

The evolution of sustainability assurance: The case of Fortune Global 500

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Abstract

Purpose: The purpose of the research is to examine the current state of the practice of sustainability assurance and to understand how the practice of sustainability assurance has changed, if at all, over time.

Design/methodology/approach: The website of the Fortune Global 500 (FG500) companies is visited to identify if they published the sustainability report which is downloaded and reviewed to identify which companies secure external third-party sustainability assurance. The sustainability assurance report is evaluated using a technique of content analysis. Information such as the name of assurance provider, type of assurance provider, assurance standard/s followed, the addressee of the assurance report, the length of the report, report name, subject matter criteria are identified.

Findings: The research notes a limited level of assurance is provided and only on the selected number of disclosures made by the management of the company in the sustainability reports.

Contributions: Regulatory authority can use the findings of the research to reflect on the standards set by them for the companies on reporting and assurance work. Academia can use the research for future studies to observe the impact of assurance statements.

Limitations and future research: Future researchers should make observations on the entire process of assurance work from the engagement of the assurance provider to the publication of the assurance statement.

Keywords: Sustainability reporting, Sustainability assurance service, Sustainability assurance provider, ISAE, AccountAbility, Fortune Global 500.

Paper type: Content analysis and qualitative research.

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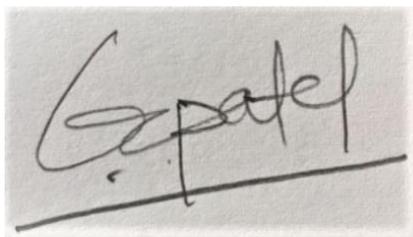
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Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of university or other institution of high learning.

A photograph of a handwritten signature in black ink on a light-colored surface. The signature is written in a cursive style and appears to read 'C. Patel'. A horizontal line is drawn across the bottom of the signature.

Chetankumar Randhirbhai Patel
11th November 2019

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List of abbreviations

FG500 – Fortune Global 500

FG250 – Fortune Global 250

SAP – Sustainability Assurance Provider

ASAP – Accounting Sustainability Assurance Provider

NASAP – Non-Accounting Sustainability Assurance Provider

GRI – Global Reporting Initiative

IIRC – International Integrated Reporting Council

Chapter 1: Introduction

The publication of sustainability reports has been growing across the globe¹. A KPMG (2017) survey shows that the proportion of the Fortune Global 250 (FG250) publishing sustainability reports has grown from 64% in 2005 to 93% in 2017 (KPMG, 2017). Similarly, Junior, Best and Cotter (2014) examined the sustainability reporting practices of the Fortune Global 500 (FG500) companies published in 2010 and found the number of companies producing a sustainability report has increased considerably from 39% in 2004 to over 85% in 2010. However, critics argue that many companies simply use their sustainability reports as a greenwashing to influence stakeholders perceptions as there is a growing concern regarding the trustworthiness of the sustainability report (Dando & Swift, 2003). To address this, companies are acquiring and publishing third party assurance statements to increase the credibility of their sustainability reports (Kolk & Perego, 2010).

Junior et al. (2014) finds only a moderate increase in the proportion of the assurance statements provided by FG500 from 30% in 2004 to about 36% in 2014. However, the market for assurance services has been growing as the proportion of FG250 publishing assurance statements has increased from 30% in 2005 to 67% in 2017 (KPMG, 2017).

Assurance process can be defined as an evaluation tool that is used by the management of the companies to communicate with its stakeholders and to meet the regulatory requirement on how well (effectively) the company is managing its resources and expertise to address the current social and environmental challenges (De Moor & Beelde, 2005). The existing literature in the area of assurance services could mainly be categorised into three parts. The first category of the literature looked at the main drivers and the inhibitors of the assurance services (Herda, Taylor, & Winterbotham, 2014; Sierra, Zorio, & García-Benau, 2013). The second category of the literature explores the stakeholder perception on assurance provided on sustainability reports

¹ The name of the sustainability report is not yet standardised. Some of the commonly used words for the report are: Social report, Environment report, Corporate Social Responsibility (CSR) report, Stakeholder report, non-financial report, triple bottom line report (Deegan, Cooper, & Shelly, 2006a), etc. The most commonly used framework of Global Reporting Initiative (GRI) standards prefers it as sustainability reports. Therefore, the current research would use the word sustainability report.

(Cheng, Green, & Ko, 2014; Coram, Monroe, & Woodliff, 2009). The third area of literature covers the content analysis of the assurance statements (Ackers, 2009; Manetti & Becatti, 2009). The current research falls into this third category of assurance services.

The third stream of research can be classified further into two sub-categories. The first sub-category of literature limited the scope of research to a single country which helped the researchers make country specific observations (Ackers, 2009; Deegan et al., 2006a). The second sub-category of literature increased the scope of research on assurance statements to multi-country which helped researchers make broader observations on the use of assurance standards and the type of sustainability assurance providers (SAP) (Mock, Rao, & Srivastava, 2013; Seguí-Mas, Bolas-Araya, & Polo-Garrido, 2015). Mock, Rao and Srivastava (2013) investigated the selection of assurance standards and level of assurance provided by SAP between 2002 to 2007 on a randomly selected sample of 450 companies. They commented that accounting sustainability assurance providers (ASAP) are more likely to provide a negative form of conclusion as opposed to non-accounting sustainability assurance providers (NASAP). However, the study does not comment on the assurance procedures adopted by SAP and the variability between assurance statements. A research that analysed the assurance statements published from 2001 to 2013 finds that although country level factors do not necessarily affect the decision to acquire assurance; it does however, affect the selection of SAP (Seguí-Mas et al., 2015). The research contained the assurance statements published by the top 300 cooperatives. Additionally, both studies are slightly dated, and the market of assurance services provided to companies is constantly changing as noted by KPMG 2017 survey. Therefore, it is important to make observations on the current state of the market. Additionally, more detailed and qualitative observations can be made as many of the companies as part of the current research are expected to have gained very good experience with sustainability reporting and acquiring third-party assurance.

To address this gap in the literature, this study seeks to address two-interrelated research questions (RQs):

RQ1: "What is the current state of the practice of sustainability assurance?"

RQ2: “How has the practice of sustainability assurance changed, if at all, over time?”

The aim of the investigation is to examine, using the technique of content analysis, sustainability assurance statements published by the FG500 in 2018, and to compare the results of this analysis against the findings of previous studies. The past studies (Junior et al., 2014; Kolk & Perego, 2010; Perego & Kolk, 2012) have been selected as a benchmark for comparison because they also adopt a content analysis of published sustainability assurance statements.

The study finds that the Big 4 are controlling almost the entire market (99%) of assurance statements provided by ASAP although competition from other certification bodies and specialist consultants is equally present (44%). Secondly, more homogeneity is noted between SAPs selection of assurance standards to be used for engaging with companies for assurance services. The current research notes 95% of SAP use at least one assurance standard for their engagement. Furthermore, SAPs are trying to be transparent and independent as much as possible through disclosures, more particularly in cases where the scope of assurance is limited. It can first be noticed from the title of the assurance statements which contain the words “Independent” (68%) and “Limited” (10%). This can additionally be noticed in the assurance statement as 87% of them contain a narration on SAP’s being independent from companies’ sustainability reporting procedures. The increase in the length of the assurance as a result of SAP outlining specific disclosures being part of the assurance services provided to the companies is just another example of SAP being transparent through disclosures. The reason for obtaining a limited level of assurance could be due to the high costs associated with the service. Therefore, the current research can only speculate on companies having adequate levels of process in place for reporting on its sustainability let alone being able to have sustainable operations. This is because 84% of the assurance statements provide a limited level of assurance. Finally, the current research finds a disappointing level (16%) of stakeholders’ concerns being addressed by SAP as their involvement during the process is almost absent. The contribution of the study to the practice is through its observations on the current content of assurance statements which displays worrying signs of stakeholder participation and concern being addressed by the companies. The contribution of the study to the literature is by providing findings that future researchers can use in the area of assurance services.

The remainder of the study is structured as follows. Chapter 2 examines the past literature available in the area of content analysis of assurance statements. Chapter 3 outlines the research method and data collection. Chapter 4 presents the findings of the current research based on the content analysis. Chapter 5 ends with the discussion and conclusion.

Chapter 2: Literature review

2.1 Introduction

This chapter examines the past literature published in the area of content analysis and observations made on the assurance statements published by the companies. The chapter is structured into four parts. The second section covers the introduction to the literature available in the market and development of assurance services. The third section mainly sets out the characteristics of the sustainability assurance statements based on the past literature. In the last section the chapter concludes with a brief summary of the literature.

