

Sustainability Reporting and Assurance: A Historical Analysis on a World-Wide Phenomenon

Renzo Mori Junior · Peter J. Best ·
Julie Cotter

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Abstract Sustainability reporting and assurance of sustainability reports have been used by organizations in an attempt to provide accountability to their stakeholders. A better understanding of current practices is important to provide a base for comparative and trend analyses. This paper aims to consolidate and provide information on sustainability reporting, assurance of sustainability reports and types of assurance providers. Another aim of this paper is to provide a descriptive analysis of these practices for a global sample, comparing results with previous studies, and suggesting opportunities for future research. To accomplish these objectives, a literature review was performed, an analysis of the organizations included in the Fortune Global 500 2010 was completed, and results were presented and consolidated by country. These results demonstrate that all organizations analysed provided some type of information in relation to their social or environmental performance in their official website. The percentage of organizations issuing a sustainability report has been increasing in the last few years. However, the percentage of organizations assuring their sustainability report has stagnated. Types of assurance engagements include those

performed by accountants and non-accountants, and new practices have emerged, namely the “mixed approach” and the “stakeholder or specialist review”. The analysis also shows that the practices of issuing sustainability reports and having them assured have become a world-wide phenomenon, occurring in developed, and emerging economies around the world.

Keywords Assurance for sustainability report · Assurance provider · Fortune Global 500 · Sustainability reporting · Sustainability report

Introduction

The transformation in the way business is conducted since the late 1980s and early 1990s, allied to the increasing relevance of the sustainability concept in a globalized scenario, has changed the business world (Moneva et al. 2006; Mori Junior 2009; Perego 2009; Phatak et al. 2005). Through a survey of 1,946 executives representing a wide range of industries and regions, McKinsey and Company (2010) found that more than 50 % of executives consider sustainability “very” or “extremely” important in their business practices.

In this context, sustainability reports have been serving as a fundamental communication tool between organizations and their stakeholders, focused on environmental and social performance. According to KPMG (2008), close to 80 % of the top 250 organizations listed on the Fortune Global 500¹ ranking (G500) issued a type of sustainability report.

R. M. Junior (✉)
Australian Centre for Sustainable Business and Development,
University of Southern Queensland, Toowoomba, QLD,
Australia
e-mail: renzojr@ig.com.br; renzo.morijunior@usq.edu.au

P. J. Best
Department of Accounting, Finance & Economics, Griffith
Business School, Griffith University, Nathan, QLD, Australia

J. Cotter
Australian Centre for Sustainable Business and Development,
University of Southern Queensland, Toowoomba, QLD,
Australia

¹ Fortune Global 500 is an annual ranking of the top 500 world's largest corporations listed by revenue and it is published by Fortune magazine (www.money.cnn.com/magazines/fortune/global500).

According to previous studies, the most-used sustainability report guideline is the Global Reporting Initiative² (GRI) (Borglund et al. 2010; Brown et al. 2009; KPMG Global Sustainability Services 2008).

To enhance credibility and reliability of sustainability reports, some organizations voluntarily include external independent assurance in their sustainability reports. As assurance of sustainability reports is a relatively new practice and not regulated in the majority of countries, different types of entities are providing assurance services using different scopes, methodologies and assurance statements (Deegan et al. 2006; Fédération des Experts Comptables Européens 2006; Frost and Martinov-Bennie 2010; KPMG Global Sustainability Services 2008; Moneva et al. 2006; O'Dwyer and Owen 2005; Owen et al. 2009; Perego 2009; Romero et al. 2010).

Previous authors have independently studied sustainability reporting activities, the assurance of sustainability reports, and types of assurance providers in different countries and over different periods of time based on different samples. Due to those differences, updated, and consolidated information about those practices is important to provide a base for comparative and trend analyses. In order to better understand differences across countries, this paper presents updated information about sustainability reporting activities, assurance practices for sustainability reports and types of assurance providers for the organizations listed on the G500, 2010. In addition, this paper performs comparative analyses with relevant previous studies regarding these issues, synthesises main findings and proposes opportunities for further research.

The paper also contributes to the emerging literature on international accountability standards emphasizing the need of cross-disciplinary knowledge related to sustainability reporting, assurance process of sustainability reports, and accountability processes for sustainability.

Literature Review

Sustainability Reports

Society's increasing awareness about environmental and social issues, climate change, sustainable supply chain management, natural disasters and scarcity of natural resources, has contributed to a transformation in the way business is conducted (Kolk and Van Tulder 2010; Seuring and Müller 2008).

This increasing awareness about environmental and social issues and the transformation of business is also addressed by Conley and Williams (2005). In their study those issues are represented by the corporate social responsibility³ movement. This movement in their opinion is the most important development in the business world over the last decade.

