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Sustainability Reporting Assurance:

Exploratory Evidence in New Zealand

A thesis

submitted in partial fulfilment

of the requirements for the Degree of

Doctor of Philosophy

at

Lincoln University

by

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Lincoln University

2016

Abstract of a thesis submitted in partial fulfilment of the
requirements for the Degree of Doctor of Philosophy

Sustainability Reporting Assurance: Exploratory Evidence in New Zealand

by

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Recent growth in sustainability reporting has been followed by growth in sustainability reporting assurance. Although sustainability reporting and its assurance are both still voluntary in many countries around the world, like New Zealand, several organisations have already disclosed sustainability reports publicly and also engaged in the assurance process. The aim of this research project is to explore the current state of sustainability reporting assurance in New Zealand listed companies. The intention is to discover the motivations for, and barriers to, assurance engagement; identify the preferred assurers; and introduce the influential factors for improving the quality of sustainability reporting assurance statements.

Mono and multiple methods are implemented in this exploratory research. The research design is divided into four sequential phases. The first phase considers information about the current status of sustainability reporting assurance. The second phase analyses sustainability reporting assurance statements published by companies listed on NZX through content analysis. The last two phases investigate sustainability managers' and sustainability assurers' viewpoints about several aspects of sustainability reporting assurance through one-on-one online semi-structured interviews.

Using agency theory, signalling theory and stakeholder theory, this research provides insights into motivations for, and barriers to, sustainability reporting assurance engagement from the perspectives of the sustainability assurers and two groups of sustainability reporting organisations – those that have not yet engaged, and those that have already engaged, in the assurance process. The results highlight the characteristics of the preferred sustainability assurers. This research also identifies that while the quality of sustainability reporting assurance statements is increasing, there is still considerable room for improvement.

A number of potential limitations including subjectivity apply to this research which uses a qualitative approach on a small population of New Zealand listed companies. Despite these limitations, this research still provides some valid insights about sustainability reporting assurance in a voluntary environment.

In particular, this research extends previous studies to add to sustainability reporting assurance knowledge by collating the results of several data gathering and data analysis techniques, which examine that area comprehensively. This research provides broader insights into the terms of sustainability reporting assurance since it considers all types of internal and external sustainability assurance as well as two groups of reporting organisations. The findings of this research will practically benefit organisations; sustainability assurers; New Zealand authorities, legislators and standard setters; and other stakeholders by introducing the characteristics of best practice for sustainability reporting assurance in a voluntary sustainability reporting and assurance environment.

Keywords: Sustainability reporting assurance, assurance statements, internal assurers, external assurers, motivations, barriers, preferred assurers, quality, New Zealand.

Acknowledgements

In completing this thesis there are many people that deserve thanks. I wish to express special thanks to those who have been my fundamental support throughout this journey.

My sincere thanks to my main supervisor, Dr Tracy-Anne De Silva for her significant contribution to my research. Tracy-Anne – Thank you for your ongoing support as a supervisor as well as an understanding manager. I would not have been able to complete this research without your support, patience and enthusiasm.

My thanks also go to my associate supervisor, Dr Jamal Roudaki. Jamal – Thank you for sharing your invaluable experience with me. I would have never thought about moving to New Zealand without your guidance.

I would like to thank all the friends and colleagues who supported me by inspiring my confidence and teaching me to believe in myself and stay strong; and also, all the participants in my research for providing valuable information enabling me to complete this thesis.

Finally, the greatest appreciation to my parents and my sister for their ongoing love, support and prayers; and to my husband, Amir, who encouraged me to start and has accompanied me throughout all the ups and downs of this journey.

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Chapter 1

Introduction

Recent years have witnessed a growing demand for transparency in performance reporting by organisations. This growing trend has led some organisations to report their sustainability performance in addition to their financial performance. Including sustainability data in annual reports is becoming a global trend due to higher shareholders' demands and stock exchange and government reporting requirements (KPMG, 2015a). Sustainability reports present non-financial and qualitative data on an organisation's performance in the social, environmental and economic areas to provide more useful information to stakeholders (Adams & Evans, 2004). However, disclosing sustainability information *per se* has not fully satisfied stakeholders and there is evidence of a loss of trust due to lack of balance and confidence in the published sustainability reports. Hence, the growth in sustainability reporting and in stakeholder concerns – in terms of credibility – has resulted in the creation of an assurance service for sustainability reporting. Assurance is becoming more common these days and is 'established as standard practice among the world's biggest companies' (KPMG, 2013, P.11). However, both sustainability reporting and sustainability reporting assurance are still voluntary processes in most countries around the world.

The original purpose of sustainability reporting assurance is to build credibility and increase stakeholders' confidence (Deegan, Cooper, & Shelly, 2006; O'Dwyer & Owen, 2007; Pflugrath, Roebuck, & Simnett, 2011; Simnett, Vanstraelen, & Chua, 2009). Gillet (2012), Perego & Kolk (2012) and Toms (2002) noted that the most important role of the sustainability reporting assurance statement – as the main outcome of the assurance process – is increasing organisations' stakeholders' confidence in the reports. Based on the cross-country study of Hubbard (2011), organisations which report sustainability information claim that the information disclosed in sustainability reports without assurance may not be useful because of a lack of materiality, the use of different guidelines, distinct formats and varying reporting times. Those organisations believed that sustainability reporting assurance is a value adding process that enhances credibility and reduces information asymmetry (De Villiers & Van Staden, 2010; Deegan et al., 2006; Edgley, Jones, & Solomon, 2010; O'Dwyer & Owen, 2005). However, there are a large number of organisations stating that sustainability reporting assurance is not worthwhile and adds nothing to their reports (Jones & Solomon, 2010; Park & Brorson, 2005). These statements prove the uncertainty around a very simple and basic question: 'Why assure?' which signals the existence of under-researched areas in sustainability reporting assurance, especially in voluntary environments.

Considering the voluntary nature of sustainability reporting and its assurance, there is not a single generally accepted theory in this area (Damen, 2016; Deegan, 2002). This research focuses on agency theory, signalling theory and stakeholder theory as they are the most appropriate theoretical perspectives for sustainability reporting and its assurance.

1.1 Statement of the Problem

Fundamental theories, including agency theory, signalling theory and stakeholder theory – described in Chapter 2, section 2.2 – show the necessity of disclosing financial and non-financial information and engaging in the verification of that information. Based on these theories and sustainability reporting and assurance guidelines and standards, sustainability reporting is undertaken to inform stakeholders, and the attached sustainability reporting assurance increases the credibility of these reports. Knowing that sustainability reports are voluntary in most countries, it is important to investigate not only what organisations report but also what organisations engage in the sustainability reporting assurance process. Sustainability reporting is only meaningful if these reports are perceived as being reliable and credible. Assurance has been identified as a mechanism to assist organisations achieve this goal (Hodge, Subramaniam, & Stewart, 2009). Although both sustainability reporting and sustainability reporting assurance are voluntary in most countries, the number of organisations reporting on sustainability performance, publishing assurance statements and the number of users, is on the increase (KPMG, 2013b, 2015a)

Sustainability reporting guidelines concentrate on the important role of stakeholders – as the report users – and assurers, in the sustainability reporting assurance process. In particular, AccountAbility1000 (AA1000) (2003) and Global Reporting Initiatives (GRI) (2002) introduce the mission of assurers in the sustainability reporting assurance process by focusing on the key role of stakeholders. According to these guidelines, stakeholders are the main target of sustainability reporting assurance and the mission of an independent assurer is to give a statement on the quality of the engagement of the organisation towards meeting the demands of its stakeholders. This research contributes to the literature by examining the viewpoints of both managers and sustainability assurers. As shown in Figure 1.1 below, managers are a unique group of stakeholders who are responsible for making the decision of whether to report on sustainability performance as well as whether to engage in the assurance process (Moroney, Windsor, & Aw, 2012), and sustainability assurers are the providers of assurance statements, who were referred to as a ‘voice’ for stakeholders by Manetti & Toccafondi (2012).