2.2 Market and development of assurance service

Stock exchanges are encouraging all the listed companies, as part of best practice of corporate governance, to produce some form of report which addresses how companies' operations are making an impact on the social and environment around them (Gillet-Monjarret, 2015). Australian Corporate Governance Council (CGC) as part of their advice urged companies to make disclosures on their impact on the environment (Gibson & O'Donovan, 2007). New Zealand Stock exchange promotes the listed companies to publish some form of environmental, social and governance (ESG) report from 2017 (NZX Limited, 2017). Additionally, a research in Sweden links publication of assurance statements as one of the determining factors behind companies being listed on the local stock exchange (Park & Brorson, 2005).

Some companies produce separate standalone sustainability reports while others opt to publish sustainability information within a single annual report together with the financial information (Moroney, Windsor, & Aw, 2012). It is mandatory for each public company to engage with an independent auditor to get their financial report audited each year, however it is not yet mandatory for any company to get their non-financial report assured by a third independent party (Gray, 2000). Although, in countries such as France acquiring assurance over sustainability reporting is encouraged (Gillet-Monjarret, 2015). Additionally, as mentioned in the introduction, pro-active companies

are acquiring assurance over their sustainability reporting in order to increase the credibility of their disclosures.

The lack of regulation over assurance on sustainability reporting means there is no consensus on who the assurance provider should be, the scope and the objectives of assurance engagements and the standards to be used for the work. This makes the market of assurance services diverse and rapidly evolving where two main types of SAP (ASAP and NASAP) are competing against each other to gain a higher proportion of the market share (Farooq & de Villiers, 2019). A few of the studies have explored this field of assurance services through content analysis of assurance statements in the past (Ball, Owen, & Gray, 2000; Deegan et al., 2006a; Deegan, Cooper, & Shelly, 2006b; O'Dwyer & Owen, 2005; Park & Brorson, 2005). While these studies provided some useful insight during the early years of assurance service, quality and variability of the assurance statements provided by SAP, another look at the work is required to see how it has evolved over the years. Secondly, a more detailed methodology can demonstrate how SAP experience and competition has changed (if at all) the approach taken by each SAP (ASAP and NASAP). Therefore, the aim of the current research is fourfold; first is to state the content of assurance statement, second is to observe changes as compared to the past studies, third is to note down differences between SAP's disclosures and forth is to observe anything new that might not have been covered in the past.

2.3 Characteristics of the sustainability assurance statement

The following discussion summarises the findings of the researchers on 10 elements of sustainability assurance statements.

2.3.01 Type of SAP

In a randomly selected sample of 450 assurance statements Mock, Rao and Srivastava (2013) observes an increase in dominance of the Big 4 accounting firms as compared to the non-accounting specialist consultants. The research compared the data of 2002-2004 to 2006-2007. Furthermore, in 2003 Deegan, Cooper and Shelly (2006b) observed about 23% of the assurance statements came from the accounting firm in the UK. The proportion increased to 56% by 2010 as per Junior et al. (2014) study. Both studies reported a high proportion of assurance work being undertaken by accounting firms in

other parts of Europe. Ackers (2009) found that when it came to providing an assurance on sustainability reports the Big 4 accounting firms were more prominent as compared to the specialist consultants in South Africa.

2.3.02 Title of the assurance statement

Although the title of assurance statements has been given importance for ranking and coding (quantitative method), in some studies that analysed content of the assurance statements and user perception (Perego & Kolk, 2012; Romero, Fernandez-Feijoo, & Ruiz, 2014; Seguí-Mas et al., 2015) the variability within them has not been provided. Additionally, some studies which gave importance to the title and critically analysed content of assurance statements (O'Dwyer & Owen, 2007; O'Dwyer & Owen, 2005) also did not mention the inconsistency within the wording of the titles. The different titles could potentially confuse stakeholders who would use the assurance statements issued by two companies for comparing to make any decision (Deegan et al., 2006a). A content analysis of the assurance statements from the companies in the UK and Australia discovered that SAPs were using a range of different titles for the statements. The most commonly used title for the assurance statement was "Verification statement" at 40% in the UK, at 10% from other European companies (Deegan et al., 2006b) and 52% in Australia (Deegan et al., 2006a). The most commonly used word in the title among assurance statements from the UK was "Verification". The variability among assurance statements' titles published by other European companies was higher than even UK companies. As the market of assurance services matures over time more similarities among the titles used for the statements is expected (Deegan et al., 2006b).

2.3.03 The addressee of the assurance statement

In terms of the addressee, Belal (2002) found four out of eight assurance statements published by companies from the UK in 1998/99 are addressed to directors and/or management of the company. Audit reports provided on financial statements are to be addressed to the shareholder of the company and not the directors or management of the company (Belal, 2002). O'Dwyer and Owen (2005) notes that 73% of the assurance statements were not addressed to anyone among the sample of 41 assurance statements published by companies from Europe including the UK. Additionally, 7% are addressed to boards of directors and only 2% to the readers of the company (O'Dwyer

& Owen, 2005). Furthermore, Deegan et al. (2006b) observed that only one report out of the 100 sampled companies was addressed to the stakeholders of the company directly. The targeted audience (readers) of sustainability reports is perceived to be the external stakeholders of the company such as customers, suppliers, NGOs and government institutions (Deegan et al., 2006a).

2.3.04 Assurance standard

A global study of 130 assurance statements obtained between 2002 to 2004 noted that 42% of SAP had not mentioned using any assurance standards (Mock, Strohm, & Swartz, 2007). Mock et al. (2013) also observed that the use of AA1000 had been increased from 25% in 2002-2004 to 37% in 2006-2007. A London based not-for-profit organisation AccountAbility issued AA1000 for assurance services. On the other side International Standards for Assurance Engagement 3000 (ISAE3000) was released by the International Auditing and Assurance Standards Board (IAASB) (Manetti & Becatti, 2009). As more ASAP began using standards released by IAASB the use of ISAE3000 independently or in combination with other standards increased from 7% in 2005 to 26% by 2008 for FG250 (Perego & Kolk, 2012).

2.3.05 Assurance procedures undertaken

The assurance work involves verification of the data disclosed by the companies in their reports, client's site visits, system review and interviews with the management staff. The majority of the SAP limit their assurance work to verification of the data (more than two thirds) and prefer not to review the internal systems (less than half) of the companies (Ball et al., 2000). It could also be argued that the management of the companies could have probably restricted the type of procedures that could be undertaken by the SAP for various reasons such as limiting the cost, no apparent value added benefits of the report and to avoid any embarrassment that could arise due to weaker systems in place.

2.3.06 Scope of the assurance work

Limited or Reasonable level of assurance

Limited level of assurance refers to a situation where SAP obtains enough information from the company to be satisfied that the subject matter is acceptable (Hasan,

Roebuck, & Simnett, 2003) which is different from current audits on the financial statements that usually provide a reasonable (high) level of assurance. Hasan et al. (2003) reemphasised that unaware stakeholders of the company might place a high level of reliance on a limited level of assurance. Ackers (2009) study observed that all the specialist consultants provided a reasonable level of assurance whereas two thirds of the assurance statements by the Big 4 had a limited level of assurance. A study by Mock at el. (2013) noticed there is a considerable proportion of decrease in the level of assurance provided by the companies where both accounting and non-accounting firms are involved providing a limited level of assurance between 2006-2007 as compared to 2002-2004.

Reliability and Balance

Reviewing the literature review on sustainability assurance services, Farooq and De Villiers (2017) notes the differences in terms of approach adopted by ASAP (Accounting Sustainability Assurance Provider) and NASAP (Non-Accounting Sustainability Assurance Provider). ASAP lean more towards verification of the reported data to provide the reliability of the sustainability report. NASAP tends to provide assurance over the entire report and the reporting process which provides a more balanced view on the sustainability of the companies.

Assurance over partial or entire report

Companies are opting to get assurance over their partial sustainability report. This practice is observed when SAP or companies are deliberately avoiding to provide/acquire assurance over grey areas (Ball et al., 2000). Companies restrict the scope of assurance over selected data only if it feels comfortable with the reported information and SAP only assures disclosures which do not increase their liabilities. However, past research provides no data over this trend.

2.3.07 Statement of responsibility

Studies have found that sustainability assurance statements published by Australian companies did not state the responsibility for the information in the report (Deegan et al., 2006a). The same was noticed on the samples from European companies (excluding the UK) (Deegan et al., 2006b).

2.3.08 Form of conclusion in assurance statement

Despite a limited level of assurance engagement the majority of the assurance statements, had a positive form of conclusion among the samples from Australia and Europe (including the UK) (Deegan et al., 2006a, 2006b).

2.3.09 Length of the assurance statement

No earlier research seems to have provided any data on this observation hence the current study would probably be the first one to do so.

2.3.10 Subject matter criteria

KPMG's (2017) survey indicated that around 75% of the FG250 uses GRI framework in preparation of their sustainability report.