In this new scenario, sustainability reports have provided a vital tool for organizations to provide transparent communication with their stakeholders, especially about organizations' social and environmental performance. Some authors argue that sustainability reports also have been influencing the decision-making processes of different stakeholders, concerned not only with economic aspects but also with environmental and social aspects (Barrett 2005; Futerra Sustainability Communications et al. 2010; KPMG Global Sustainability Services and SustainAbility Ltd. 2008). The first wave of organizations publishing their social and environmental impacts started in the 1970s in the United States and Western Europe (Kolk 2010; Owen et al. 2001).

Since the 1970s, there has been considerable diversity in the voluntary publication of sustainability reports across industry sectors and countries. In the late 1980s, demands for clear business commitments toward sustainable development were growing in response to the United Nations World Commission of Environmental and Development final report and in the early 1990s, a few large organizations started to disclose information voluntarily to stakeholders about their environmental performance (Perez and Sanchez 2009).

The title and scope of such reports have varied considerably, including "sustainability reports", "social reports", "corporate social responsibility reports", "social and community reports", and "environmental reports" (Kolk 2010; Owen et al. 2001).

To provide guidance and standards for this practice, some guidelines were developed around the world. The GRI is currently the most-used sustainability report guideline, recognised and used by many organizations around the world (Borglund et al. 2010; Brown et al. 2009).

Although there are different terms referring to this type of reporting, this study has adopted the term *sustainability report* in accordance with the Global Reporting Initiative (2011, p. 3): "Sustainability reporting is the practice of

² Global Reporting Initiative is a network-based non-governmental organization that aims to drive sustainability and environmental, social and governance reporting (www.globalreporting.org).

³ Corporate Social Responsibility (CSR) has its theoretical base notion that responsibility of an organization extends beyond the traditional objective of providing financial returns to its shareholders. Instead, organization's concerns should include broader objectives such as: sustainable growth, equitable employment practices, and long-term social and environmental well-being (Conley & Williams 2005).

measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. A sustainability report should provide a balanced and reasonable representation of the sustainability performance of the reporting organization, including both positive and negative contributions”.

Sustainability Report Assurance

Owing to the relevance of sustainability reports, some stakeholders have demanded transparency and questioned the integrity of the information published by organizations through sustainability reports (Laufer 2003; Moneva et al. 2006; Ramus and Montiel 2005). In response, some organizations started to voluntarily provide external independent assurance in their sustainability reports to improve credibility and reliability. According to O’Dwyer and Owen (2005), external independent assurance of sustainability reports commenced in 1997–1998.

Various organizations have promoted the practice of independent assurance for sustainability as an instrument to improve credibility and quality of sustainability reports. For instance, GRI (2002, p. 18) encourages the independent assurance of sustainability reports as an instrument to improve credibility and quality of sustainability reports.

Regarding the reasons to have a sustainability report assured, in its survey of Fortune Global 250, KPMG (2008) found that improved quality of reported information, reinforced credibility among stakeholders and improved reporting processes are the main drivers for seeking assurance of a sustainability report. According to some authors, the assurance process improves sustainability report credibility. Hodge et al. (2009) in their study of 145 students enrolled in MBA programs at two large Australian universities, found that provision of an assurance statement with a sustainability report engenders greater credibility in a report than when no such assurance is provided. In addition, they found that report users place more confidence in sustainability reports when such assurance is provided by a top tier accountancy firm, as opposed to a specialist consultant.

Similar results were presented by (Cheng et al. 2012), studying Australian graduate students enrolled in a Master of Financial Analysis. It was found that sustainability report assurance increases non-professional investors’ willingness to invest in an organization and investors are also more willing to invest in an organization when its sustainability report is assured by an accounting firm than if the assurance provider is not an accounting firm.

Owen et al. (2009) interviewed senior corporate responsibility managers from ten FTSE100 organizations, and representatives of three key stakeholder groups (investor, NGO and the trade union movement). The

authors found that while there is some evidence of stakeholder interest in assurance, notably on the part of NGO, the real driving force behind assurance is internal to an organization.

As assurance of sustainability reports is a relatively new practice and not regulated in the majority of countries, there are different types of entities providing assurance services using different scopes, methodologies, and assurance statements (Deegan et al. 2006; Fédération des Experts Comptables Européens 2006; Frost and Martinov-Bennie 2010; KPMG Global Sustainability Services 2008; Moneva et al. 2006; O’Dwyer and Owen 2005; Owen et al. 2009; Perego 2009; Romero et al. 2010).

The two most famous frameworks for assurance services used by assurers around the world are the *AA1000 Assurance Standard* (AA1000AS) launched in March 2003 by AccountAbility⁴ (Accountability 2011), and the International Audit Assurance Standards Board⁵ (IAASB)’s *International Standard on Assurance Engagements* (ISAE 3000). It is also argued that assurance based on the combined use of AA1000AS and ISAE 3000 is likely to deliver enhanced results (KPMG Global Sustainability Services and AccountAbility 2005).

