AccountAbility

Setting the Standard for Sustainability

Position Statement: AA1000 Terminology versus Accounting Terminology

PREPARED FOR
Sustainability Assurance Users

DATE
January 2026

POSITION STATEMENT: AA1000 TERMINOLOGY VS. ACCOUNTING TERMINOLOGY

Version Number: 1.1

Executive Summary

The rise in mandatory sustainability disclosures and stakeholders relying on the information to inform investment decision making has led to many questions regarding the accuracy and reliability of company non-financial data. In certain jurisdictions, assuring your sustainability or ESG report is mandatory yet in others where it remains voluntary, companies are responding to calls from investors, customers, regulators, employees, and other important stakeholders, for more assurance of this information.

The increased attention has led many sustainability teams and assurance professionals to question the level of assurance required over this data to meet mandated requirements and the method needed to test non-traditional forms of data.

This document compares **Limited Assurance** and **Reasonable Assurance** within the context of traditional auditing engagements and contrasts them with **High Assurance** and **Moderate Assurance** as applied to sustainability information. The goal is to help stakeholders understand the key differences in terms of testing depth, confidence levels, use cases, and outcomes. The findings indicate that assurance levels vary in their name, application, and terminology, but limited / reasonable assurance and moderate / high assurance levels are comparable.

Purpose of the Document

The primary purpose of this document is to:

- Compare the levels of **Limited Assurance** and **Reasonable Assurance** used in non-financial and sustainability assurance based on standards set by the International Auditing and Assurance Standards Board (IAASB).
- Contrast **High Assurance** and **Moderate Assurance** applied in AA1000 sustainability assurance
- Assess the equivalency of these assurance levels in providing confidence to stakeholders in financial, and non-financial contexts (operational, and compliance-related).

Methodology

This document is structured to assess each assurance methodology based on the following criteria:

1. **Confidence Level:** The degree of certainty provided by the assurance.
2. **Scope and Depth of Testing:** The extent of the procedures involved in each assurance level.
3. **Typical Use Cases:** Common scenarios where each assurance level is used and the information required to meet each assurance level expectation.
4. **Outcome Statements:** How the assurance level is typically reported in findings.

The study compares how these assurance levels are applied in various assurance contexts using practical examples, industry standards, and best practices.

Comparison of Assurance Types: Traditional Accounting Terminology (ISAE3000/ISSA5000 Terminology)

Limited Assurance:

- **Level of Confidence:** Low to moderate. Limited Assurance implies that the auditor has performed only basic procedures to confirm that there is no material (i.e. relevant) misstatement in the subject matter. Must meet the ethical commitments under the relevant body that manages the assurance standard being applied (in the case of ISAE3000 the assurance must meet the obligations as set out in the IESBA Code).
- **Scope of Testing:** The auditor typically performs analytical reviews, inquiries, and limited testing of transactions or controls. The testing does not include exhaustive checks on the methodologies or the data.
- **Use Cases:** Commonly used in reviews of interim financial or non-financial statements, agreed-upon procedures, or when a company requires a less rigorous examination.
- **Outcome:** The report issued for limited assurance will typically state: "Nothing has come to our attention to suggest that the information is not in accordance with the relevant financial or sustainability reporting framework."

Reasonable Assurance:

- **Level of Confidence:** High. Reasonable Assurance implies a high degree of confidence that the financial statements or other subject matter are free from material misstatement.
- **Scope of Testing:** The auditor performs a comprehensive set of audit procedures, including detailed testing of transactions, controls, and systems. It often involves sampling and checking underlying documentation. It may not be permissible to provide

Reasonable Assurance if a methodology has not been provided and metrics fully defined.

- **Use Cases:** This level of assurance is commonly provided in full audits of financial statements (e.g., annual audits of public companies) or selected sustainability information (e.g., data in ESG or sustainability reports).
- **Outcome:** The auditor's opinion is much stronger: "In our opinion, the Key ESG Metrics and Disclosures as of and for the year ended are stated fairly, in all material respects."