2.4 Conclusion

From the above literature it is noticed that both studies done by Deegan et al. (2006a, 2006b) have made a significant contribution towards the understanding of the assurance statements published by companies till 2003. The most comparable research to the current study would be that of Junior et al. (2014) as it contains the same sample size of FG500 companies, but the reports assessed were published by companies in 2010. Additionally, the Junior et al. study only covered the proportion of companies publishing and obtaining assurance on their sustainability report together with the provider of these assurance reports. Hence, the current study would be a good comparative study with that of the earlier research including the KPMG 2017 survey, but at the same time it will also provide additional knowledge and provide current trends in the market of sustainability assurance. To address this gap in the literature this study seeks to examine the current state of sustainability assurance by investigating sustainability assurance statements published by the FG500 in 2018 and comparing the results against the findings of Kolk and Perego (2010), Perego and Kolk (2012) and Junior et al. (2014) to understand how this new form of assurance is evolving over time. To achieve this objective, the study undertakes a content analysis of sustainability assurance statements published by the FG500 and compares the results against the findings of existing studies which adopt a similar research methodology (i.e. a content

analysis of published sustainability assurance statements). These studies include works by Kolk and Perego (2010), Perego and Kolk (2012) and Junior et al. (2014).

Chapter 3: Research method

3.1 Introduction

This chapter outlines the research method used to address the research objectives. The chapter consists of seven sub-sections. The first section provides an overview of the chapter. Section 3.2 discusses data collection for the research. Section 3.3 describes the overview of the reporting year of the companies which are part of the sample. Section 3.4 outlines assurance statements and sample elimination from the collected data set. Section 3.5 discusses how data analysis for the current research has been undertaken. Section 3.6 provides the reporting framework used by the companies in preparation of their sustainability reports. Finally, section 3.7 closes with a brief conclusion.

The purpose of this study is to examine the practice of sustainability assurance and to compare the results of the analysis against the findings of previous studies to understand how this new form of assurance is evolving over time. To achieve this objective the study undertakes a content analysis of sustainability assurance statements published by the FG500 and compares the results against the findings of existing studies which adopt a similar research methodology (i.e. a content analysis of published sustainability assurance statements). These studies include works by Kolk and Perego (2010), Perego and Kolk (2012) and Junior et al. (2014).

3.2 Data collection

The purpose of the research is to analyse the content of the sustainability assurance statements published by the FG500, compare the disclosures with the assurance statements analysed in past studies and note down differences in disclosures between different types of SAP. Additionally, the research observes the specific content within the assurance statements that indicate capture over assurance processes carried out by SAP. The research consists of the FG500 largest companies in the world by revenue. This list could have been based on the amount of market value or net assets value, number of employees and revenue of the company. Past literature has used lists of companies

provided by Fortune based on revenue (Cho, Michelon, Patten, & Roberts, 2014; Perego & Kolk, 2012).

The 2018 list of the FG500 was accessed in May 2019 from the Fortune website (Fortune Media IP Limited, 2018). The FG500 ranking is based on the size of a company. This is determined based on revenue. The revenue of the FG500 ranged from USD 23 to 500 billion. The latest sustainability report was identified by visiting the website of each company. Data includes both separate/stand-alone sustainability reports as well as sustainability information published in the company’s annual report. Once identified the sustainability reports were downloaded and saved for later analysis. This process was undertaken from May through to July 2019.

Table 3:1 Number of published sustainability reports

| Description | Data Sample | Accumulative |
|------------------------------------------------------|--------------------|---------------------|
| Total sample size | 500 | 500 |
| Less companies without email ID & report on website | (16) | 484 |
| Less companies do not publish sustainability report | (5) | 479 |
| Less companies that did not reply to e-mail requests | (40) | 439 |
| Less sustainability reports not in English language | (16) | 423 |

If the sustainability report could not be found on the company’s website an e-mail was sent to the company (often the external communication department) requesting a copy to be provided. A total of 65 companies were contacted via e-mail, however, this was not possible in 16 instances where the company’s e-mail address was not available. Consequently, these 16 companies were excluded from the analysis. Subsequently, companies were sent an additional two e-mail reminders. Companies responded by either e-mailing their sustainability report or by providing an external link to their publication, these were kept as part of the research. During this correspondence five companies replied that they had not published sustainability reports therefore research excluded those from the database. After the e-mail reminders to the companies a further 40 companies that did not reply to the e-mail were eliminated from the list. This left a sample of 439 companies that had published a sustainability report. This indicates a reporting rate of 88% compared to the KPMG 2017 survey which reports 93% of the Fortune Global 250 companies publishing sustainability reports as of 2017. A further 16

companies' sustainability reports were excluded as they were not written in English. This process reduced the workable sample size to 423.

3.3 Reporting year

The current research makes observations on the assurance statements published for the sustainability reporting of the companies. Therefore, current year (one year) of observation is believed to be enough for the research. As the data is collected during mid 2019 (May and July) most companies 82% (n=347) had published their sustainability report for 2018. An additional 7% (n=30) of the companies' yearend are observed to be in 2019 both makes up 89% of the total sample. However, some companies take longer than others to publish their sustainability report. For example, ExxonMobil had not published their sustainability report for 2018 although their website shows they regularly publish a sustainability report (i.e. sustainability reports from 2010 to 2017 were available on their website). Consequently, this contributed to 11% (n=46) of the sample where companies' reporting year end is in 2017.

Table 3:2 Reporting year of companies

| Reporting year | Data Sample | |
|----------------|-------------|-----|
| 2017 | 46 | 11% |
| 2018 | 347 | 82% |
| 2019 | 30 | 7% |
| Total | 423 | |

3.4 Assurance statement and sample elimination

The sustainability reports were then analysed to identify those which had received external independent assurance, i.e. sustainability assurance statements. This was done by searching the document for the term assurance, audit, verification and third-party check. Secondly, a quick glance through the entire report was made, especially the last ten pages to locate assurance statements. This process ensured that no assurance statements were missed which were part of the sustainability report in cases where the key word search failed to pick up (locate) it. Additionally, each company's website was revisited to eliminate the option of picking up any assurance statements that might

have been published by the company at a later stage. This exercise revealed that 144 sustainability reports were not externally assured. This gave a sample of 279 (64%) of sustainability reports which stated they were externally assured. The rate can be considered satisfactory and in line with the KPMG 2017 survey, confirming the rate of 67% of sustainability reports published by the FG250 were externally assured. Further, it was found that six companies claimed to have secured external assurance within their sustainability reports; however an assurance statement was not included. These companies were sent an e-mail requesting they send their assurance statements. However, despite sending a reminder no replies were received. All six companies were eliminated, and the final sample size was reduced to 273.

Table 3:3 Number of companies with assurance statements

| Description | Sample | Accumulative |
|----------------------------------------------------------------------------------------------------------------|---------------|---------------------|
| Companies with sustainability reports in English | 423 | 423 |
| Less companies without external assurance statement | (144) | 279 |
| Less companies that acquired assurance; however, did not publish the statement and did not provide name of SAP | (6) | 273 |

A further seven assurance statements were excluded from the analysis as they were not published in the English language. An additional 13 companies claiming to have acquired an external assurance only disclosed the name of their SAP, however, did not publish their assurance statement with their sustainability report. Further, the assurance statement could not be located on the company's website. An e-mail requesting for the assurance statement was sent to these companies before excluding them from the data sample. None of the 13 gave any reply to the e-mail request for the assurance statement which reduced the sample size to 253. It was observed that 57 companies published their assurance statement separately from their sustainability report and instead chose to place them on the company's website.

A few such companies chose not to acknowledge receiving sustainability assurance on their disclosures in their sustainability report. However, most of these do provide the name of the SAP or an electronic link to the assurance statement. Amongst these were four companies which, while having published sustainability assurance statements

annually (as evident from previous year’s sustainability reports and/or their website), had not published their latest assurance statement at the time of data collection, despite having released their sustainability report.

This indicates that some companies publish their sustainability reports first and secure assurance later. It is possible these companies do not view sustainability assurance as aimed at improving the confidence of external users in the sustainability report. For example, sustainability assurance statements are often addressed to the board of directors or senior management of the company (see findings).

Additionally, 24 companies provided more than one assurance statement, each publishing between 2 to 5 statements for their disclosures, giving an additional 33 assurance statements that could be analysed. This gave a grand total of 282 assurance statements that were analysed.