The International Audit Assurance Standards Board (2011, p. 19) defines an assurance engagement as “an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the measurement or evaluation of an underlying subject matter against criteria”. It also distinguishes two types of assurance engagement—a reasonable assurance engagement and a limited assurance engagement.

While ISAE 3000’s definition of an assurance engagement has a more technical explanation, AA1000AS used more common language to define it as “an engagement in which an assurance provider evaluates and expresses a conclusion on an organization’s public disclosure about its performance as well as underlying systems, data and processes against suitable criteria and standards in order to increase the credibility of the information for the intended audience” (AccountAbility 2008, p. 23).

⁴ AccountAbility is a global organization providing corporate responsibility and sustainable development services (<http://www.accountability.org>).

⁵ The International Auditing and Assurance Standards Board (IAASB) is an independent standard-setting body that serves the public interest by setting international standards for auditing, assurance, and other related standards, and by facilitating the convergence of international and national auditing and assurance standards (<http://www.ifac.org/auditing-assurance/>).

Currently, these two frameworks have been used by two different groups of assurers: accounting professionals and non-accounting professionals. Non-accounting firms are likely to rely on the AA1000AS framework and accounting firms tend to rely on ISAE3000 (Deegan et al. 2006; Frost and Martinov-Bennie 2010; Mock et al. 2007; Moroney et al. 2011; Perego 2009).

The difference between accountants and non-accountants is not just related to the framework used to perform the assurance service. Hodge et al. (2009) argue that in comparison to accountants, non-accountants appear to focus more on completeness, fairness, and overall balance in the opinion statements. Perego (2009) concludes that accounting firms provide a higher quality of assurance for aspects related to reporting format and procedures used and non-accounting firms provide higher quality of assurance for aspects associated with recommendations and opinions.

Frost and Martinov-Bennie (2010) analysed differences among assurance statements issued by assurance providers. They identified differences in the description of the assurance standards used during the assurance process (AA1000AS, ISAE 3000, and firm specific protocols), in the wording of the conclusions, in the title of the assurance statements, in the objectives of the assurance processes and in the assurance procedures employed.

Differences were also reported by Mock et al. (2007), who studied 130 assurance processes applied in 130 entities worldwide between 2002 and 2004. The authors identified three areas of difference:

- *Different scope* 67 % of the assurers provided complete assurance related to the GRI reporting categories, 16 % assured both environmental and social information, while 16 % assured only environmental issues;
- *Different methodology* 24 % of the assurers followed the AA1000AS, 18 % followed international standards, 15 % followed local standards and 42 % did not indicate the framework used; and
- *Different assurance statement* 74 % provided a positive assurance statement, 17 % provided a negative assurance statement and 9 % provided a hybrid statement (positive and negative aspects combined).

Romero et al. (2010) reviewing assurance statements of Spanish organizations, found that larger and listed organizations commissioned higher quality assurance statements and assurance statements issued by accountants are perceived to be higher quality than those issued by non-accountants.

Manetti and Becatti (2009) investigated 34 selected assurance statements on sustainability reports developed according to the GRI guidelines, issued in 2006. They found that national recommendations have brought innovative elements to sustainability reports that are not always

addressed by the ISAE 3000 and could be adopted for its improvement.

This study recommends, among other things, that ISAE 3000 standards' could be improved regarding the inclusion and definition of responsibilities of external experts who are specialised in areas other than accounting and auditing, and clear explanation of different levels of assurance provided (reasonable, limited, or no assurance).

Although accounting firms and consultants have been cited as the two main groups of assurance providers for sustainability reports, certifiers were also cited by previous authors (Frost and Martinov-Bennie 2010; Owen et al. 2009; Romero et al. 2010), this study adopts the term "non-accounting firms" (Perego 2009) to refer to consultant firms and the certifier firms.

Research Methods

This study aims to provide a descriptive analysis of current practices in sustainability reporting and the assurance of sustainability reports, comparing results with previous studies. The G500 list was selected to be analysed because it consists of world-leading organizations and it has been used by previous studies related to these themes (Kim and Nam 2011; Kolk 2008; Kolk and Perego 2010; KPMG Global Sustainability Services 2008; Rikhardsson et al. 2002). The G500 list is published online (http://money.cnn.com/magazines/fortune/global500/2010/full_list/).

The G500 organizations' official websites were accessed between 15/09/2011 and 12/10/2011. The website analysis followed the protocol used by Rikhardsson et al. (2002), which considered the amount of time that a regular stakeholder would use to locate social and environmental information of interest. The time limit used in this study was 40 min per website.