Based on a KPMG’s survey about sustainability reporting and assurance, many organisations have not yet engaged in sustainability reporting assurance because they believed this kind of voluntary assurance was worthless and ineffective in improving their organisation’s position in the business

market. However, already-engaged organisations have had various reasons for implementing sustainability reporting guidelines and assuring their sustainability reports. In this regard, concentrating on the organisations' motives for, and barriers to, assuring sustainability reports will clarify whether this assurance is a beneficial practice for organisations to engage in.

The purpose of assurance is to increase credibility and influence stakeholders' perceptions. However, as Alon & Vidovic (2015) and Kuruppu & Milne (2010) discovered, that goal has not necessarily been fulfilled in all cases since the quality of assurance statements varies among countries, industries and organisations. The voluntary nature of sustainability reporting and its assurance, a lack of globally-accepted reporting and assurance standards, and the different types of sustainability assurers, have resulted in assurance statements of different quality. Quality is a matter of concern for both the sustainability reporting assurance statement users and assurers. Assessing their viewpoints will clarify unexplored aspects of the quality of sustainability reporting assurance statements.

Although all sustainability reporting assurance guidelines share the same general objectives, various guidelines call for different formats of reporting and different assurers have different approaches in assessing sustainability performance and preparing the final assurance statement. Previous studies have examined the differences in the quality of sustainability reporting assurance statements from different external assurance providers; however, there is still much debate on the characteristics of different types of sustainability assurers – internal and external. Highlighting the advantages and disadvantages of each sustainability assurer's approach, by assessing the sustainability reporting assurance statements, helps organisations make informed decisions when choosing a suitable assurer, and also helps assurers improve their assessments.

Previous studies have clarified different aspects of sustainability reporting assurance but there is still a lack of research that comprehensively investigates this type of assurance in New Zealand. Consequently, this research sheds light on several important aspects of sustainability reporting assurance in a voluntary sustainability reporting environment. This research aims to explore the state of New Zealand's sustainability reporting assurance; assess the quality of sustainability reporting assurance statements; and investigate managers' and sustainability assurers' viewpoints about the motives for, and barriers to, engaging in the assurance process; the preferred assurers; the responsible parties and the key factors in improving the quality of sustainability reporting assurance statements. This research extends earlier studies by using a multiple research method through combining different data gathering and data analysis techniques. Techniques such as content analysis and a series of interviews. Figure 1.1 summarises the focus of this research, which consider the gap in the sustainability reporting assurance knowledge:

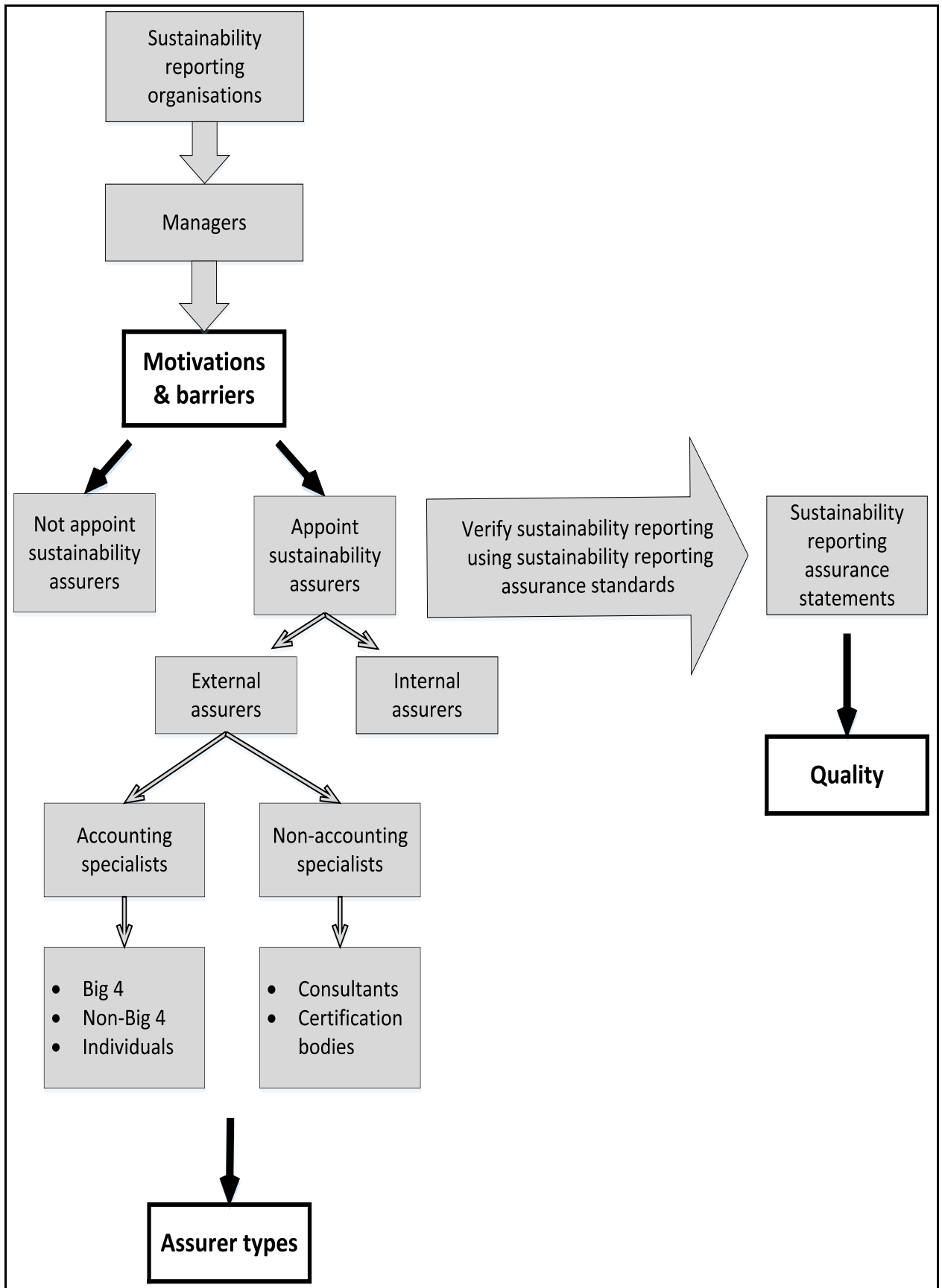


Figure 1.1 Summary of the Research Focus

1.2 Research Objectives and Questions

The primary objective of this research is to explore sustainability reporting assurance. In doing so, information about the current status of sustainability reporting and sustainability reporting assurance needs to be identified, which results in setting the first research question:

1. What is the current status of sustainability reporting and sustainability reporting assurance?

Farneti & Guthrie (2009) explored why organisations reported about sustainability. They found that informing stakeholders was the most important purpose of this kind of report. Other studies had indicated a list of external and internal drivers for, and barriers to, assurance engagement (Gillet, 2012; Jones & Solomon, 2010; Park & Brorson, 2005). However, they either considered only the viewpoints of those who were responsible for sustainability reporting, or tested different points of view in a mandatory sustainability reporting environment. Besides, despite the supportive theories in relation to the necessity of sustainability reporting assurance, there were still many organisations not yet engaged in sustainability assurance while the number of organisations with published assurance statements was increasing. Thus, the second research question addresses this gap about motivations for, and the problems around, assurance engagement by looking at managers' and assurers' viewpoints:

2. Why do/do not organisations engage in sustainability reporting assurance?

As far as the researcher is aware, there are only a few studies, such as Perego & Kolk's (2012) and O'Dwyer & Owen's (2005), that investigate the quality of sustainability reporting assurance statements. O'Dwyer & Owen (2005) highlighted the different approaches to assurance among accountant and consultant assurers. Although Perego & Kolk (2012) found that quality was linked to the experience of the assurers, they discovered that there were no differences between the quality of sustainability reporting assurance provided by consultants or accountants. This research fills this gap by assessing the quality of sustainability reporting assurance statements provided by different assurers in a voluntary reporting and assurance environment through answering the following question:

3. What is the quality of sustainability reporting assurance statements?

Given agency theory and stakeholder theory, sustainability reporting assurance not only resolves information asymmetry but it is also a quest towards legitimacy for stakeholders. Although the quality of sustainability reporting assurance statements is of concern to stakeholders, previous studies have not yet investigated this matter fully. This research adds to the literature by identifying the key parties responsible and the actions that should be taken to improve the quality of sustainability assurance

statements. Question 4 examines managers' and assurers' viewpoints about the quality of assurance statements:

4. How could the quality of sustainability reporting assurance statements be improved?

The Institute of Internal Auditors (IIA) (2012) introduces internal auditors (internal assurers) as independent assurers and also GRI (2002) endorses them as one type of sustainability reporting assurance providers; however, most of the earlier studies only compared different groups of external sustainability reporting assurance providers – the Big 4 and non-Big 4 accounting firms and consultants (Edgley et al., 2010; Gillet, 2012; O'Dwyer & Owen, 2005; Perego & Kolk, 2012). Edgley et al. (2010) attempted to examine the viewpoints of corporate social responsibility representatives about the internal and external assurance processes, but did not find a convincing result. Ridley, D'Silva, & Szombathelyi (2011) emphasised that internal assurers, who understand all the risks and opportunities facing organisations, were the best choice as sustainability reporting assurers. Sustainability assurance by internal assurers was recently introduced as the most cost-effective equivalent to the external service (Simnett & Huggins, 2015). Previous studies have not yet compared all types of assurers comprehensively enough to be able to identify the preferred assurers. This research will contribute to knowledge by answering the following question from both the managers' and assurers' viewpoints as well as assessing assurance statements to find the preferred types of assurers:

5. What types of sustainability reporting assurance do organisations prefer?

Although based on agency theory and stakeholder theory, sustainability reporting assurance statements are provided, based on stakeholders' demand, the advantages and disadvantages of different types of assurers are still unclear. The following question highlights the characteristics of each type of assurance that attracts the attention of organisations:

6. Why are different types of sustainability reporting assurance preferred?

Further discussion on the gaps in the body of knowledge and the research questions is provided in Chapter 2.

1.3 Reserch Method

Exploratory research is conducted to clarify the ambiguous situation and/or discover potential business opportunities (Zikmund, Babin, Varr, & Griffin, 2013, p.52). This research is categorised as exploratory research since it focuses on an in-depth understanding of the current state of sustainability reporting assurance, and also examines managers' and assurers' viewpoints about sustainability

assurance. Adopting a qualitative approach appears appropriate for this research as it helps to achieve an in-depth understanding of the situation (Cooper & Schindler, 2008, p.162).

Besides, when a phenomenon is new and complex – such as sustainability reporting assurance – combination of methods should be used both in gathering and in analysing data (Tharenou, Donohue, & Cooper, 2007). To obtain a holistic understanding, this research aims to answer a series of “Why”, “How” and “What” questions using both mono method and multiple methods research designs by applying an internet search, content analysis and interviews – a further explanation is provided in Chapter 3.

1.4 Research Context

In 2010, the World Business Council for Sustainable Development (WBCSD) released a report called Vision 2050. This report addressed some characteristics of a sustainable world. Similarly, the Sustainable Business Council (SBC) of New Zealand has undertaken this process in New Zealand. Vision 2050 provides the way for New Zealand organisations to think about their interactions with society and the natural environment in the future (Sustainability Business Council, 2012). Currently, New Zealand companies are relatively new reporters of sustainability information with an under-developed system of recording this information. Within the current New Zealand reporting system, sustainability reporting is not legislated. Under the Companies Act 1993, companies are not required to report on their sustainability performance. Further, the New Zealand Stock Exchange (NZX) and the Financial Markets Authority (FMA) of New Zealand do not enforce listed companies to disclose sustainability information (Dobbs & Van Staden, 2012). Apart from the consultation paper on the new corporate governance code, published by NZX in August 2016 – see section 2.4 – the only existing sustainability reporting commitment in New Zealand relates to SBC members, which requires them to produce a sustainability or integrated report on the environmental, social and economic performance within two years of commencing their membership.

However, one of the priority actions included in Vision 2050, is that all listed companies in New Zealand will be required to report sustainability factors by 2020 (Sustainability Business Council, 2012). Focusing on sustainability reporting assurance will be the next step after mandating for sustainability reporting. Given the future vision of New Zealand and the voluntary notion of both sustainability reporting and sustainability reporting assurance, New Zealand is an appropriate country for this research.

Dobbs & Van Staden (2012) assessed all the listed companies on the main board of NZX in 2009 and stated that few of these companies used reporting guidelines to disclose sustainability information and even fewer have sustainability reporting assurance. According to the KPMG’s survey in 2011, 27% of the 100 largest companies – revenue, market capitalisation or other measures – in New Zealand

reported their sustainability performance and 19% of the 100 largest companies used assurance as a strategy to verify and assess their sustainability reports (KPMG, 2011).

1.5 Research Design

Given the discussion in the previous section, the initial population selected for this research is all the companies listed on the main board of NZX in 2013 (144 companies). The year 2013 was chosen because the most recent data available were for this year when the research commenced. The research is divided into four phases in order to describe different aspects of sustainability reporting assurance using mono and multiple methods. Each of these phases is outlined below and discussed in more detail in Chapter 3.

1.5.1 Phase 1: Population Identification

The first phase of this research looks at the status of sustainability reporting and sustainability reporting assurance of companies listed on NZX in 2013. An extensive internet search is conducted to gather data from NZX archive database and companies' websites. It is important to collect information from both the listed companies that have had their sustainability information assured and those not yet engaged in the sustainability reporting assurance process. These companies disclose sustainability information in their annual reports, stand-alone sustainability/environmental reports, or on their webpages. The information gathered in this phase answers the first research question and forms two research populations to examine the remaining research questions. The first population includes companies which only reported their sustainability information and did not assure their reports, and the second population contains the companies which not only reported their sustainability information but also have already engaged in sustainability reporting assurance and published their assurance statements.

1.5.2 Phase 2: Content Analysis of Sustainability Reporting Assurance Statements

The second phase of this research evaluates the quality of sustainability reporting assurance statements in order to provide part of the information needed for answering the third and fifth research questions. This research uses the approach of O'Dwyer & Owen (2005) and Perego & Kolk (2012) in assessing the quality of sustainability reporting assurance statements. Thus, content analysis of sustainability reporting assurance statements is applied by designing a codebook containing minimum number of the recommended criteria mentioned in the common sustainability reporting assurance guidelines and standards.

In doing so, all the sustainability reporting assurance statements published by companies in the second research population were tested against the codebook to identify quality criteria. The criteria

identified were analysed and rated by a scoring system based on whether the minimum quality criteria were referenced. This rating scale is based on the principle that the better the quality of the information relating to a given reporting item, the higher the score it receives (Chapman & Milne, 2004).

1.5.3 Phase 3: Managers' Interviews

Managers' viewpoints are assessed in the third research phase. An online one-on-one semi-structured interview is chosen as an appropriate data collection method for gathering managers' viewpoints about the motivations for, and barriers to, sustainability reporting assurance; influential factors in improving sustainability reporting assurance statements' quality; and the preferred types of assurers.

Given the two research populations identified in the first phase, two interview guides – with a similar context but slightly different wordings – were designed to capture viewpoints of sustainability managers in answering research questions 2, 3, 4, 5 and 6. This phase intends to examine all the companies in both research populations.