Table 3:4 Number of assurance statements analysed

| Description | Sample | Accumulative |
|-----------------------------------------------------------|--------|--------------|
| Number of companies with assurance statements | 273 | 273 |
| Less assurance statement not in English language | (7) | 266 |
| Less companies that did not publish assurance statements | (13) | 253 |
| Less assurance statements published after data collection | (4) | 249 |
| Add companies acquiring >2 assurance statements | 33 | 282 |

3.5 Data analysis

The data analysis was carried out during the month of August 2019. The study follows the approach adopted by Deegan et al. (2006b). Thus, the first step consisted of reviewing (taking fresh/new/independent) a sample of 10 randomly selected assurance statements to make observations. Each report was printed and read multiple times to understand the structure, format and language used by assurance providers and to locate the various elements which were targeted for analysis. This approach is different from many of the past studies (O'Dwyer & Owen, 2007; O'Dwyer & Owen, 2005) which used specific assurance standards such as that from AccountAbility and GRI to analyse assurance statements. This is because restricting the scope to a predetermined

framework set by a standard or literature would result in limiting the ability of the current research to identify something that the past researcher might not have noticed. Additionally, by broadening and keeping the scope of the assurance open to an objective observation on the assurance statements would enable the current research to make unseen/unnoticed observations which could be valuable in time to come. This approach would also help identify any evolution in the assurance statements provided by SAP. Finally, although no actual framework is used to analyse the assurance statement the research process is kept similar and in line with what past researchers did.

The research consisted of anything that was similar or different between assurance statements. This gave an overall idea of what assurance statements consist of; name of the addressee, name of SAP, assurance procedures adopted by SAP, assurance and reporting standards used during the assurance process, etc. An extensive list of more than 20 items was noted and observations were later fed into an excel worksheet for data analysis. Once an overview of the differences and similarities of assurance statements was established, the data analysis process for the remaining statements was done. The worksheet was revised as the process was being carried out in cases where it was required. The data analysis process lasted four weeks and each statement on average, required approximately 30 to 50 minutes to be analysed (largely dependent on the length of the report).

Acknowledging how subjective the observation could be, an independent supervisor on sample basis went through some of the assurance statements to agree or identify any anomaly. This resulted in numerous changes to the analysis to make the research as objective as possible. A similar approach in the past by O'Dwyer and Owen (2005) was also taken. An extra column was created for SAP (ASAP name and NASAP name) to make observations on the differences between assurance statements provided by them. Ball et al. (2000) adopted a similar approach by analysing the data between accountants and environmental auditors.

3.6 Company's Reporting Framework

Many reporting standards exist that help companies during the preparation of the sustainability reports, while some companies initially might not use any of them to make disclosures, in the past, researchers have noted extensive use of GRI Guidelines/Standards published by Global Reporting Initiative (GRI) to help make non-financial disclosures. The current data set indicates that 89% (n=250) of the companies in the data sample used GRI Standards/Guidelines in preparation of their sustainability reports. It is also common for companies 88% (n=248) to refer to the 17 United Nations Sustainable Development Goals (UN SDG) by acknowledging commitment towards the UN SDGs and discussing progress made by the companies in achieving them. The International Integrated Reporting Council (IIRC) framework was referred to by only 16% (n=44) of the sample companies, but it should be noted, all those companies that followed the IIRC framework, except one also followed GRI framework in preparing their company's sustainability report^{2,3}.

Table 3:5 Reporting framework used by companies in preparing sustainability report

| Reporting Framework | ASAP | | NASAP | | Total | |
|---------------------|------------|-----|------------|-----|------------|-----|
| GRI Guidelines | 20 | 13% | 11 | 9% | 31 | 11% |
| GRI Standards | 117 | 75% | 102 | 82% | 219 | 78% |
| UN SDG | 141 | 90% | 107 | 86% | 248 | 88% |
| IIRC | 29 | 18% | 15 | 12% | 44 | 16% |
| Total | 157 | | 125 | | 282 | |

*The reporting framework is used by the companies and not the SAP in preparation of their report⁴.

3.7 Conclusion

This section concludes with the data collection and overview of the sample to be analysed. The next chapter covers in-depth detailed analysis of the assurance statements. A point needs to be noted here that while current research refers to all the

² It should be noted that following IIRC framework is different from merely making financial and non-financial disclosures on a company's performance in one document.

³ Among all the companies that used IIRC framework only one (2%) contained assurance statement from SAP that used IIRC as a subject matter criterion.

⁴ The breakdown only provides readers with additional information on selection of SAP by companies with a given reporting framework used by them for their sustainability reporting.

282 assurance statements the observation is restricted to the statement only and the reader should not get it confused with the 249 companies.

Chapter 4: Findings

4.1 Introduction

This chapter presents the findings of the current research. The chapter is structured into three sub sections. The first section outlines the introduction to the chapter and what it covers. The second section provides the characteristics of the 282 assurance statements analysed based on the samples during the research. The third section concludes with a brief summary of the findings.

4.2 Assurance Statement Analysis

4.2.01 Length of the assurance statement

The exact number of words included in the assurance report is a little difficult to establish as many companies are including the assurance statement as a picture and this could not be converted from .pdf to .doc format. The length of assurance statements ranged from 1 to 6 pages, however 88% of the statements were between 1 to 3 pages in length only (table below). While the basic content of long and short assurance statements did not vary significantly, the increase in length is primarily as a result of some SAPs providing readers with more detailed descriptions of the assurance procedures they carried out during the assurance process as well as discussing in relatively greater depth which sustainability report data/content was selected by the company for assurance (i.e. the scope of their assurance engagement).

The research finds that 66% of assurance statements issued by ASAP are between 2 to 3 pages while 68% of the assurance statements issued by NASAP are between 1 to 2 pages. The literature review for the current study does not provide much information and explanation regarding the length of the assurance statement hence current research assumes the variation in the length could have been due to SAP trying to stay independent from the company and limit the liability in case any issue regarding clarity of assurance statements or sustainability of the company arises. The research cannot also conclusively indicate that ASAP are more likely to be involved in this practice as opposed to NASAP because the variation between the two in length is not very high.

Table 4:1 Length of sustainability assurance statements

| Length (Pages) | SAP | | ASAP | | NASAP | |
|----------------|------------|-----|------------|-----|------------|-----|
| 1 Page | 62 | 22% | 32 | 20% | 30 | 24% |
| 2 Pages | 117 | 41% | 62 | 39% | 55 | 44% |
| 3 Pages | 68 | 24% | 42 | 27% | 26 | 21% |
| 4 Pages | 25 | 9% | 15 | 10% | 10 | 8% |
| 5 Pages | 5 | 2% | 3 | 2% | 2 | 2% |
| 6 Pages | 5 | 2% | 3 | 2% | 2 | 2% |
| Total | 282 | | 157 | | 125 | |

4.2.02 Language used in assurance statement

In terms of language, it was observed that 23% of the assurance statements were translated into English by companies publishing them as part of their sustainability reports. This is in addition to four assurance statements and 16 sustainability reports not published in English, which had already been eliminated from the sample list during the initial data collection and sorting process. Listed companies in China, Germany, and France primarily publish their assurance statements in the local national language, and only subsequently get them translated into English which is published for the convenience of international readers. An additional note in some cases is also provided to inform the reader that in case of a conflict between the original statement and the translated English language statement the former would prevail. This suggests the publication of the assurance statement is done perhaps only to meet the local requirement of the regulatory authority and not for the actual stakeholders or even foreign shareholders of the company which might be conversant only in English.

4.2.03 Type of SAP

The study finds that ASAPs control the majority of the market for sustainability assurance with 157 sustainability assurance statements being published by accountants. In total, the ASAP control 56% of the market share while the NASAP make up for the remaining 44% (n=125). The current research observes the same (56%) proportion of the sustainability reports of FG500 being assurance by ASAP in 2018 as compared to 2010 (Junior et al., 2014) which indicates that although ASAP dominates the market of assurance services they are facing consistent competition from NASAP.

Table 4:2 Comparison of SAP with past literature

| Research details | Year | ASAP | NASAP | Sample details |
|-----------------------|------|------|-------|--------------------|
| Current research | 2018 | 56% | 44% | Fortune Global 500 |
| (Junior et al., 2014) | 2010 | 56% | 44% | Fortune Global 500 |
| (Perego & Kolk, 2012) | 2008 | 45% | 55% | Fortune Global 250 |
| (Kolk & Perego, 2010) | 2005 | 53% | 47% | Fortune Global 250 |
| (Kolk & Perego, 2010) | 2002 | 66% | 34% | Fortune Global 250 |
| (Kolk & Perego, 2010) | 1999 | 61% | 39% | Fortune Global 250 |

Table 4:3 Comparison of ASAP Vs. NASAP

| ASAP | Data Sample | | NASAP | Data Sample | |
|--------------------|-------------|-----|--------------------|-------------|-----|
| Deloitte | 22 | 14% | Bureau Veritas | 33 | 26% |
| EY | 32 | 20% | Lloyd's Register | 22 | 18% |
| KPMG | 51 | 32% | DNV GL | 15 | 12% |
| PWC | 50 | 32% | SGS S.A. | 9 | 7% |
| Grant Thornton | 2 | 1% | Others | 46 | 37% |
| Total (282) | 157 | | Total (282) | 125 | |

The current research finds that 155 assurance statements are issued by the Big 4 while only two assurance statements are provided by Grant Thornton, a non-Big 4 accounting firm. Unlike past studies current research observes the name of NASAP as well and finds 63% of these assurance services are provided by the four European companies, namely Bureau Veritas (26%), Lloyd's Register (18%), DNV GL (12%), SGS S.A. (7%) and their subsidiaries. All the four are independent global classification and certification bodies specialising in testing, inspecting and certification of plant, equipment and various other processes and systems. The strength through expertise and worldwide presence of these NASAP could be the reason behind unchanged market share of ASAP among FG500. However, the market share of both ASAP and NASAP differ in each country (Junior et al., 2014) which could be as a result of the regulatory requirement or the expertise of SAP in the country. The current research does not explore that due to its limited scope.