For the sustainability report analyses, this study considered only reports issued by corporate, holding or global organizations' representatives. Reports issued by affiliates or controlled organizations were not considered. A list of criteria was also established to standardise the sample. To be included in the sample, websites were required to meet the following criteria:

- Contained information about the organization's social and environmental performance;
- Provided information in the English language; and
- Provided information regarding the organization's performance in 2010.

This study considered all types of sustainability report, regardless of the report title adopted (Environmental and Social Report, Sustainability Report, Ethical Report, etc.). Regarding integrated reports, this study used the same

approach adopted by Kolk (2008), where the assurance process has been counted only if this was applied specifically to the sustainability information. This study examined assurance of sustainability reports regardless of the scope of assurance services provided and/or type of independent third party opinions issued. The scope of the assurance process and type of the assurance statement provided were not analysed. Some sustainability reports contain disclosures that an assurance service was performed and the identity of the assurance provider, but did not publish the respective assurance statement. In these situations, the sustainability report analysed was considered assured and the type of assurance provider was included in the results.

Sixteen organizations were excluded from the analysis for the following reasons:

- Thirteen organizations did not provide information regarding sustainability reporting in their official website in the English language;
- One organization did not provide its sustainability report in the English language;
- One organization's official website was not available during the data collection phase; and
- One organization did not issue a corporate, holding company or global report. In this situation, only affiliates and controlled organizations issued a sustainability report and these reports were not considered in this analysis.

Excluding the exceptions listed above, the sample was composed of 484 organizations. Rikhardsson et al. (2002) identified similar exceptions in a previous study.

All information obtained from the organizations' official website and from their respective sustainability reports were consolidated and then a descriptive statistical analysis was conducted. The statistical analysis provides a summary of (a) the proportion of organizations providing social or environmental information on their websites, (b) the proportion of organizations issuing sustainability reports, (c) the proportion of organizations assuring their sustainability reports, and (d) the type of assurer used. The results are first presented for the full sample and by country.

Previous studies have analysed the performance of the organizations listed on the G500, but considered only the top 250 organizations (Kolk 2010; KPMG Global Sustainability Services 2008). Rikhardsson et al. (2002) analysed all 500 organizations, and this is the approach adopted for this study to permit comparisons with all prior studies.

Findings

Sustainability Reporting

organizations have been disclosing their social and environmental performance through sustainability reports in

order to meet stakeholders' expectations. All organizations in the sample published some type of information related to environmental and/or social performance on their official website. The percentage of companies which publish social and/or environmental information on their websites has increased when compared with a previous similar study conducted by Rikhardsson et al. (2002), using the G500 list in 2000 (social information 63 %, environmental information 79 %, and both social and environmental information 55 %). This increase in social and/or environmental reporting demonstrates that the Internet is an effective mechanism for such reporting (Rikhardsson et al. 2002).

Figure 1 presents a chronological evolution of the percentage of organizations issuing a sustainability report, comparing results from this study and from previous studies (Kolk 2008; 2010; KPMG Global Sustainability Services 2008; Rikhardsson et al. 2002). This study found that 85 % of the sample issued a sustainability report, much higher than the 47 % reported by Rikhardsson et al. (2002) (24 % issued a specific environmental report, 18 % an integrated report containing environmental and social information, 3 % issued both, an environmental and a social report and 2 % issued a specific social report).

Considering just the top 250 of the sample analysed, the percentage of organizations which issued a sustainability report is even higher at 93 %. Even though some authors argue that current sustainability reporting processes need improvement and could not have been achieving their purpose (Laufer 2003; Moneva et al. 2006; Ramus and Montiel 2005), a growing number of organizations are issuing this type of report.

Showing an analysis by country, Fig. 2 presents the percentage of organizations in the sample which have issued a sustainability report. Previous studies have considered Japan and European countries more active in sustainability reporting than other developed countries such as United States, Canada, and Australia; and some emerging economies such as Brazil, China, India and Russia (Kolk 2010; KPMG Global Sustainability Services 2008). Figure 2 demonstrates that China and South Korea have not achieved the high level of sustainability reporting already reached by other countries. High levels of sustainability reporting are also evident among some emerging economies, especially India and Brazil, some developed countries such as Australia and United States, especially Australia which shares the highest level of the countries presented in Fig. 2 with Austria, Belgium, India, and Sweden.