Each interview guide is first tested by a pre-test interview with the sustainability manager of a similar organisation, but outside the research populations. The online one to one pre-test interview helps the researcher to evaluate the validity and reliability of the interview questions (Cooper & Schindler, 2008). Final interviews are conducted targeting sustainability managers or the most relevant person for sustainability reporting and its assurance in each company. All interviews are conducted online using Avaya Scopia® Desktop and Mobile Applications (Scopia®). All interviews were recorded using Scopia® and transcribed by the researcher. NVivo 10 is used for coding the transcriptions and drawing out key information (Gillet, 2012; Stubbs, Higgins, & Milne, 2012).

1.5.4 Phase 4: Assurers' Interviews

In the final phase of this research, the viewpoints of all assurers who prepared sustainability reporting assurance statements for the companies listed on NZX in 2013, were assessed. Similar to the previous phase, online one-to-one semi-structured interviews are considered as an appropriate data gathering method to answer research questions 2, 3, 4, 5 and 6 from the viewpoints of the assurers.

Given this phase gathers assurers' points of view, only one interview guide was designed to be used with all sustainability assurers associated with the companies in the second research population. This phase aims to evaluate assurers' point of view about motivations for, and barriers to, sustainability reporting assurance, influential factors for improving sustainability reporting assurance statements' quality and the preferred types of assurers.

As in phase 3, the interviews are conducted using Scopia®. All interviews are recorded and transcribed. Interview transcripts are entered into NVivo 10 to be coded and analysed.

The relationship between the research questions and the research phases is shown in Figure 1.2. The results of each phase prepares information for designing the next phase. All findings resulting from the internet search (Phase 1), content analysis (Phase 2), interviews with two groups of managers (Phase 3), and interviews with assurers (Phase 4), will be aggregated to form the research findings in association with best practice for sustainability reporting assurance.

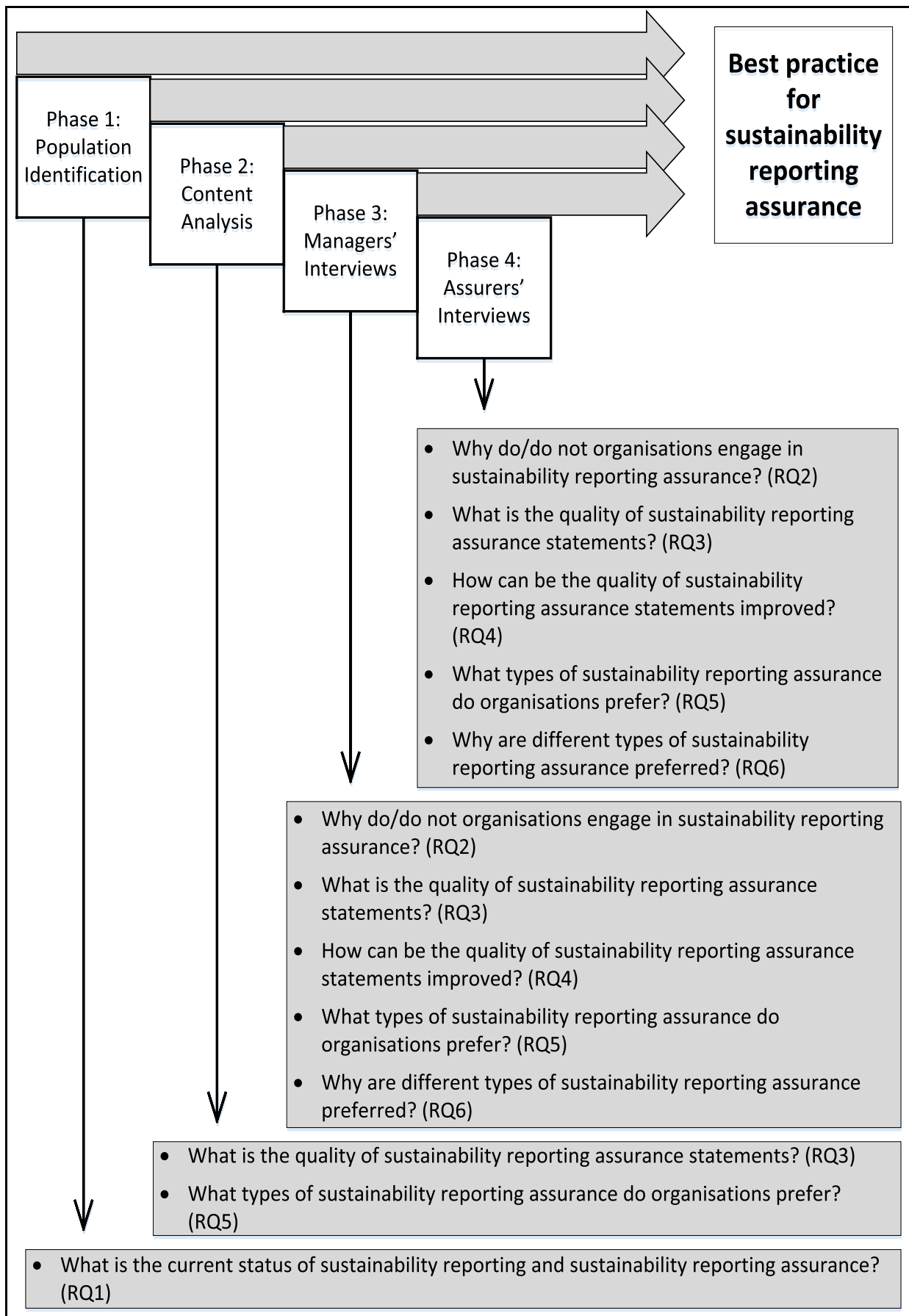


Figure 1.2 Relationship between Research Questions and Research Phases

1.6 Limitations

This research mostly follows a qualitative approach – apart from the quantitative content analysis – and focuses only on companies listed on NZX in 2013. Although a number of potential limitations such as subjectivity apply to a qualitative approach, this method is appropriate for this research. This research is conducted in New Zealand – a small economy that has a voluntary environment for both sustainability reporting and sustainability reporting assurance – and is limited to the population of NZX-listed companies (144 companies) due to the high level of information available. Subjectivity relating to data collection through content analysis and interviews is overcome through increasing the reliability of the study. To minimise the problem of the subjectivity involved in the content analysis, a set of coding rules based on previous research Perego & Kolk (2012) was used. Pre-test interviews were also conducted to increase the reliability associated with interviews.

1.7 Contributions

This research focuses on the listed companies in New Zealand, a country with no mandatory standards or guidelines for sustainability reporting and sustainability reporting assurance. Earlier studies considered the viewpoints of either assurance providers or the personnel responsible for sustainability reporting in organisations, or only gathered data in countries with mandatory sustainability reporting. This research comprehensively investigates the viewpoints of managers and all types of sustainability assurers in New Zealand. This research examines several aspects of sustainability reporting assurance in a voluntary sustainability reporting environment. This research explores the motives for and barriers to organisations engaging in a sustainability reporting assurance process; addresses the quality of the current sustainability reporting assurance statements; and identifies the sustainability assurance statements' quality improvement factors. In doing so, this research goes beyond the earlier studies by including both mono method and multiple method research designs. Several data gathering techniques, such as internet searches, content analysis and interviews are conducted and aggregated to contribute to knowledge by obtaining a broad perspective. Hence, this research contributes towards developing best practice in sustainability reporting assurance. In general, the results of this research are beneficial for the following parties:

- **Reporting organisations** – encourage organisations to engage in sustainability assurance and highlights some characteristics of sustainability reporting assurers to help organisations to choose the most appropriate approach.
- **Sustainability assurers** – inform assurers about the positive and negative aspects of their procedures and help them improve different aspects of their processes.
- **New Zealand authorities, legislators and standard setters** – provide them with the current state of sustainability reporting assurance and managers' and assurers' opinions, which could be used

for developing rules and regulations relating to sustainability reporting and sustainability reporting assurance.

