from stakeholders. The time period encompasses the short, medium and long-term.

The analysis of the information takes into consideration sustainability drivers and accounts for the needs, concerns and expectations of the organisation and its stakeholders. It is the organisation that is ultimately responsible for the determination ofi ts material issues. This process is aligned with the processes for organisational decision making and strategy development.

An organisation develops a comprehensive understanding ofi ts sustainability context and what its material issues are, as well as those issues that, while not material to the organisation, still require a response, and a balanced and robust understanding of who they are material to and why.

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The determination of material issues will change over time as issues mature and understanding improves.

Criteria
An organisation will adhere to the principle of materiality when:

- It has in place a materiality determination process that:
  - is applied across the organisation (e.g. group and local level);
  - is integrated in the organisation, and
  - is ongoing and not 'one off'.
- It has in place, or has access to, the necessary competencies and resources to apply the materiality determination process.
- The materiality determination process:
  - identifies and fairly represents issues from a wide range of sources including the needs and concerns of stakeholders, societal norms, financial considerations, peer-based norms and policy-based performance and understands their sustainability context;
  - evaluates the relevance of the identified sustainability issues based on suitable and explicit criteria that are credible, clear and understandable as well as replicable, defensible and assurable;
  - determines the significance of the identified sustainability issues using criteria and thresholds that are credible, clear and understandable as well as replicable, defensible and assurable;
  - takes into account the changing sustainability context and maturity of issues and concerns, and
  - includes a means of addressing conflicts or dilemmas between different expectations regarding materiality.
- The materiality determination process results in a comprehensive and balanced understanding and prioritisation ofi ts material sustainability issues.

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2.3 The Principle of Responsiveness

Principle
An organisation shall respond to stakeholder issues that affect its performance.

Definition
Responsiveness is an organisation's response to stakeholder issues that affect its sustainability performance and is realised through decisions, actions and performance, as well as communication with stakeholders.

Explanation
Responsiveness is how an organisation demonstrates it responds to its stakeholders and is accountable to them. This may include: establishing policies, objectives and targets, governance structure, management systems and processes, action plans, stakeholder engagement, measurement and monitoring of performance or assurance. An organisation's responses may not agree with the views of all stakeholders. Stakeholders participate in developing responses.

Since responses will compete for available resources, responses are necessarily prioritised. This prioritisation needs to be consistent with other strategies and operations, as well as with stakeholder interests, and communicated to stakeholders. An organisation seeks to allocate adequate resources for responses. Resources are adequate when they allow the organisation to achieve its stated commitments within the stated time period and to communicate its responses in a way that is consistent with stakeholder interests and expectations.

An organisation communicates responses in a manner that meets the needs and expectations ofi ts stakeholders so they can take informed decisions. An organisation puts in place the necessary competencies, capacity and processes to achieve the responses it commits to. An organisation responds in a timely way.

A responsive organisation will respond to its material issues and to its stakeholders in a comprehensive and balanced manner, however, the way in which an organisation responds to an issue will depend on the maturity of the issue as well as the maturity of the organisation.

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Criteria
An organisation will adhere to the principle of responsiveness when:

- It has in place a process for developing appropriate responses that:
  - is applied across the organisation (e.g. group and local level);
  - is integrated in the organisation;
  - is ongoing and not 'one off';
  - is based on a comprehensive and balanced understanding of the response to material issues expected by stakeholders;
  - involves stakeholders as appropriate;
  - considers the relationship between the maturity of an issue and the appropriateness of a response;
  - prioritises responses taking materiality and resource requirements into account, and
  - considers the timeliness of response.
- It has in place, or has access to, the necessary competencies and resources to achieve its commitments.
- It responds in a comprehensive and balanced way to material issues.
- It responds in a way that addresses the needs, concerns and expectations of stakeholders.
- It responds in a timely way.
- It has in place a process to communicate with stakeholders that:
  - is applied across the organisation (e.g. group and local level);
  - is integrated in the organisation, and
  - is ongoing and not 'one off'.

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- The communications process:
  - reflects the needs and expectations of stakeholders;
  - is comprehensive and balanced, identifies shortcomings and prevents material misstatements, and
  - is accessible to stakeholders.
- It uses suitable reporting principles, frameworks or guidelines for sustainability reporting.
- The communications process results in comprehensive and balanced communications to stakeholders that are consistent with the nature and extent of the organisation's adherence to the AA1000 AccountAbility Principles.