4.2.04 Name/Title of the assurance statement

Contrary to Deegan et al. (2006b) which expected more homogeneity over time as the market of assurance services matures the current research finds the title of the assurance statement is as diverse as the procedures that SAP follows during the assurance work. Among the 282 the current research notices 108 different titles of which 82 titles appear only once. The most commonly used titles are “Independent Assurance Statement” at 15% (n=41), “Independent Assurance Report” at 12% (n=33), “Assurance Statement” at 7% (n=20) and “Independent Limited Assurance Report” at 6% (n=18). Deegan et al. (2006b) noted 19 of the 48 assurance statements title as “Verification statements” in samples from the UK, while the current research finds it appearing on only 5 occasions. This shows that SAP have changed the name of the assurance statements. This could indicate the possibility that although assurance process involves verification of disclosed sustainability reports data, SAP are unsure of how accurately data could be verified. In short over the period SAPs have begun to incorporate the inaccuracy (uncertainty) resulting from the varied method of calculations being adopted by the company in preparation of the data in their sustainability reports.

Table 4:4 Frequency of words in the title of assurance statement

| Words | ASAP | | NASAP | | Total | |
|----------------|------------|-----|------------|-----|------------|-----|
| Assurance | 121 | 77% | 74 | 59% | 195 | 69% |
| Independent | 105 | 69% | 88 | 70% | 193 | 68% |
| Limited | 13 | 8% | 14 | 11% | 27 | 10% |
| Verification | 5 | 11% | 34 | 27% | 39 | 14% |
| Carbon/GHG/Gas | 18 | 11% | 5 | 4% | 23 | 8% |
| Total | 157 | | 125 | | 282 | |

Although these titles are diverse, they still do communicate something significant from SAP. The use of some words which appear very often such as “Assurance” at 69%, “Independent” 68% and “Limited” 17%, suggest that SAPs make very clear in the title itself that the statement is an assurance and not audit. Secondly, SAP is independent from the reporting company, and thirdly the statement is limited in its scope hence readers need to form realistic expectations and form an opinion based on that.

Another commonly used word is “Carbon”, “GHG” and “Greenhouse Gas” which appears 8% of the time in the titles. This indicates the assurance is provided only on the specified section of the report and not the entire report which complements with the finding that 77% of the statements are limited in scope in terms of the proportion of the data being assured by SAP.

Furthermore, ASAP uses the word “Assurance” 77% more frequently as compared to NASAP at 59% whereas NASAP uses “Verification” more frequently at 27% as compared to ASAP at 11% in the title. Following the earlier speculation this could mean that ASAP are only comfortable in using the word “Verification” in cases when they find a more reliable system/process of reporting data within the company. However, in a literature review Farooq and De Villiers (2017) states that ASAP focuses more on verification of the reported data and NASAP prefers to offer assurance over the entire report. If this is the case questions arise in terms of why the selection of words would differ.

4.2.05 Addressee on the statement

The study finds that 21% (n=58) of the statements are not addressed to anyone which is a significant improvement over 80% of the assurance statements that were not addressed to anyone among the 133 samples obtained from Europe (including the UK) and Australia (Deegan et al., 2006a, 2006b). A majority 55% (n=155) of these statements are addressed to the internal stakeholder of the company including shareholders 10% (n=27). Only 15% (n=42) of the statements are addressed to either all the readers at 6% (n=17) or the stakeholders 9% (n=25) of the company. This again leads to questions; are these statements produced for the stakeholders of the company even if they are not addressed to them, or are they produced for the convenience of the management so that they could acknowledge the third-party verification of the company produced disclosures in the sustainability report. The research also notes that ASAP at 75% (n=118) usually addresses the assurance statement to the internal stakeholders of the company. Whereas, NASAP at 42% (n=53) does not mention the addressee in the assurance statement.

Table 4:5 Addressee of assurance statement

| Appointment | ASAP | | NASAP | | Total | |
|--------------------|-------------|-----|--------------|-----|--------------|-----|
| Not mentioned | 5 | 3% | 53 | 42% | 58 | 21% |
| Internal | 118 | 75% | 37 | 30% | 155 | 55% |
| Shareholders | 25 | 16% | 2 | 2% | 27 | 10% |
| All readers | 4 | 3% | 13 | 10% | 17 | 6% |
| Stakeholders | 5 | 3% | 20 | 16% | 25 | 9% |
| Total | 157 | | 125 | | 282 | |

4.2.06 Appointment of the SAP

The study finds that 43% (n=121) of the statements do not provide any information regarding who engaged (selected) the SAP for the company. However, more than half did provide information on this. Nearly half (49%) of the assurance statements indicated that the company engaged the SAP to verify (selected) information. The past studies have raised concerns regarding who and how SAP is appointed (Belal, 2002) and predicted that independence is lost when management of the company appoints SAP. The study notes only 4% of the assurance statements indicated to be appointed by the board of directors. The current research supports Belal's (2002) idea that accountability can only be achieved when the present corporate governance structure is challenged. Adams and Evans (2004) suggested that, ideally SAP should be appointed by the stakeholders of the company. The current research observes none of the SAP is appointed by the stakeholders of the company.

Table 4:6 Appointment of SAP

| Description | ASAP | | NASAP | | Total | |
|--------------------|-------------|-----|--------------|-----|--------------|-----|
| Not mentioned | 97 | 62% | 24 | 19% | 121 | 43% |
| Company | 39 | 25% | 98 | 78% | 137 | 49% |
| Board of directors | 12 | 8% | 0 | 0% | 12 | 4% |
| Management | 7 | 4% | 2 | 2% | 9 | 3% |
| Directors | 1 | 1% | 1 | 1% | 2 | 1% |
| Executive team | 1 | 1% | 0 | 0% | 1 | 0% |
| Total | 157 | | 125 | | 282 | |

The research notes that 62% (n=97) of ASAP do not mention who engaged them for assurance, whereas 49% (n=137) of NASAP do indicate they were engaged by the company for assurance work. This information is crucial as it is the first step towards who the SAP is answerable to. The different approach towards mentioning this information by each group could be related to their professional behaviour.

4.2.07 Management's responsibility

The study found that 93% (n=261) of the assurance statements analysed, clearly stated that management is responsible for the preparation of sustainability reports and publication of assurance statements either on the company's website or along with the report. The SAP is neither involved in collection of the information nor has helped or guided management of the company in anyway in preparation of the sustainability report. However, 7% (n=21) that did not provide a clear distinction, or the discussion lacked clarity between the responsibilities of the management of the company and the responsibilities of SAP over the sustainability report and publication of the assurance statement. Additionally, it should also be noted that all these 21 assurance statements are provided by NASAP.

4.2.08 SAP's responsibility

The assurance statements usually do provide a clear section providing the specific responsibility of the SAP which is to obtain enough evidence to form a conclusion over the sustainability report. However, 7% (n=21) of the sample statement did not have this crucial information. The absence of responsibility of company management over preparation and publication of sustainability reports and responsibility of SAP and their independence can be noticed in circumstances where statements were either just verification certificates or issued by individuals and rating agencies. It is very uncommon to notice such issues among the large (big) companies in the market providing assurance services. Finally, it should be noted that all these 21 assurance statements are provide by NASAP. Absence of the information on SAP's responsibility and company management's responsibility over sustainability reporting and assurance statements can potentially lead to an assumption that SAP might have helped the management of the company in preparation of the report which questions the independence of SAP.