Of the top five countries with the largest number of organizations in the G500 list (U.S., Japan, China, France and Germany) which together represent 66 % of the total, Japan achieved the highest percentage of organizations issuing a sustainability report, followed by U.S., France

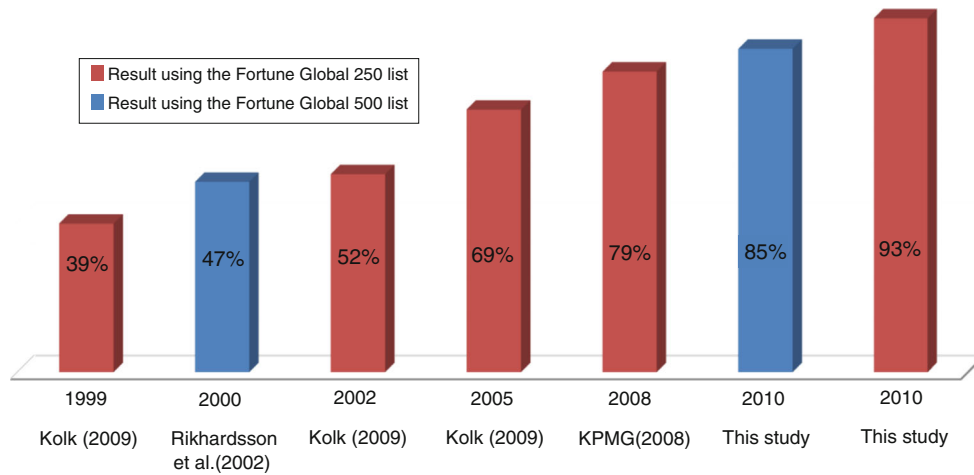


Fig. 1 Percentage of organizations in the Fortune Global list which have issued a sustainability report by year

and Germany that achieved a similar percentage. China achieved the lowest percentage among the five countries.

The increase in the number of organizations issuing a sustainability report in all geographic regions demonstrates that this is not a local but a worldwide phenomenon, occurring in developed and emerging economies around the world.

Assurance of Sustainability Reports

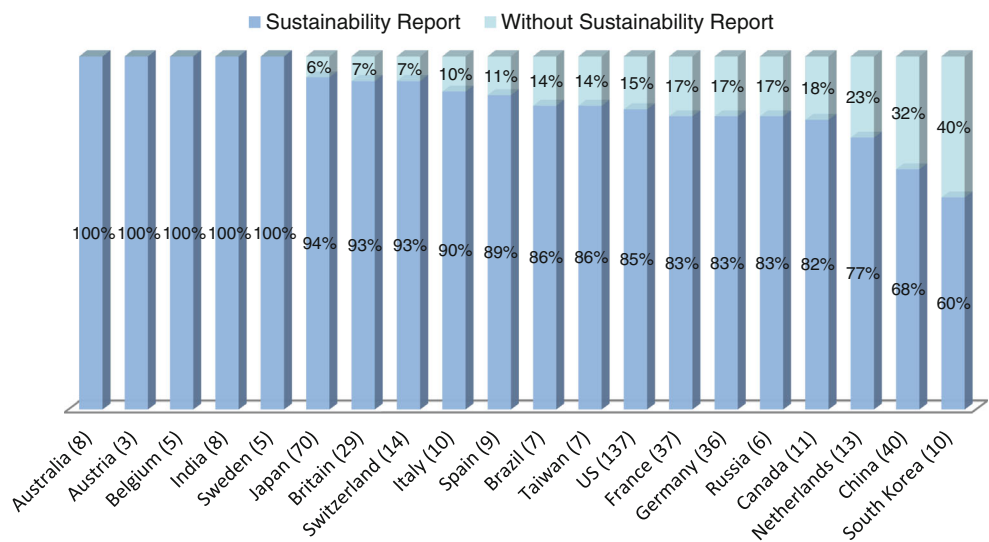
Some authors argue the assurance of sustainability reports contributes toward an organization’s activities by: improving internal controls; creating more stringent sustainability reports; and helping an organization to be more transparent and credible to their stakeholders (Dando and Swift 2003; Fédération des Experts Comptables Européens 2003; Global Reporting Initiative 2011; KPMG Global Sustainability Services and AccountAbility 2005; KPMG

Global Sustainability Services and SustainAbility Ltd. 2008; Park and Brorson 2005). However, some authors propose that without strong market regulation for this type of service, the value of the assurance processes and the respective statements published to the market by assurance providers is questionable (Ball et al. 2000; Laufer 2003; Owen et al. 2009; Smith et al. 2011).

Results from this study regarding the percentage of organizations which issued an assured sustainability report are similar to previous studies (Kolk 2008; KPMG Global Sustainability Services 2008; Simnett et al. 2009). Figure 3 indicates that there has been little variation in the percentage of sustainability reports assured since 2002, even with different samples.

Figure 3 indicates that there has been little increase in the proportion of organizations issuing assured sustainability reports in the past decade. This is despite the growing number of organizations issuing sustainability

Fig. 2 Percentage of organizations in the Fortune Global 500 in 2010 which provided a sustainability report, analysed by country. The number of organizations analysed in each country is presented in parentheses



* This figure presents just countries which have more than two organisations providing a sustainability report.