Assessment of Equivalence: Reasonable v Limited

Reasonable Assurance provides a higher level of confidence than *Limited Assurance* due to the extensive testing and analysis performed. The outcome of a Reasonable Assurance audit provides a more reliable opinion and is typically considered equivalent to audits of annual financial statements. In contrast, Limited Assurance is often suitable for engagements that do not require extensive testing or when less detailed assurance is needed.

Comparison of Assurance Types: AA1000 Terminology

Moderate Assurance:

- **Level of Confidence:** Moderate. Moderate Assurance implies a moderate level of confidence in the subject matter, acknowledging that the system or process is generally functioning according to the AA1000 Accountability Principles (Inclusivity, Materiality, Responsiveness and Impact) but may have some risks or weaknesses.
- **Scope of Testing:** Limited depth of evidence gathering including inquiry and analytical procedures as well as basic sampling at lower levels in the organization as necessary. Emphasis is on the plausibility of the information. Evidence is issued or compiled from internal sources and parties.
- **Use Cases:** Used in sustainability assessments, risk management engagements, and assurance of less-critical systems where a detailed review may not be necessary.
- **Outcome:** The assurance statement may say: "The assurance provider is satisfied that a Moderate level of assurance has been achieved for the information reported, as limited evidence has been obtained to support the statement."

High Assurance:

- **Level of Confidence:** High. High Assurance reflects the highest level of confidence in the data reported, systems, or compliance measures such that the risk of the conclusion being in error is very low.

- **Scope of Testing:** Evidence is from internal and external sources and parties including stakeholders. Evidence is gathered at all levels of the organization. Extensive depth of evidence gathering including corroborative evidence and sufficient sampling at multiple levels in the organization. Emphasis is on the reliability and quality of the information, is aligned with AA1000AP and additionally with international standards such as Science Based Targets initiative (SBTi) and European Sustainability Reporting Standards (ESRS).
- **Use Cases:** This type of assurance is used in environments where reliability is critical, such as significant ESG sections of a company report and sustainability compliance assessments.
- **Outcome:** The assurance statement will provide very strong statements such as: "The assurance provider is satisfied that a High level of assurance has been achieved, as sufficient evidence has been obtained to determine that the risk of error is near zero."

Assessment of Equivalence: High v Moderate

High Assurance provides the most comprehensive and rigorous assessment, giving a high level of confidence in the system or reported data. *Moderate Assurance* offers a limited level of confidence, indicating that while the system is generally functioning well, emphasis is on the plausibility of the reported information. The key difference is that High Assurance is suitable for critical data and systems, such as producing accurate GHG or ESG integrated reports, where reliability is essential, whereas Moderate Assurance is appropriate for less critical systems or assessments.

Characteristics of Assurance Levels

Moderate/Limited: Limited evidence is available to support the statement. This level of assurance will provide a lower level of confidence on the subject matter it refers to. This evidence is usually issued or compiled from internal sources and stakeholders and typically involves analytical reviews, inquiries, and limited testing of data, transactions and controls. It does not include exhaustive checks on the methodologies and data.

High/Reasonable: Sufficient evidence has been obtained to support the statement. The chance of error might not be zero, but it is very low. To reach this level of confidence, a comprehensive set of assurance procedures, including detailed testing of transactions, controls, and systems is performed. It often involves sampling and checking underlying documentation, including reference to external data sources.

Example:

If an assurance professional was to assess the water quality in a flowing river, [metaphorically speaking], but there were no parameters to define the volume of water being assessed, the assessor could not determine the quality with absolute certainty as the water body is not a constant, and reliance is on random sampling only, for an indeterminate volume. Here the water represents the data, and the engagement could only be completed at Limited / Moderate Assurance. To achieve reasonable / high assurance would require a defined water body volume (or data set) and a sampling regime that will provide sufficient and adequate evidence to enable its quality to be assessed.