- ***Business stakeholders (especially current shareholders and future investors)*** – provide them with reliable and credible information to make informed decisions.

1.8 Thesis Structure

The remainder of this thesis is presented in six chapters followed by appendices and references. Chapter 2 discusses both the theoretical framework and the related literature by reviewing studies undertaken both in New Zealand and in the global context. Chapter 3 describes the research design and the research data gathering and analysis methods. This chapter explains each phase in detail and covers the associated populations, pre-tests and the final tests. Chapter 4, Chapter 5 and Chapter 6 present the results of the data gathering techniques and discussed their findings about motivation for, and barriers to, assurance; the preferred assurers and assurance quality, respectively. Following the results and discussion chapters, Chapter 7 summarises the key findings, highlights the research contributions, implications and limitations and, finally, provides some insights for future studies. The appendices provide supporting documents for the material discussed in the method chapter, Chapter 3.

Chapter 2

Theoretical Foundation and Literature Review

2.1 Introduction

Chapter 1 introduced sustainability reporting assurance, highlighted the gaps in the knowledge and outlined the research questions, and then briefly reviewed the research design in terms of the data gathering and data analysis methods. This chapter explains sustainability-related theoretical perspectives (section 2.2) and reviews sustainability reporting assurance studies both in the global and New Zealand contexts to highlight research gaps by covering the studies relating to motivations for, and barriers to, sustainability assurance, different assurer types, the available reporting guidelines and assurance standards, and assurance quality.

2.2 Theoretical Foundation

Financial reporting, based on the economic performance of the organisation, was mandatory for publicly-listed companies. Those companies are also required to publish the audit report of their financial information. However, reporting on non-financial performance and gaining assurance for further reports, such as sustainability reports, is still voluntary in many countries around the world. There is not a generally-accepted theory in the area of sustainability reporting and sustainability assurance (Damen, 2016; Deegan, 2002); hence, previous studies have selected one, or different combinations of the theoretical perspectives of political economy theory, institutional theory, agency theory, legitimacy theory, stakeholder theory and signalling theory (Frias-Aceituno, Rodriguez-Ariza, & Garcia-Sanchez, 2012; Michelon, 2011; Popa, Blidisel, & Bogdan, 2009; Toms, 2002). However, this research used the insight of agency theory, signalling theory and stakeholder theory as the most appropriate theories for sustainability reporting assurance. The following sections explain these theories and their application to sustainability reporting and sustainability reporting assurance.

2.2.1 Agency Theory

Agency theory shows that an organisation consists of a nexus of contracts between the owners of economic resources (the principals) and the managers (the agents) who are charged with using and controlling those resources (Jensen & Meckling, 1976, p.308). Based on the concept of agency theory, each of these two groups has their own interests (Adams, 1994; Shapiro, 2005). For example in the agency relationship between shareholders (the principals) and managers (the agents), the shareholders want to maximise their wealth while managers are looking to maximise their rewards for managing the organisation (Gaffikin, 2008). Therefore, in the agency relationship principals are

concerned due to conflicts of interest, and also their limited access to information about the operations of the organisation. Thus organisations (managers) start disclosing information – e.g. sustainability information – in order to reduce information asymmetry between the managers and resource owners and other stakeholders. However, the current situation – no regulations about reporting sustainability information – causes a new agency problem since managers could choose to only report selective information, which might cover only positive aspects of their performance. Organisations wish to present a positive image of their businesses to increase their reputation, while owners and other stakeholders need to have access to the accurate and true performance in order to make decisions. Therefore, organisations select to engage in sustainability assurance to respond to stakeholders' concerns by increasing the credibility of the information provided. Given that assurance is provided, there is still some kinds of agency problems due to the voluntary nature of sustainability reporting assurance, which puts organisations in charge of selecting their assurers, reporting guidelines, assurance standards and, even levels of assurance. That flexibility provides organisations with the opportunity to plan in a way that meets their own interests. These differences result in a wide range of sustainability assurance statements, which differ in terms of quality. Although, several studies have been undertaken around the quality of assurance conducted by different assurers using different standards (Casey & Grenier, 2015; Moroney et al., 2012; O'Dwyer & Owen, 2005; Pflugrath et al., 2011; Simnett et al., 2009), there was no agreement that indicated the high-quality assurers or assurance standards.

Despite the high cost of non-financial assurance and all the concerns mentioned around agency problems, organisations still voluntarily engaged in the sustainability assurance process. Assurance reports provide an independent opinion that enhances the credibility of the information disclosed, reduces management bias, and the expertise of assurers improves the relevance of the information (ACCA, n.d.). Thus, according to agency theory, sustainability reporting assurance decreases information asymmetry and, as a result, solves the agency problem by adding credibility to sustainability reporting.

2.2.2 Signalling Theory

Signalling can be used wherever there is information asymmetry. Signalling theory posits that organisations disclose information as a signal to provide additional information to their markets about their financial situations in order to reduce information asymmetry and affect their investors' decision-making processes (Frias-Aceituno et al., 2012). According to Toms (2002), annual reports are the primary device for signalling and other reports, such as standalone environmental and sustainability reports, are complementary to them. An appropriate sustainability report can signal to stakeholders that the organisation has a high-quality sustainability performance (Legendre & Coderre, 2012). Due

to a lack of regulations and the existence of several different sustainability reporting standards, there are very different types of sustainability reports, which causes some concerns for stakeholders and encourages organisations to seek an assurance service. However, the different options available for selecting the assurance scope, level, standard and, even, the assurer has resulted in assurance statements with distinctive qualities. Signals have been mostly used as a tool to distinguish quality (Connelly, Certo, Ireland, & Reutzel, 2011); hence, organisations use sustainability reporting assurance as a device to signal that they set high-quality sustainability systems that result in a high-quality sustainability report that is assured by professional assurers.

Adopting assurance as a signalling tool is also justified considering the four conditions of effective signalling (Bird & Smith, 2005; Connelly et al., 2011): (1) Signals should be observable for receivers and that is the main intention of using a signal; (2) Receivers of signals should benefit from the signal; (3) There should be a conflict of interest between signallers and receivers; and (4) Signal costs should be different for different signallers when considering the quality. In the case of sustainability assurance, organisations only benefit from assurance if they publish sustainability reporting assurance statements, so the signal is observable. Stakeholders, as the receivers of sustainability reporting assurance statements, gain some extra assured information via assurance statements, and this enables them to make informed decisions. Based on the agency problem, as explained earlier, managers and owners – and other stakeholders – have different interests around sustainability performance. Managers try to show a positive image of their organisations while the others are requesting truthful information about the real performance. Finally, costs of sustainability assurance are different for different organisations, i.e. costs associated with organisations with poorer sustainability performance and lower quality reports are higher since it needs more assurers (personnel) spending more time to be able to prepare an assurance statement.

Given sustainability reporting assurance meets all the conditions, the adoption of this assurance is considered as a signal of good performance. Shum, Chen, & Burritt (2009) discovered the distinguishing high level sustainability performance from marketing level sustainability performance was one of the main tasks of sustainability reporting assurance. Perego & Kolk (2012) also emphasised that assuring sustainability reports through professional bodies will send positive signals to stakeholders.

2.2.3 Stakeholder Theory

A stakeholder is defined as “any group or individual that can affect or be affected by the realisation of the organisation’s purpose”(Freeman, 1984, p.46; Freeman, Harrison, Wicks, Parmar, & Colle, 2010, p.26); hence, there are many different groups of stakeholders. Stakeholders can be divided into three main groups; external stakeholders, intermediary stakeholders and internal stakeholders. External stakeholders include the government, creditors, suppliers, customers and competitors; while

environmental protection organisations and auditors are intermediary stakeholders; and internal stakeholders are shareholders, managers and other employees.