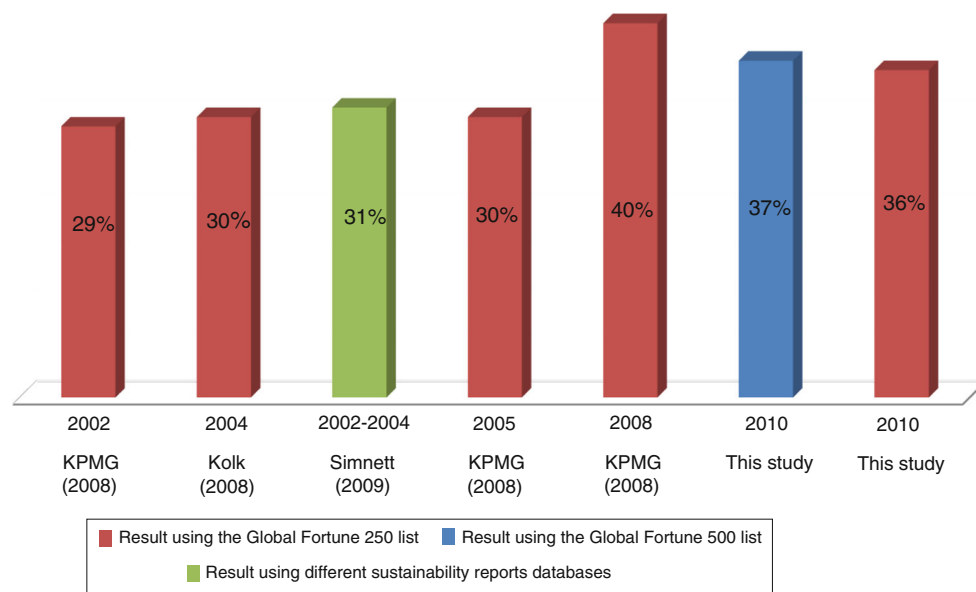


Fig. 3 Percentage of organizations which have issued a sustainability report assured by year

reports. There appears to be little growth in the perceived value of assurance.

Considering percentage by countries, Fig. 4 indicates that Australia, Spain, Netherlands, Italy, Brazil, Britain, Sweden, and Japan achieved higher percentage levels of reports assured (more than 50 %). Most of the countries in this group are developed and European countries. There are just three exceptions. The first is a non-developed and non-European country, where Brazil achieved the 5th place with 63 % of the sustainability reports assured. Secondly, Australia, a developed non-European country achieved the best performance, with all sustainability reports assured. Third Japan, a developed non-European country achieved 52 %. In relation to the lower percentage, Austria, South Korea, Taiwan, Canada, Belgium, China and U.S. achieved less than 35 % of the reports assured. In this group there are developed and emerging economies representatives from Asia, Europe, and North America.

According to previous studies, external assurance is most prevalent in Japan and Europe and not common in the U.S. (Kolk 2008; Kolk and Perego 2010). What is new in this study is the percentage of sustainability reports assured in other countries, especially Australia and Brazil. Australia achieved the highest percentage of the sample and Brazil overtook Japan and most of the European countries.

Assurance Providers

Previous studies have presented information about two types of assurance practices provided by accounting and non-accounting firms. This study identified two further types of assurance practices.

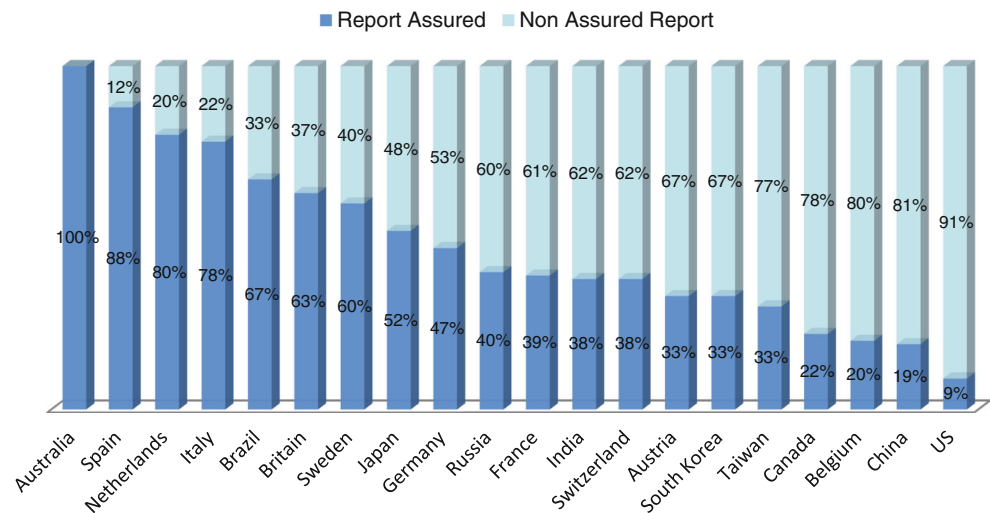
The first is an independent third party review, which is performed by a different range of entities or individuals such as stakeholder panels, academic institutions, non-governmental organizations, and presidents/directors of international institutes operating in the sustainability reporting area. The assurance statement provided by this specific third party review practice was referred by the organizations in most of their sustainability reports as a “Third Party Comment” or a “Third Party Review”. This study refers to this specific third party review practice as a “Stakeholder or Specialist Review”. This term was chosen because most of the cases identified in this situation were performed by a stakeholder panel or by a specialist individual. In addition, most of the current literature does not mention this specific practice, or when mentioned, it provides a definition that does not fully describe the situation identified in this study.⁶