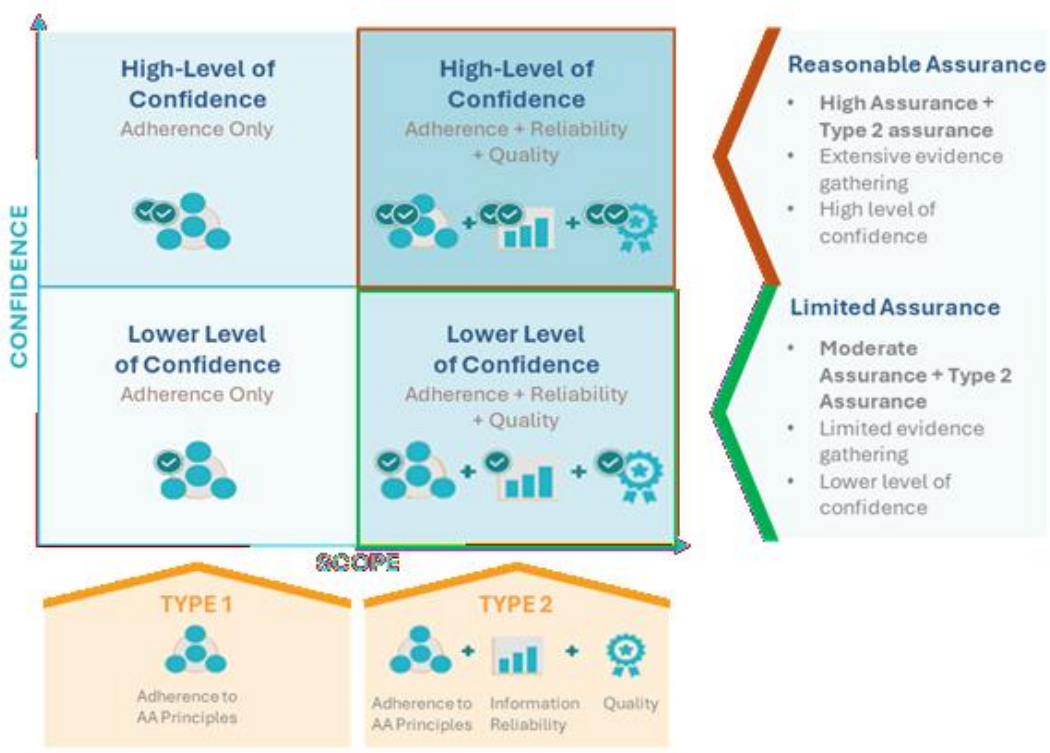
Specific reference to the AA1000 Assurance Standard Version 3 (AA1000AS v3)

The AA1000AS v3 has two levels of assurance; High and Moderate, as well as two 'types', Type 1 and Type 2. These types refer to the scope of the engagement.

- Type 1 requires the assurance provider to review and assess how details on how the reporting company has adhered to AccountAbility's Assurance Principles (AA1000AP) of inclusivity, materiality, responsiveness, and impact.
- Type 2 requires the assurance provider to assess and evidence how the reporting company has met these expectations, determine information reliability and meet higher quality and evidentiary standards.

The AA1000AS v3 allows a reporting company, together with its assurance partner, to select the level of confidence, high or moderate, and the scope, Type 1 or Type 2. See Figure 1 below.

Figure 1: AA1000 Assurance Levels



While the AA1000AS v3 allows selection of the level of confidence, high or moderate, and the scope, Type 1 or Type 2, any other combination of type and level of assurance other than Type 2 High cannot be deemed equivalent to 'Reasonable' assurance.

Please note that if Type 2/Moderate is selected by reporting organizations to meet the limited level of assurance, assurance providers must also meet the Adherence to AA1000 Principles as this is required for all AA1000AS v3 engagements.