Legitimacy theory and stakeholder theory are overlapping theories with different perspectives. Legitimacy theory considers only an organisation's interaction with society while stakeholder theory extends it by focusing on different groups of stakeholders and their relationships with these stakeholders. This theory accepts that different stakeholder groups have different views about how an organisation should conduct its operations; consequently they have different interests and concerns about the organisation (Deegan, 2009). Organisations need to listen to stakeholders and answer their demands in order to gain the legitimacy to be able to operate. According to stakeholder theory, disclosing information is the only way to achieve stakeholders' support and approval. Similarly, Solomon & Lewis (2002) believed that one of the best ways that organisations can legitimate their actions was communication with stakeholders by disclosing information. Hence, legitimacy might be considered as a major reason for organisations to engage in corporate social activities (Lindblom cited in Deegan, 2002), and issuing sustainability reports was one of the strategies undertaken by organisations to respond to stakeholders' pressure and gain legitimacy. However, due to the agency problems – conflicts of interest between managers and stakeholders – and also a lack of regulation in sustainability reporting and its assurance, stakeholders are concerned about the credibility and reliability of the disclosed sustainability information. Adopting voluntary assurance is an extra communication tool that helps organisations influence stakeholders' perceptions by showing that the company's performance is professionally acceptable and meets the current standards. Consequently, as Gillet (2012) advocated, sustainability reporting assurance is a quest not only for legitimacy towards society but also to all groups of stakeholders. It was emphasised that an organisation's needs for obtaining legitimacy for stakeholders and receiving their approval motivated organisations to engage in the assurance process.

Considering the theoretical perspectives, the previous studies and their findings are explained in the following sections.

2.3 Sustainability Reporting and Sustainability Reporting Assurance in the Global Context

Sustainability is a dynamic term that can be applied to various purposes but, for businesses, sustainability is defined as (World Commission on Environment and Development, 1987, n.p.):

An investment strategy that uses the best business practices to meets the needs of the present stakeholders without compromising the ability of future stakeholders to meet their own needs.

Accordingly, corporate sustainability performance measures the extent to which an organisation embraces economic, environmental and social factors into its operations, and ultimately the impact that exerts on the company and society (Artiach, Lee, Nelson, & Walker, 2010).

Over the last decade, because of the increasing scrutiny of sustainability performance, various stakeholders have demanded reports that disclosed information about the financial, environmental and social performance of the organisation (Brockett & Rezaee, 2012). Therefore, sustainability reporting is defined as (Rowe, 2013, p.223):

A concept that provides a means to measure organisational performance towards the goal of sustainability, thereby providing useful information for decision-making and discharging accountability to stakeholder through reporting.

Sustainability reporting is voluntary in most countries; however, in some Organisation for Economic Co-operation and Development (OECD) countries, such as Sweden, Denmark and France and also in some non-OECD countries, including Brazil, Malaysia and South Africa, sustainability reporting has become mandatory for listed companies (KPMG, 2013b). Singapore and the UK have passed legislation that required large firms, or publicly-listed companies, to report on their social and environmental performance. Several laws and regulations in Canada and the United States mandated sustainability disclosure (Brockett & Rezaee, 2012). Sustainability reporting creates trust between an organisation and its stakeholders (Mock, Strohm, & Swartz, 2007). Sustainability reporting also shows how non-financial factors affect financial factors in an organisation. A comprehensive sustainability report should not only disclose positive and negative aspects of performance but also satisfy the needs of all stakeholders (Brockett & Rezaee, 2012). To do so, organisations started expanding their reporting and disclosing higher levels of sustainability information. However, as Dando & Swift (2003) discovered, publishing more information did not satisfy stakeholders as they started questioning the reliability and credibility of such reports. Therefore, the voluntary sustainability reporting assurance provided by independent external assurers was introduced to fill that existing credibility gap (Park & Brorson, 2005). AA1000 (2003, p.5) defines assurance as:

An evaluation method that uses a specified set of principles and standards to assess the quality of a reporting organisation's subject matter, such as reports, and the organisation's underlying systems, processes and competencies that underpin its performance.

However, while sustainability reporting is mandatory in some parts of the world, assurance of sustainability reporting is yet to be fully accepted and it is predominantly voluntary, except in France and South Africa (Brockett & Rezaee, 2012; KPMG, 2013; Martinov-Bennie, Frost, & Soh, 2012).

Given that the main intention of the assurance service is about adding credibility to sustainability reporting, previous studies have suggested that organisations engage in sustainability reporting assurance due to a number of benefits. Sustainability reporting assurance improves the quality of the sustainability reporting itself (Jones & Solomon, 2010); enhances the transparency and accountability of the reports (Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005); improves the internal reporting system of organisations (Park & Brorson, 2005); and adds value to such reports (Edgley et al., 2010). Moreover, it is vital for organisations to provide independent assurance for sustainability reporting in order to respond to questions from stakeholders (Marx & Van Dyk, 2011; Park & Brorson, 2005). However, the primary objective of assurance might not be fulfilled since there are many questions and doubts about the credibility, reliability and consistency of assurance statements *per se*, as assurance statements are the final outcome of the assurance process, which appeared to be more important than the assurance process itself. Evidence provided by Green & Taylor (2013), based on a survey completed by 53 Australian participants, represented that users were not concerned about the assurance process as much as they were concerned about the assurance outcome, which was the assurance statement.

The credibility of assurance was questioned as there was a large range of motivations and drivers for organisations when reporting sustainability information, which influenced the quantity and quality of information organisations disclosed (Arens, Elder, & Beasley, 2012). Similarly, there were very different motivations for engaging in the assurance process, as explained in the following section.

2.3.1 Motivations and Barriers

Some studies relate a country's characteristics and industry sector to either the choice of engaging in the assurance process or the choice of assurer, or both (Mock et al., 2007; Seguí-Mas, Bolas-Araya, & Polo-Garrido, 2015). The likelihood of adopting assurance is higher in stakeholder countries with a weak governance enforcement regime (Kolk & Perego, 2010). Similarly, another study, undertaken on a sample of 2113 companies from 31 countries around the world, proved that not only companies from stakeholder-oriented countries but also companies operating in particular industry sectors – such as mining, utilities and finance – were more likely to engage in the sustainability assurance process (Simnett, Vanstraelen, et al., 2009). There is also some evidence about the association between an organisation's characteristics (e.g. size) and sustainability assurance engagement; large organisations are more likely to engage in the assurance process in comparison to smaller organisations (Moroney et al., 2012; Simnett et al., 2009). Considering stakeholder theory, larger companies affect the environment from several different angles and attract a wider range of public attention; hence, they are inherently considered to be accountable to a wider range of stakeholders. Similarly, a study on

listed companies in France discovered that organisations' main driver for sustainability assurance engagement was gaining legitimacy for the stakeholders (Gillet, 2012).

Apart from the fact that assurance on sustainability reports is recommended by reporting guidelines and standards, such as GRI and AccountAbility1000 Assurance Principles Standard (AA1000APS), most of the sustainability-related award schemes reward participants by allocating higher scores to their sustainability reports if they have already engaged in the assurance process and attached the assurance statement to their published reports (Park & Brorson, 2005). Initially, companies' ambitions for protecting the brand and image, and gaining a competitive advantage via leading the industry and being known as a sustainability leader, were identified as powerful drivers in encouraging organisations to attend to sustainability assurance (Ball, Owen, & Gray, 2000; Gillet, 2012; Park & Brorson, 2005). Thus, attaching the assurance statement to the sustainability reports helps organisations build their reputations externally (Deegan et al., 2006), which is strongly in line with signalling theory.

Apart from the external benefits of assurance, the assurance process is considered as a sustainability management tool to provide organisations with the advantage of having an external control mechanism and enables them to discover weaknesses in their internal systems (Ball et al., 2000; Deegan et al., 2006; Gillet, 2012). Hence, even if organisations are not concerned about their responsibility to all groups of stakeholders, sustainability assurance reduces the level of information asymmetry internally and solves agency problems, to some extent.