Assurance statements provided by this specific third party review practice do not share the features of assurance statements issued by accounting and non-accounting firms and they usually contain just opinions and/or recommendations from the entities or individuals invited to review the organizations’ sustainability reports. These reviews are guided only orientated by the assurer’s experiences and expertise, not by a standard methodology.

Although these statements provide an independent opinion about the quality of the sustainability report published, and in some cases, recommendations to improve the quality of the sustainability report, they do not evaluate or

⁶ KPMG (2008) have used the term “not professional assurance providers” to refer to this specific group.

Fig. 4 Percentage of sustainability reports assured by country of the organizations included at the Fortune Global list in 2010



* This Figure presents just countries which have more than two organisations in the sample providing a formal sustainability report.

assure any information included in the sustainability reports. Accordingly, they provide no assurance.

The second new category of assurance practice is referred to in this study as a “Mixed Approach”. The mixed approach uses two different types of assurance providers in the same sustainability report (an accounting firm combined with a non-accounting firm or an accounting firm combined with a stakeholder or specialist review). Each assurance provider works in a specific area of the report and issues a specific statement, and both statements are provided in the organization’s sustainability report.

Regarding the four different types of assurance practices presented (accounting firms, non-accounting firms, stakeholder or specialist review and mixed approach), this study found that 56 % of the statements issued in the sample were provided by accounting firms, 26 % by non-accounting firms, 16 % by stakeholder or specialist reviewers, and 2 % employed a mixed approach.

Figure 5 summarises the type of assurance practices used by organizations in the sample by country. It is noticeable that stakeholder or specialist reviews were used by organizations in Japan, China and South Korea, with Japan responsible for 92 % of these cases. The mixed approach was used only in Spain and Japan, and this practice represented almost a third of all sustainability reports issued with an assurance statement in Spain.

Non-accounting firms have dominance in the sustainability assurance market in Taiwan, U.S, India, Australia, and China, while accounting firms perform most assurance engagements in European countries and in Canada, Brazil and Russia.

This study achieved similar results to those presented by Romero et al. (2010) in Spain, where the majority of the assurance engagements were provided by accounting firms,

and by Frost and Martinov-Bennie (2010) in Australia, where the majority of the engagements were provided by non-accounting firms.

Contrary to the findings of Mock et al. (2007), the results from this study indicate that accounting firms dominate the assurance market, similar to the results presented by Simnett et al. (2009), KPMG (2008), Kolk (2010), Manetti and Becatti (2009), and Kolk (2008).

Discussion and Conclusions

This study demonstrates that organizations worldwide are using sustainability reports to provide accountability about their environmental and social performance independent of their geographic location and the level of economic development of their country. Even though the level, shape, quality and integrity of the information presented by organizations could change significantly worldwide, it is clear that sustainability reports have been used as an important tool to provide communication between organizations and their stakeholders. Also, sustainability reports, if used adequately, could work towards to the GRI’s purpose for this type of reports (Global Reporting Initiative 2011, p. 3), which is being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development.

This study found that the number of organizations in Global Fortune lists issuing a sustainability report has been increasing steadily over the past decade. However, the proportion of sustainability reports which have been assured has not increased significantly, indicating little change in the perceived value of assurance processes.