4.2.09 Assurance Standards

There are several different assurance standards which are used for assurance services, and the use of more than one standard is widespread. The study notes 67% (n=188) of the assurance statements indicate the use of ISAE 3000 for engagement. Additionally, seven assurance statements use ASAE 3000 and 3 use Dutch Standard 3000A which seem to be localised versions of the same ISAE 3000. This makes ISAE 3000 the most commonly used standard of all with 70% (n=198) of the assurance statements published using it. Additionally, 22% of ASAP uses ISAE 3410 which is a standard used for Greenhouse Gas Statement verification. Although both ISAE standards are developed by a body of accountants the research notes that 43% (n=53) of assurance statements from NASAP indicate using ISAE standards for the assurance service.

Table 4:7 Assurance standards

| Description | ASAP | | NASAP | | Total | |
|-----------------------|------------|-----|------------|-----|------------|-----|
| ISAE 3000 | 137 | 87% | 51 | 41% | 188 | 67% |
| ASAE 3000 | 7 | 4% | 0 | - | 7 | 2% |
| DS 3000A | 3 | 2% | 0 | - | 3 | 1% |
| ISAE 3410 | 35 | 22% | 2 | 2% | 37 | 13% |
| ASAE 3410 | 3 | 2% | 0 | - | 3 | 1% |
| ISO | 1 | 1% | 48 | 38% | 49 | 17% |
| AA1000AS | 12 | 8% | 28 | 22% | 40 | 14% |
| Not Mentioned | 2 | 1% | 14 | 11% | 16 | 6% |
| Other local standards | 26 | 17% | 3 | 2% | 29 | 10% |
| Total | 157 | | 125 | | 282 | |

ISO publishes the second most widely used standards in 14000 series which are mainly for the verification of the Greenhouse Gas (GHG) inventory. The current research shows 38% (n=48) of the assurance statements issued by NASAP uses ISO standards for GHG data verification. The combined use of ISAE 3410 and ISO standards makes up 30% (n=86) of the total sample. This in some way indicates that a huge proportion of the companies are getting their GHG data verified by an external third party. The other way to look at this is that while GHG data verification is gaining attention some of the disclosures on the social impacts of companies are perhaps not getting enough

attention. The current research notes a significant reduction to 6% (n=16) of statements issued by SAP that do not mention use of any standards among FG500 as compared to 69% among FG250 in 2005 (Perego & Kolk, 2012).

Furthermore, AA1000AS (Assurance Standards) makes up only 14% (n=40) of the samples which has significantly decreased from 23% in 2008 among FG250 (Mock et al., 2007). In a literature review Farooq and De Villiers notes that (2017) ASAP are more inclined towards using ISAE3000 while NASAP usually use AA1000. The current research notes that, although 22% (n=28) of NASAP uses AA1000AS, it is still lower as compared to them using ISAE standards. The current research with its limited scope can only speculate the reason behind such an increase in the use of ISAE. The option of selecting ISAE over AA1000 could perhaps be more of a decision of SAP and less of a company acquiring the assurance. The researcher believes ISAE either complements better to the current requirements assurance services or the standard allows the necessary flexible approach desired by SAP to limit their own potential liability arising from the work. In either case the assurance procedures adopted by SAP as noted below shows that ISAE standards needs to be challenged if assurance is to be acquired to address the concerns of the stakeholders.

4.2.10 Statement on SAP's independence and conflict of interest

Most of the statements do contain a section addressing the independence and non-involvement of SAP over the preparation and publication of sustainability reports, however 13% of the assurance statements did not have anything that clearly specifies and indicates SAP's independence from the company. It should be noted that only 7% of the companies acknowledged they do provide companies other additional services besides assuring the sustainability report of the company, although, it had not created any conflict of interest as per the SAP. Additionally, it should also be noted that only 4% of the SAP explicitly mentioned in their assurance statements that they do not provide any other services to the organisation besides the assurance on the disclosures.

Gillet (2012) examined sustainability assurance statements published by French listed companies and found the independent auditor of the financial statements is also the SAP of sustainability reports due, management's perception that the auditor's existing knowledge about the company's operations is beneficial and is also more competent in

carrying out such work. However, another study in the UK (Wong & Millington, 2014) noted that investors prefer specialist SAP for the sustainability reports due to their unique expertise on the subject matter to be assured which might not be there in case of an auditor (accountant). The assurance statement provided by the external specialist firm is perceived to be more reliable for investment decision making. The finding can be further supported (Hasan et al., 2003) by a survey done on the group of shareholders who supported that environment performance should be assured by the environmental engineers and not the independent auditor of the financial statements who seem less suited to the job. A research in Spain discovered that assurance statements are not obtained by the companies on their sustainability report whose annual reports are audited by the non-Big 4 firms while in the majority of the instances the independent auditor of the annual reports were also the SAP of the companies in the case of the Big 4 firms (Zorio, García-Benau, & Sierra, 2013). The above researches confirm the strength of either shareholders or management within the companies which leads to the selection of appropriate SAP.

The research notes that on 76% of the occasions the ASAP of the company is also an independent financial auditor of the company⁵. It is very difficult in case of NASAP to establish such relationships but 11% of the NASAP confirms providing additional services to the companies besides assurance over reports. Although ASAP confirms in their assurance statement, to have been providing other services that do not cause any conflict of interest and does not threaten the independence of ASAP, the argument cannot be overruled that ASAP does have additional interest in the company's prospects. A lower rate of NASAP does not make them more independent as compared to ASAP. In one case it has been noticed that the engagement partner for all the services provided by NASAP is the same.

4.2.11 Name of the engagement partner

In situations where one assurance provider is undertaking the financial audit and the sustainability assurance engagement, it is important to provide more information on

⁵ The rate of SAP also being financial auditor of the company is based on the 273 companies that acquired assurance. Refer to the table (Number of companies with assurance statements) in the research method section. Deloitte at 77% (17 out of 22), KPMG at 79% (41 out of 52), PWC at 71% (25 out of 35) and EY at 78% (40 out of 51) average at 76% (123 out of 162). The remaining 162 companies acquired assurance from NASAP.

who the respective engagement partners were as this has implications for the independence of the SAP. The current research notes 74% of the assurance statement did contain the name of the engagement partner.

4.2.12 Subject matter criteria

Although 9% of the assurance statements do not even mention the subject matter criteria, GRI Standards/Guidelines is referenced by more than one third (36%) of the SAP which have been used to form their opinion. Nearly a quarter (22%) of the sample shows SAP following (using) the same criteria/guidelines used by the companies in preparation of the report which results in situations where the companies' subjective and selective decisions on criteria for subject matter disclosures results in inconsistencies in reporting and evaluation by the SAP. An interesting observation is that 13% of the samples mention using GHG emission standards used in assessing the reported data or information such as World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) GHG Protocol which has been very common. An additional factor influencing the subject matter criteria for the SAP is the recommendations or suggestions from the local regulatory bodies from countries such as France and Germany where the headquarters is located to assure the non-financial information disclosed by the companies. This rate stands at only 11% overall. However, it is still significant considering the overall sample size we have from each of these countries.

4.2.13 Scope of assurance

Four aspects were analysed under the heading of scope of assurance which covers level of assurance, scope over subject matter, scope over reporting and scope over reported information.

Scope over level of assurance

The level of assurance is an essential factor to be considered since it provides a reader with the reliability of the report published by the company. The research notes that 9% of SAPs provide a reasonable level of assurance whereas 77% of them only provide a limited level of assurance. An additional 7% the statements contain both limited and

reasonable assurance on selected disclosures made by the companies making 84% of the statements containing a limited level of assurance in total.

Scope over subject matter

The limited level of assurance results in a negative conclusion and a reasonable level of assurance results in a more general positive conclusion in the statement (Hasan et al., 2003). It is noted that companies are carefully selecting and controlling the assurance process by limiting SAP's work to a limited and reasonable level of assurance depending on its convenience. This limitation can be noticed in the scope of assurance over the disclosed information by the companies where 77% of the statement indicates assurance over partial reporting and only 21% of the statements cover assurance over all the disclosed information by the companies in their report. In actuality, only 2% of the statements with a reasonable level of assurance covered all the disclosures made by the company which also means the majority of the companies that decide to get assurance over all the disclosures only acquire a limited assurance over them or those which acquire a reasonable level of assurance reduces the portion of the disclosures that are assured. In either case, the end stakeholder's interest in the assurance over companies' disclosures is ignored.

Scope over reporting

The reporting process covers reviewing data collection processes and commenting on it while the reported information covers the verification and checking of the data being reported by the company. The research notes that 72% of the SAP only covers the reported information and does not form an opinion of the reporting process within the company. ASAP with 82% prefers assessing only the reported data and does not form any conclusion on the reporting process while the rate for NASAP stands for the same at 60%. NASAP at 20% usually prefer forming a conclusion on both reported information and the reporting process. It should be noted here that the ASAP also usually checks and understands the reporting process in order to form a conclusion on the reported information, however avoids forming a conclusion on the reporting process. The finding in some way moves away from the concern raised by Owen et al. (2000) that SAP is focusing only on system compliance as opposed to company performance. However, the current research discovers that SAP is usually only commenting on the reported

data and not the accuracy with which the company's internal processes could be generating this data. Additionally, a critical commentary on the company's performance in relative terms to its historic data and its competitors is also not provided in most cases.