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3. References to the AA1000 AccountAbility Principles

The AA1000 AccountAbility Principles are used to guide sustainability assurance in accordance with the AA1000AS (2008) and stakeholder engagement in accordance with the AA1000SES (2005). Any reference to the use of these principles shall be acknowledged. The term AA1000 AccountAbility Principles shall not be used in relation to principles that are significantly modified, supplemented or referred to in isolation, as this may mislead users.

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Annexes

A. The AA1000 Series

The AA1000 Series is comprised of three standards:

AA1000APS (2008) AccountAbility Principles
AA1000AS (2008) Assurance Standard
AA1000SES (2005) Stakeholder Engagement Standard

The series is supported by Guidance Notes and User Notes. The Guidance Notes, for example, the Guidance for the Use of AA1000AS (2008), provide information on how to apply the standards. The User Notes provide examples of the use of the standards.

B. The AccountAbility Technical Committee

Jennifer Iansen-Rogers, KPMG – Chair
Glenn Howard Frommer, MTR Corporation
Dominique Gangneux, ERM
Chuck Gatchell, Nike, Inc. (to February 2008)
Sean Gilbert, GRI
Adrian Henriques, Middlesex University
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Eileen Kohl Kaufman, SAI
Dave Lucas, Eskom
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Johan Piet, Transparability
Preben J. Sørensen, Deloitte
Chris Tuppen, BT (to February 2008)
Ian Wood, BT (from February 2008)
David York, ACCA

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C. About AccountAbility

AccountAbility (www.accountability21.net) is a global non-profit network with representatives in London, Washington, Beijing, Geneva, Sao Paulo and San Francisco, established in 1995 to promote accountability innovations that advance sustainable development. AccountAbility works with business, government and civil society organisations to advance responsible business practices and the governance of collaborations between public and private institutions.

AccountAbility's leading-edge accountability innovations include: theAA1000 Series Sustainability Assurance and Stakeholder Engagement Standards, the Partnership, Governance and Accountability framework , the Responsible Competitiveness Index covering the links between responsible business practices and the competitiveness of over 100 countries, and, in collaboration with csrnetwork, the Accountability Rating of the world's largest companies published annually with Fortune International. AccountAbility is convenor of theMFA Forum , an international alliance of business, international development agencies, NGOs and labour organisations working on the links between national competitiveness and labour standards in global supply chains. AccountAbility and the Centre for Corporate Citizenship at Boston College are co-founders and convenors with IBM and GE of the Global Leadership Network , an international network ofl eading businesses committed to building alignments of corporate responsibility to business strategy by advancing joint learning and relevant analytic tools and benchmarking.

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Related AccountAbility Publications

- **Guidance for the Use of AA1000AS (2008)**
- **AA1000 AccountAbility Assurance Standard (2008)**
- **AA1000 Stakeholder Engagement Standard (2005)**
- **Certification as a Sustainability Assurance Practitioner**
- **Critical Friends: The Emerging Role of Stakeholder Panels in Corporate Governance, Reporting and Assurance**
- **Redefining Materiality**
- **The Materiality Report: Aligning Strategy, Performance and Reporting**
- **The Stakeholder Engagement Manual**

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AccountAbility UK
202-252 Goswell Road
London EC1V 7EB
T: +44 (0)20 7549 0400

AccountAbility North America
1250 24th St. N.W. Suite 300
Washington D.C. 20037
T: +1 (202) 835-1692

secretariat@accountability21.net

The AA1000APS (2008):

- Provides an organisation with an internationally accepted, freely available set of principles to frame and structure the way in which they understand, govern, administer, implement, evaluate and communicate their accountability

- Is primarily intended to be used by organisations developing an accountable and strategic approach to sustainability

- Provides the basis for establishing, evaluating and communicating accountability

- Allows an organisation to focus on what is material to its own vision and provides a framework for identifying and acting on opportunities as well as managing non-financial risk and compliance

- Demands that an organisation actively engages with its stakeholders, fully identifies and understands the sustainability issues that will have an impact on its performance, and then uses this understanding to develop responsible business strategies and performance objectives

- Provides the basis for understanding and achieving sustainability assurance according to the AA1000AS (2008) and accountable stakeholder engagement according to the AA1000SES (2005)