Regardless of the genuine drivers mentioned, some organisations are not yet fully convinced about sustainability assurance engagement since they are facing some difficulties. The lack of a developed sustainability reporting system in first place, and then all the complexities around the sustainability assurance process – in terms of the responsibility of the reporting organisations and the assurers, different levels of assurance, different assurers with significantly various approaches – were identified as problems and caused some concerns for organisations in making decisions about their assurance engagement (Manetti & Becatti, 2008). Jones & Solomon (2010) interviewed managers of top UK-listed companies and discovered that apart from the barriers discovered in Manetti & Becatti's (2008) study, high assurance fees acted as a deterrent in an organisation's decision-making process. The high cost of assurance was also highlighted by Marx & Van Dyk (2011). The results on Fortune Global 250 organisations illustrated that organisational resources and capacities play an important role in the adoption of sustainability reporting assurance. In other words, a lack of resources within the organisation was considered as a barrier in assurance engagement (Perego & Kolk, 2012). Later, at the beginning to their study, Peters & Romi (2015) stated that sustainability reporting assurance was still

a new form of assurance, and that assurance novelty was considered to be a barrier for organisations since a new assurance service requires some time to prove its value and find its place in the market.

In conclusion, increasing credibility of sustainability reports and providing a level of confidence for stakeholders appeared to be the most common sustainability reporting assurance benefits that motivated organisations to continue their engagement in the assurance process (Ackers, 2009; Deegan et al., 2006; Jones & Solomon, 2010; Marx & Van Dyk, 2011; Simnett et al., 2009).

Contradictory results around the wide range of internal and external motivations for, and difficulties about, assurance, directed the researcher to form the second research question, as stated in section 1.2. Apart from the motivations for assurance engagement, due to the voluntary nature of assurance, there are still some concerns about the assurance process and its outcome due to various types of assurers, as demonstrated in the next section.

2.3.2 Assurance Providers/Assurers

The assurer is one or more individuals, or an organisation, contracted by the reporting organisation to provide assurance of its report (AccountAbility, 2003, p.32). According to AA1000AS, the assurer must be competent, independent and impartial (AccountAbility, 2008b). These characteristics of sustainability reporting assurers can be provided by various external and internal parties (Brockett & Rezaee, 2012; Martinov-Bennie et al., 2012). GRI (2002) also accepts both types of external and internal assurers as eligible providers of sustainability reporting assurance statements. However, there was concern that the assurance conducted by different assurers varied significantly (Ball et al., 2000).

External Assurers

External assurance includes a vast range of different professional groups. External assurers can be classified into two main groups: accounting specialist and non-accounting specialist providers (Brockett & Rezaee, 2012; Martinov-Bennie et al., 2012; Marx & Van Dyk, 2011). Considering previous studies, accounting specialist providers mainly include the Big 4 accounting firms (PricewaterhouseCoopers, Deloitte, EY and KPMG) as well as non-Big 4 accounting firms and individuals, and non-accounting providers covers specialist consultants and certification bodies (e.g. Edgley et al., 2010; Moroney et al., 2012; O'Dwyer & Owen, 2005; Perego & Kolk, 2012). As the name of the categories indicate, these assurers came from two different professional and educational backgrounds: accounting and sustainability. Due to different background knowledge, those two main groups – accounting and non-accounting specialists – have gained distinctive experience and, therefore, they use their own unique approaches when conducting sustainability assurance, although both are listed as external providers who follow the same guidelines.

In terms of knowledge, accounting specialists are experts in conducting overall assurance processes – not necessarily in sustainability – while non-accounting specialists are subject matter experts as they have been offering different sustainability-related services – not necessarily assurance services. On the one hand, non-accounting specialists claim an advantage against accounting specialists as they strongly believe having sustainability knowledge is the crucial element in handling a sustainability reporting assurance engagement (CorporateRegister, 2008). On the other hand, accounting specialists rely strongly on their risk assessment models and their huge experience in conducting financial audits (Nugent, 2008). Meanwhile, Huggins, Green, & Simnett (2011) argued that assurers needed to be familiar with both assurance and sustainability skills to be able to complete a sustainability assurance engagement.

In terms of approaches, accountant assurers take a limited approach by focusing on a mere data checking exercise, while consultant assurers take an evaluative approach and concentrate on completeness, fairness and overall balance in their statements (O'Dwyer & Owen, 2005). In addition, accountants concentrate on the benefits of the organisation's internal system to improve the reliability of the information disclosed, whereas consultants focus on the stakeholder benefits (Edgley et al., 2010). In terms of the written opinions, the Big 4 accounting firms limit their assurance opinions to the negative format – in writing – in most cases by focusing mainly on procedures, while consultants provide the positive format of opinions and concentrate on the material values to the organisation (Mock, Rao, & Srivastava, 2013).

Internal Assurers

The Internal Association of Auditors (IIA) introduces internal auditing as an independent, objective assurance and consulting activity designed to add value to the organisation's operations (IIA, 2012). Moreover, it helps organisations accomplish their objectives, assess and improve the effectiveness of risk management, control and governance processes. Internal assurers are well qualified as an independent assurance profession in organisations to prepare not only financial reports but also non-financial reports such as sustainability reports, and also provide assurance on the quality and credibility of these reports (Brockett & Rezaee, 2012; Ridley et al., 2011).

Some studies have also classified and assessed internal assurers alongside professional accountants and consultants as sustainability assurers (Peters & Romi, 2015; Trotman & Trotman, 2015). Organisations use internal assurers as an alternative to external sustainability assurers since internal assurers are capable of increasing reporting credibility, while they provide a cheaper assurance service (Abbott, Parker, & Peters, 2012). The Chartered Institute of Internal Auditors (2015) confirms that internal assurers are well positioned to carry out sustainability assurance services and, the IIA (2010) also supports the engagement of internal auditing in sustainability reporting assurance. The IIA even

published a related practice guide, 'Evaluating Corporate Social Responsibility/Sustainable Development' in 2010, as a part of their framework to include assurance of sustainability reports as internal audit duties.

Although all types of external assurers and internal assurers were eligible to provide sustainability assurance, not all of them were accepted and considered as common providers among reporting organisations. Evidence provided by previous studies shows contradictory results about the most common sustainability assurers. On the one hand, some studies, such as those by Ackers (2015), KPMG (2013) and Perego & Kolk, (2012), identified accounting specialists (Big 4) as the dominant provider of sustainability reporting assurance statements. Accounting specialist assurers were preferred as they provided high-quality assurance; they have gained a good reputation and are capable of applying well-developed professional and ethical standards to produce high-quality assurance statements (Simnett et al., 2009). Pflugrath et al. (2011) discovered that US participants also preferred accounting assurers; while, in United Kingdom and Australia, assurer type did not play an important role in regard to credibility and independence. On the other hand, Australian shareholders believed that assurers other than accounting specialists were the most appropriate providers of sustainability assurance statements (Hasan, Roebuck, & Simnett, 2003). This finding is in line with O'Dwyer & Owen (2005), who claimed that consultants carried out the majority of assurance in United Kingdom.

There are also some studies that found an organisation's size affected the assurer type. A recent study on 74 companies among the top 500 public companies listed on the Australian Securities Exchange (ASX) reported that larger companies with more experience in sustainability preferred to use consultants as their sustainability assurer (Moroney et al., 2012). While Fernandez-Feijoo et al. (2015) tested 874 companies from 22 countries around the world and showed that larger organisations preferred hiring the Big 4 as their sustainability reporting assurance provider.

Considering sustainability assurance as a process, managers are in charge of making decisions at different stages. First, they need to make decisions about whether they choose to report on sustainability performance or not. If they opt in, they will need to select an appropriate sustainability reporting framework and guidelines to follow. The next step will be around assessing drivers for, and barriers to, sustainability assurance to be able to make decision about the assurance engagement. If it is decided to follow an assurance process, managers will choose a suitable sustainability assurer who should be responsible for selecting the appropriate assurance methodology, including the correct assurance standard to govern the assurance process (Deegan et al., 2006).