Scope over reported information

Most of the assurance statements are only concentrated on looking at the verification, accuracy, completeness and reliability of the data, however a very few (5%) of them have formed conclusions based on how balanced the company has reported about its sustainability reporting process and the information in the report. This is an important process which gives stakeholders an idea of whether any significant and negative information about the company's performance has been reported or not.

4.2.14 Assurance procedures undertaken

Stakeholder engagement review

A large majority of the assurance statements do not contain any information regarding SAP work on the stakeholder engagement. Out of the 16% of statements that do contain some information, most are restricted to analysing, assessing, evaluating, identifying, reviewing, verifying and discussing with the management on its stakeholder engagement documentation and policies. This leaves huge gaps of knowledge and expectation between SAP and the company's stakeholders. Additionally, there is a huge difference between identifying, analysing and reviewing which makes readers wonder what SAP exactly did. Finally, none of the SAP have very critically outlined any company's stakeholder engagement processes except one where SAP discovered insufficient evidence on the stakeholder engagement in developing material issues and topics in the preparation of the company's report.

Interviews

The current research notes 73% of the statements confirm conducting interviews during the assurance process. NASAP at 77% seem to prefer conducting interviews as compared to ASAP at 69%. While most of the statements merely state carrying out interviews to understand the operational process and data collection system, policies adopted and reporting of the information, most of the statements do not provide

information on how many interviews were conducted, where they were conducted, the position of the interviewee in the company and if the individual is even an employee of the company.

Site Visit during assurance process

The current research notes lower rates of site visits by SAP at only 39%, while the ASAP rate stands at 37% and NASAP rate stands at 42% which is not very significant comparatively. However, it should be noted, a huge variation exists in analysing this data. Upon a careful look at the sites visited, it can be observed that many SAPs have only visited the head office/headquarters of the company or just one site/plant. The lower rate of sites visited information, combined with restricted exposure to sites visited means SAP might have failed to capture the inconsistency in application of the guidelines, policies and reporting of the data processes within the organisation.

Assurance procedures on data and information

The most commonly used words for the procedures adopted by SAP were analytical procedures, check, checking, confirmation, completeness, consistency, documentation, recalculate, reconcile, recheck, verify, verification, validation and reperform work on data and information reported by the company. On average, SAP discloses a couple of procedures conducted for data and information within the report and it has been noticed that ASAP makes 43% more disclosures on this as compared to NASAP. This leads to a conclusion that ASAP discloses more as compared to the NASAP, although, the quality of work for either of the SAP cannot be signified or concluded from this finding.

Assurance procedures on system and processes of reporting

The most commonly used words for the procedures adopted by SAP were analysis, assess, assessment, audit, consistency, inquire, enquire, evaluate, evaluating, evaluation, identify, identifying, identification, understand, observe, test and review on the process of information reporting and data collection by companies. On average SAP discloses a couple of procedures conducted on the system and process of reporting and it has been noticed that ASAP makes 231% more disclosures on this compared to NASAP. This leads to a conclusion that ASAP discloses more, compared to the NASAP

although the quality of work for either of the SAP cannot be signified or concluded regarding this matter as well.

It is clear ASAP makes more disclosures as compared to NASAP on both the procedures adopted during the assurance work on the data and information reported by the company and process and system of reporting within the company. When compared, it can be noticed that ASAP makes 13% more disclosures on a company's system and process of reporting as compared to reported data. On the other side NASAP makes 43% more disclosures on the reported data and information by the company in the report as compared to the process and system of reporting by the company. Overall ASAP makes 80% more disclosures on the process adopted during the assurance work as compared to the NASAP in the statement.

Confirmation of enough data collection to form conclusion

SAP are expected to collect sufficient data to form a limited or reasonable level of assurance on company's sustainability report. Although SAP do acknowledge this responsibility clearly on most occasions in the statement only 20% of the sample confirms to have acquired enough data from a limited or reasonable level of assurance. Nearly one third (32%) of ASAP confirms to have acquired sufficient data to form a conclusion as compared to only 4% of NASAP among the sample. This can be linked to the professional behaviour of the ASAP firms.

Resources (Time and Employees)

The duration of the engagement varied from as low as two days to 12 months, and 11% of the assurance statements contains this information. Additionally, 9% of the assurance statements have provided the number of employees involved in the process of assuring a company's sustainability report, which ranges between 2 to 15 individuals. The proportion of SAP providing information on resources used is low and the current research takes it as a good step towards providing a valuable assurance to stakeholders of the company. However, this disclosure raises more questions and concerns regarding the quality of work that could have been completed in two days. Secondly, is it possible to carry out the entire process of assurance for any of the FG500 by two employees.

Professional judgement and Inherent Uncertainty in calculations

In many cases, the SAP may not indicate exercising professional judgement but only acknowledges the uncertainty in calculation or methodology adopted by the companies in preparation of the sustainability report which represents over 30% of the sample size. There are instances when only one or the other is mentioned. While 59% of the statements do not mention anything, 41% of the SAP has indicated exercising professional judgement during verification and assurance work over sustainability reporting due to the inherent uncertainty in place due to nonexistence of formal and consistent frameworks that usually exist in financial reporting.

Outstanding comments and suggestions

More than half (53%) of SAP do not have any additional (unusual / outstanding / weird / out of the trend) comment or suggestions to the readers of the report. This is more common among the ASAP where 76% do not seem to have usual format and 25% among NASAP. The important observation made under the comment section is 7% of the SAP do provide some sort of suggestions or review conclusion and comments to the management separately in a different envelope (document), the details of which are not disclosed on the assurance statement. This in some way raises questions regarding not only the transparency of the assurance process but also independence of the SAP.

4.2.15 Disclaimer issued

The study finds 48% of assurance statements contained a disclaimer of liability. SAP in these cases states; they take no responsibility nor accept any liability towards another person for the contents of the statement as their responsibility is solely towards the management or directors of the company according to the terms of their engagement. However, 51% of the statements do not contain any disclaimer. This leaves only 1% (n=3) among all the samples which state the company, or its stakeholders could use the reported information as a reasonable basis for their decision making and opinion. All the three statements were issued by Bureau Veritas (NASAP).

Table 4:8 Disclaimer issued for assurance services provided

| Disclaimer | ASAP | | NASAP | | Total | |
|--------------|------------|-----|------------|-----|------------|-----|
| Silent | 82 | 52% | 63 | 50% | 145 | 51% |
| Company | 75 | 48% | 59 | 47% | 134 | 48% |
| Stakeholders | 0 | 0% | 3 | 2% | 3 | 1% |
| Total | 157 | | 125 | | 282 | |

4.3 Conclusion

It is very evident from the above findings that while there are some common characteristics, the content of the assurance statement until today is very diverse. The responsibility over publication of the sustainability report (disclosures), a statement on the independence of the SAP and responsibility of SAP over only forming a conclusion on the sustainability report, are amongst the most commonly noticed characteristics of the assurance statements. However, the research notes that certain features are very ambiguous such as the procedures followed for the assurance, scope of assurance, and resources used for the work. Furthermore, some characteristics such as addressee, title of the statement and the standards used for assurance by SAP, are very diverse.

Chapter 5: Discussion and conclusion

5.1 Introduction

This chapter provides the discussion and conclusion of the research. The chapter consists of five sub sections. The first section provides an overview of the chapter. The second section contains the discussion based on the findings of the research. The third section comprises the limitations of the current research. The fourth section provides readers with the possible future areas of research in the field of assurance over sustainability reporting. The final section concludes the research.

5.2 Discussion

The purpose of the research is to analyse the content of the published sustainability assurance statements published by the FG500 and compare the analysis with similar studies undertaken in the past to understand how this new form of assurance is developing.

This study seeks to address two-interrelated research questions (RQs):

RQ1: “What is the current state of the practice of sustainability assurance?”

RQ2: “How has the practice of sustainability assurance changed, if at all, over time?”

The results are compared against earlier works of Kolk and Perego (2010), Perego and Kolk (2012) and Junior et al. (2014) and have been selected as a benchmark for comparison because they also adopt a content analysis of published sustainability assurance statements. To achieve these objectives the researcher firstly, obtained sustainability reports from 2018/19 for each of the FG500 companies by individually going through their websites and e-mailing them to send a copy in cases where the report was unavailable. Secondly, 439 sustainability reports and the websites were visited to locate the assurance statements obtained from SAP and published by the companies. The content of each of 282 assurance statements was read and analysed using the technique of content analysis. The analysed content is identified, noted and compared with past literature.