The increase in the number of sustainability reports issued could be related to the society’s increased awareness

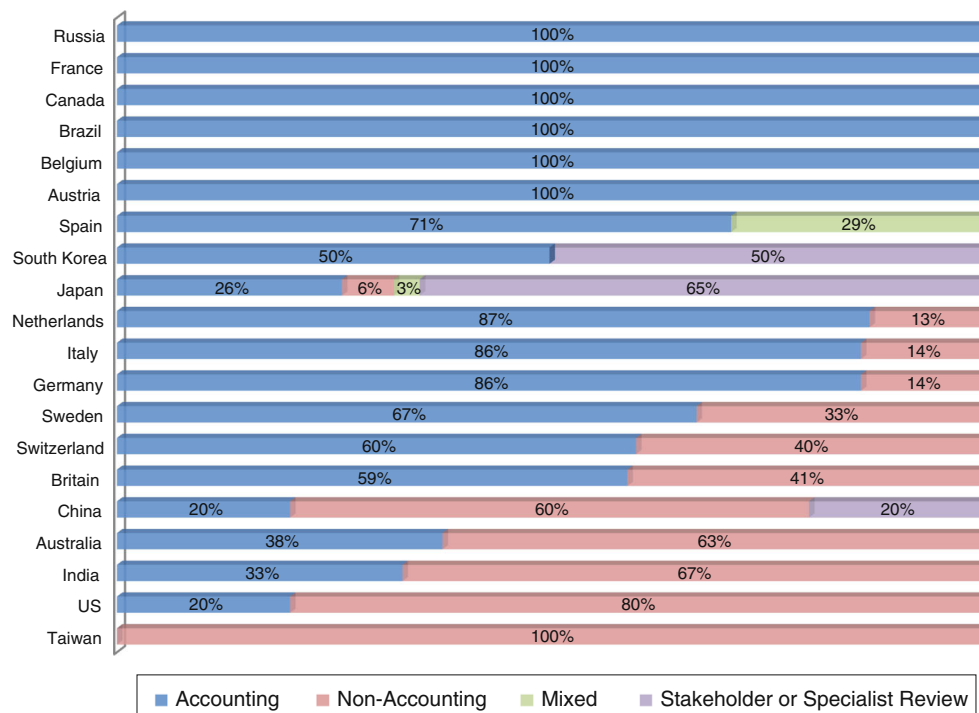


Fig. 5 Type of assurance provider by country for organizations in the Fortune Global 500 list in 2010

of environmental and social issues, and this awareness results in demand for more accountability about organizations' environmental and social performance. Sustainability reporting has also become a compulsory activity in some countries, which could work towards increasing the number of organizations which issued a sustainability report.

It is important to highlight that an increase in number does not mean an increase in quality. In order to achieve transparency about their performance, organizations should provide information regarding some fundamental aspects of their sustainability reporting process, such as: identification and engagement with stakeholders, identification and response to stakeholders, reporting of material issues, balance of information considering positive and negative aspects and accountability for all key issues identified.

There is no observable increase in the adoption of assurance engagements amongst organizations in the sample. There are still some questions in the current literature about the real benefits of the assurance process as it is currently being provided. Some academics have strongly questioned the efficacy of the current assurance process in enhancing transparency and accountability to key stakeholder groups. The lack of specific regulation about the assurance process for sustainability reports and the differences among assurance services provided by different assurance providers could be contributing to these uncertainties.

This study identified two new observable types of assurance practice (stakeholder or specialist reviews, and

mixed approach), which could be the result of some organizations' attempts to improve the current assurance process. This could be associated with dissatisfaction with assurance processes provided by accounting and non-accounting firms, which may be too limited in scope.

Alternatively, since assurance of sustainability reports is still not regulated in the majority of countries, organizations could be seeking just a statement to be included in their sustainability reports regardless of the quality of the assurance process performed.

In order to improve transparency for sustainability reports, the current assurance process must first be transparent in itself. Full versions of the assurance statements with detailed information about the work carried out, scope, results obtained, and recommendations must be available, explicit and understandable to stakeholders. Without a high level of transparency the assurance process for sustainability reports could be considered just a bureaucratic and non-important activity. In addition, readers of sustainability reports may not be aware of the different scopes and methodologies of the assurance providers. Realising these differences is very important to understand exactly how much information in the sustainability report is being verified by an independent third party.

The results presented in this study must be moderated by the following limitations. There are significant differences in the number of organizations in each of the countries analysed, and this may affect the results presented in

percentage form. Analyses of the organizations' official websites were comprehensive but not exhaustive. The results obtained in this study were based only on information provided through the organizations' official websites.

Explanations for the findings were not part of the study's scope. However, discussions and suggestions for future studies were presented in this last section.

It is important to highlight that the scope, content, quality and outcomes of the sustainability reports and the assurance processes were not considered.

Despite these limitations, the results from this study will contribute to future investigations in sustainability reporting and assurance. Certainly, there are considerable opportunities for further work and we suggest future studies on the following issues: (1) the motivations and benefits of issuing an assured sustainability report; (2) the advantages and disadvantages of different types of assurance services provided by different assurance providers; (3) extending our analysis to larger samples of organization and countries; (4) stakeholders' perceptions and understanding regarding the different types of assurance practices; (5) minimum quality criteria for assurance practices; and (6) how the wording of the assurance statements impacts on stakeholders' perceptions regarding sustainability reports' quality, transparency and credibility.

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