As Figure 1 notes, through a Type 2/High Assurance, there is a threshold level which is comparable to the mandated reasonable assurance that is required under specific jurisdictions.

Comparison of Assurance Types

	AA1000 Terminology		Accounting Terminology	
	Moderate Assurance	**High Assurance**	**Limited Assurance**	**Reasonable Assurance**
Level of Confidence	Moderate	High	Low to Moderate	High
Scope of Testing	A limited scope of assessment, no in-depth testing of controls and there is an understanding that controls may be obtained, but reliance is limited	Comprehensive testing, thorough controls assessment	Limited testing, inquiries, and analytical procedures	Extensive testing, detailed review of documentation, data, and controls
Example Context	Data with a high estimation of uncertainty, limited controls and / or complex and fragmented data sources i.e. supplier sustainability practices	ESG data that receives reasonable assurance is typically quantifiable, well-controlled, based on reliable internal systems i.e. Scope 1: Direct emissions from owned or controlled sources (e.g., company vehicles, on-site fuel combustion).	Data with a high estimation of uncertainty, limited controls and / or complex and fragmented data sources i.e. self-reported social metrics	ESG data that receives reasonable assurance is typically quantifiable, well-controlled, based on reliable internal systems i.e. Workplace Safety Data
Outcome/Statement	Some confidence but moderate risk or weaknesses identified.	High confidence, low risk of error.	"Nothing has come to our attention to suggest..."	"In our opinion, the ESG Metrics and Disclosures as of and for the year ended are stated fairly."

Key Characteristics That Support Reasonable / High Assurance

Attribute	Description
Traceability	Can be linked back to source documents (e.g., logs, invoices, meters)
Internal Controls	Robust systems and procedures in place to ensure data integrity
Standardization	Metrics align with recognized reporting standards or regulatory definitions
Low Estimation Uncertainty	Not heavily based on assumptions or third-party models

Please refer to Figure 2 below for an example of this review process.

Requirements of Assurance Providers

Different expectations are placed on providers depending on the assurance standard they use.

- For AA1000AS Licensed Assurance Providers, they must sign a license agreement to adhere to the AA1000AS v3 Code of Practice). They also must enter individual engagements into a designated platform. All assured reports are added to a public web list on the AccountAbility Standards website.
- To use ISAE3000 / ISSA5000 standards, members of the engagement team and the engagement quality control reviewer are subject to the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding. The Assurance practitioner must be a member of a firm that is subject to ISQM 1 (International Standard on Quality Management) or stricter. ISQM 1 applies to all firms that perform engagements under the IAASB's international standards.

Attributes of an Assurance Statement

Each assurance standard has an expectation of the contents of the assurance statement. For more information please reference the Sustainability Assurance Standard – Bridging Document.

Conclusion

This document helps stakeholders understand how assurance levels applied differ, and aids in determining which level is appropriate based on the specific needs of the engagement. The AA1000AS v3 and its Guidance on Assuring GHG Emissions with the AA1000AS v3 for Assurance Providers can complement other internationally recognized assurance standards and frameworks to enhance user's overall assurance process. Specifically, the AA1000AS v3 has been recognized as a legitimate assurance standard used by organizations globally, as acknowledged in the IFAC State of Play in Sustainability Assurance reports, which highlight the evolving landscape of sustainability reporting and assurance practices.

Due to the prevalence of audit terms limited and reasonable, often jurisdictions will refer to these terms within their guidance documents which can confuse users. However, it is our understanding based on discussions with legislative bodies that unless further restrictions are imposed (beyond the terminology) the AA1000AS v3 is suited for sustainability assurance. This is also further noted in the UN Guiding Principles Assurance Guidance where the use of 'limited' and 'reasonable' is determined as an equivalent distinction to the AA1000AS 'moderate' and high' terminology under the section 'Limited Versus Reasonable Assurance in the Context of External Assurance Processes'.

Figure 2: GHG Emissions Data Validation Flow for Assurance Determination