Although past research in the area of the length of assurance statements does not provide much information it would be interesting to see how the length changes over a period of time as SAP pushes more towards reducing their own liability through outlining the limited scope of assurance work being carried out by them. As nearly a quarter of the sample assurance statements were initially published in foreign languages the future researchers can also explore the confusion in the mind of stakeholders that could arise as a result of the language translation of assurance statements from a foreign language into English. Although the market of assurance service comprises many diverse ranges of SAP the proportion of assurance statements coming through ASAP is just over half and competition from other certification bodies and specialist consultants can still be observed. A detailed look at the titles has revealed that the high frequency in the use of the words such as “Limited” and “Greenhouse Gas” means SAP is trying to be as transparent and forthcoming about the assurance work as possible in order to communicate with the stakeholders on the limited scope of assurance work being carried out. ASAP prefers to name the addressee for the assurance statement as compared to NASAP which does not address it to anyone. However, it would be interesting to explore the reason behind those that addressed the assurance statements to the external stakeholders of the company, but also outlined a disclaimer that the SAP does not accept any responsibility or liability towards another person for the contents of the statement as the report is solely produced for internal use by the management of the company.

The standard setters should encourage SAP to provide details on who actually appointed them for the assurance work as two in five assurance statements do not provide any information on it and the appointment of SAP is a crucial factor for stakeholders in determining SAP’s independence during the assurance process. In a practice of SAP trying to be as independent as possible from the sustainability performance and reporting of the company, it has created a situation where clear responsibility of both SAP and management of the company are outlined in most of the assurance statements published. The presence of the name of the engagement partner in the assurance statement leads to a possibility the assurance provider might be working for an accounting firm; however, it might not be a chartered accountant. The use of GRI standards as subject matter criteria is lower as compared to the companies

using them in preparation of their sustainability report. This could potentially mean companies reporting processes are not yet up to the standards for SAP to use GRI framework as a subject matter criterion for a company's report evaluation. The limited level of assurance provided by SAP has grown significantly which could be due to the potential liability that is being avoided as a result of the assurance work being undertaken. Most of the companies are opting to report on various activities from social to environmental impact of their operations, however most are only acquiring assurance over certain sections of the report. The purpose behind doing so could be the high cost of SAP associated with the assurance work.

While most of the SAP do check the reporting process of the companies, reporting on their sustainability, a significantly lower proportion of ASAP provide any comment or conclusion on their findings. Although the proportion of NASAP providing comment on this is higher, it is not significant. A significantly lower proportion of assurance statements provide any commentary on how balanced the company's sustainability report is presented. As the market for assurance services is developing the use of standards set by AccountAbility is falling and standards set by accounting body IAASB is gaining momentum. The use of local standards is nearly non-existent which could also be because the sample companies of current research is having operations in more than just one country and the use of international standards for the assurance work increases the required quality of work. Additionally, the use of standards such as ISAE 3410 and ISO for GHG data verification by nearly a third of the sample shows companies are proactively working, or at least pretend to be working, towards the global challenge of environmental sustainability. Besides some SAP keeping silent on exercising professional judgement in forming conclusions, over 2 out of 5 indicated doing so can be understood as a way of reducing liability that could arise in case calculations and reporting methods of the reporting companies are questioned or criticised.

The engagement of SAP with the stakeholders of the company for the assurance work is disappointingly low. Additionally, however much it gets mentioned; the process is limited to finding stakeholders concern through management and archive records of the company. The research finds that nearly half of SAP refuse to take any responsibility towards any external stakeholder of the company who could base any financial or non-financial decision based on the assurance statement published by the reporting

company. This raises concerns in terms of what is the real motive behind publishing assurance statements in the first place if it was to serve only the directors or the management of the company. Although the quality of work for either of the SAP cannot be judged based only on the content of the assurance statement, the current study finds that ASAP makes more disclosures on both procedures they adopt on data verification and on system of reporting. Additionally, even though past researchers tend to indicate that NASAP usually provides conclusions on the overall system and the process of reporting adopted by the company, the current study notes otherwise by observing more disclosures made by them on the data and information verification. The current research finds only 2 out of 5 assurance statements mentioning the site visits made by SAP to conduct assurance work which leaves readers wondering, could the irregularity in the application of sustainability reporting be even captured with such an approach. The description on the interviews being conducted by SAP does leave a lot to be desired and does not provide enough information to the readers of the assurance report. Observations on SAP successfully being able to collect enough data to form conclusions has revealed only 1 in 5 mentions it in the assurance statement. This leaves readers wondering, were conclusions formed by SAP with whatever limited information provided by the company. The research notes significantly lower numbers of assurance statements making any critical comments on the sustainability performance and reporting of the company. Furthermore, SAP referring in the assurance statement of providing comment to the management of the company in a separate document, questions who they are working for. A trend in reporting of the amount of time spent in assurance work including the number of employees working on the project is common in some of the companies from Europe.

5.3 Contributions

All this so far has led to a situation where the actual stakeholders of a company's sustainability report and assurance statements are still left out of the process and the practice is still a long way from being able to truly address the real purpose behind assurance work that our forefathers intended it to achieve. The contribution of the study to the literature has been the new observations made during the research such as the rate of link between SAP and the financial auditor of the company, the length of the

assurance statements, resources used for assurance work, language and disclaimer provided by SAP. This practice of assurance over sustainability reporting is vulnerable and is prone to managerial and professional capture. The regulators and standard setters could use this study to observe that SAP in the current state of the assurance services is yet to include stakeholders' views in their work process. The revision of the standards is highly required to accommodate the true meaning and purpose that assurance work is meant to achieve.

5.4 Limitations of the current research

Some of the identified characteristics of the assurance statements such as SAP, title, addressee, assurance standards used, length of the assurance statements during the assurance process are very clear and easy to be noticed. However, identification of some of the characteristics such as the assurance procedures outlined could be a little subjective to classify. A cautious approach is taken by the researcher to make sure the content analysis of the assurance statement is done as objectively as possible. Separately, an independent researcher has looked at ten samples of assurance statements to determine an agreeable observation is made on each statement to reduce the subjectivity from the research.

5.5 Future areas for research

The future research could outline the entire process of assurance from the appointment of the SAP to the final publication of the assurance statement as part of the sustainability report. Secondly, the future research should make comparisons between SAPs of two countries and explore how the local regulatory requirements affect the content of the assurance statements.

5.6 Conclusion

The market of assurance services on sustainability reporting has been changing over the years. The current research notes that Big 4 faces little competition from other accounting firms in the area of assurance services. However, some of the NASAP such as Bureau Veritas and Lloyd's Register are proving to be long-term competitors of Big 4 in

the market. Each section of SAP is adopting the most suited practice in order to survive the competition, increase the market share and reduce their own liability in the process of assurance work, and the inclusion of stakeholders' concerns from the entire process is absent.

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Chapter 7: Appendix

Appendix A: List of SAP for FG500

| ASAP Name | Number | | NASAP Name | Number | |
|----------------|--------|-----|--------------------------------|--------|-----|
| KPMG | 51 | 32% | Bureau Veritas | 33 | 26% |
| PWC | 50 | 32% | Lloyd's Register | 22 | 18% |
| EY | 32 | 20% | DNV GL | 15 | 12% |
| Deloitte | 22 | 14% | SGS | 9 | 7% |
| Grant Thornton | 2 | 1% | ERM Group | 6 | 5% |
| | | | Korea Management Register | 6 | 5% |
| | | | Individual experts | 4 | 3% |
| | | | TUV | 4 | 3% |
| | | | Chinese Expert Committee | 2 | 2% |
| | | | Japan Quality Assurance | 2 | 2% |
| | | | Korean Foundation for Quality | 2 | 2% |
| | | | Sustainability Accounting | 2 | 2% |
| | | | BSI | 1 | 1% |
| | | | Cameron Cole | 1 | 1% |
| | | | Hong Kong Quality Assurance | 1 | 1% |
| | | | iCompli Sustainability | 1 | 1% |
| | | | Jacobs Engineering | 1 | 1% |
| | | | KMPG | 1 | 1% |
| | | | Korea Productivity Centre | 1 | 1% |
| | | | Mazars SAS | 1 | 1% |
| | | | Muller BBM | 1 | 1% |
| | | | Ruby Canyon Engineering | 1 | 1% |
| | | | SCS Global | 1 | 1% |
| | | | Social Responsibility Asia | 1 | 1% |
| | | | Stantec | 1 | 1% |
| | | | Trucost | 1 | 1% |
| | | | Valora | 1 | 1% |
| | | | Waseda Environmental Institute | 1 | 1% |
| | | | WSP | 1 | 1% |
| | | | Yuko Sakita | 1 | 1% |
| Total | 157 | | Total | 125 | |