Hence, this research focuses on the role of all types of external and internal assurers by answering research questions 5 and 6, since earlier studies mostly ignored internal assurers and there are also some ambiguities around the differences among assurer approaches and their capabilities.

Moreover, selecting guidelines and standards – once in the reporting stage and other times when leading the assurance process – critically affects the assurance outcome since the absence of benchmarks opens doors for different interpretations. The following section introduces the different reporting guidelines and assurance standards available.

2.3.3 Reporting Guidelines and Assurance Standards

The term ‘reporting criteria’ represents a guideline or standard the assurer and the reporting company have agreed to use to evaluate the sustainability report (AccountAbility, 2009a, 2009b), while ‘assurance standard’ defines a standard under which the assurance engagement was conducted (FEE, 2002). Since sustainability reporting and its assurance are relatively new practices around the world and still voluntary in most countries, there are several reporting guidelines and assurance standards available for organisations and assurers to select from. However, lack of a specific and unique reporting guidelines and assurance standards has caused a level of ambiguity in sustainability assurance statements (Deegan et al., 2006). GRI and AA1000APS are the most commonly used sustainability reporting standards, and AA1000AS and the International Standard on Assurance Engagements (ISAE3000) are the most globally used standards in providing sustainability reporting assurance, which all are voluntary in most countries.

Global Reporting Initiatives (GRI)

GRI is a multi-stakeholder-oriented institution providing global guideline in sustainability reporting. The first version of GRI guidelines was launched in 2000 as a global framework for comprehensive sustainability reporting. GRI was the first guideline that suggested external assurance for sustainability reports. GRI’s main intention is to enhance the credibility and comparability of the information in sustainability reports. This guideline has been developing since first launched, and G4 is the latest version, released in 2013, which is specifically designed to cover all sizes of organisations in sustainability reporting.

AA1000 Assurance Principles Standard (AA1000APS)

AA1000APS was issued by AccountAbility in 2008. This standard provides reporting organisations with guidance on sustainability principles – inclusivity, materiality and responsiveness – to develop an accountable approach to sustainability. This standard enables organisations to understand, control and improve their sustainability performance (AccountAbility, 2008a). Following AA1000APS makes organisations ready to achieve sustainability assurance, according to AA1000AS.

AA1000 Assurance Standard (AA1000AS)

AA1000AS was developed in 2003 by AccountAbility as the world’s first sustainability assurance standard (AccountAbility, 2008). This standard aims to evaluate the quality of sustainability reports.

AA1000AS (2008) is the latest version of this standard, which provides assurers with an approach not only to assure sustainability data but also to assess the process of managing sustainability. Since AA1000AS has been developed with a stakeholder approach, assurers must ensure the sustainability report complies with three principles of materiality, completeness and responsiveness from a stakeholder's perspective – by adhering to AA1000APS (Gillet, 2012)

International Standard on Assurance Engagements (ISAE3000)

The International Auditing and Assurance Standards Board (IAASB) has developed a generic assurance standard especially for members of professional accounting bodies when carrying out any assurance engagements other than the audit and review of historical financial information (ISAE 3000, 2008). However, this is now also used by other assurers either as standalone assurance standard or in combination with AA1000AS. ISAE3000 is mostly based on assurance in the financial world (O'Dwyer, Owen, & Unerman, 2011). Hence, ISAE3000 adopts an accountancy approach by emphasising data accuracy (O'Dwyer & Owen, 2005). The New Zealand equivalent of ISAE3000 (ISAE (NZ) 3000) was published in 2014.

Given the list of standards introduced, there are some concerns about selecting the right benchmark, and the relationship between the reporting and assurance standards, and the value of the final assurance statements. The main purpose of sustainability reporting assurance is to increase the reliability and accuracy of the sustainability information disclosed and to be able to provide stakeholders with credible sustainability reports (Gillet, 2012). There are researchers who strongly believe assurance is a necessary and inevitable element of sustainability reporting in terms of building credibility (Deegan et al., 2006; Jones & Solomon, 2010). However, there are doubts around fulfilling the main assurance objectives considering all the differences involved in the assurance process, including having different motivations to engage, following different guidelines and standards, and working with the choice of a large range of sustainability assurers. Hence, as Perego & Kolk (2012) indicated, the existence of different assurance standards and different types of assurers influences the quality of sustainability assurance statements and increases stakeholders concerns about the main role of assurance in adding credibility to the reporting.

2.3.4 Assurance Quality

As in other assuring processes, sustainability assurers should follow the principles of sustainability reporting assurance, as mentioned in the standards. There are two types of guidance in sustainability reporting and its assurance: principles related to the *content* and principles related to the *quality* (AccountAbility, 2008a, 2008b; GRI, 2002).

Considering the content principles, assurers need to assess the information included in sustainability reports. They determine whether the information in a sustainability report is material, complete, responsive and if it directly relates to the sustainability performance in order to apply content principles (AccountAbility, 2003; GRI, 2002):

Materiality - The assurers should examine the sustainability report to assess the materiality of the information for the reporting organisation and the reporting organisations' stakeholders. Information is material if its omission or misrepresentation in a report could influence the decision of stakeholders.

Completeness - The assurers should evaluate the sustainability report to assess whether it is complete and accurate enough to identify and understand the organisation's performance from its stakeholders' viewpoints.

Responsiveness - The assurers should assess that the reporting organisation has responded to stakeholders' concerns and interests, policies and relevant standards, and whether the disclosed sustainability information reflects these responses adequately.

Sustainability Context - The assurers should evaluate the context of the sustainability report to assess whether the focus of the report is the sustainability performance of the organisation.

In terms of quality principles, assurers need to assess the quality of the reported information. The quality of the information enables stakeholders to make informed decisions and take the appropriate action (AccountAbility, 2003; GRI, 2002): These principles, below, are similar to the qualitative characteristics of financial information:

Balance - The assurers should check that the organisation has provided an unbiased picture of its sustainability performance. Sustainability reports should reflect both the positive and negative aspects of an organisation's performance.

Comparability - The assurers should evaluate that the sustainability report is comparable with the last sustainability report and with other organisations' sustainability reports. Hence, organisations should consider consistency in their reports over time.

Accuracy - The assurers should examine if the sustainability report is sufficiently accurate and detailed for stakeholders to assess the organisation's performance.

Timeliness - The assurers should assess the usefulness of the sustainability report based on the time that it is available for stakeholders. Releasing information in an efficient timeframe enables stakeholders to integrate the information into their decision-making.

Clarity - The assurers should monitor the sustainability report to assess that it is understandable, accessible and usable to the range of stakeholders, as the level of aggregation of the information can influence the clarity of a report.

Reliability - The assurers should evaluate the sustainability information to assess that it is gathered, recorded, analysed and disclosed in a way that can establish the quality and materiality of the information.

To be able to achieve the main target of assurance, organisations should follow these principles when preparing sustainability reports, and assurers should assess them when conducting sustainability reporting assurance. However, there are still no mandatory standards for sustainability reporting and sustainability reporting assurance in many parts of the world.

Ball et al. (2000) started questioning the role of sustainability assurance in promoting organisational transparency by conducting research on a sample of companies short listed for the Association of Chartered Certified Accountant's Environmental Reporting Awards (ACCA ERAS). The results of their content analysis revealed that assurance providers' works are significantly different due to not having a robust methodology and focusing only on the management control systems instead of the performance. Therefore, there are some difficulties in fulfilling the main assurance objective, which is about increasing transparency and accountability. Later, O'Dwyer & Owen (2005) directly assessed the quality of sustainability reporting assurance statements for the first time, using their own quality measure. The quality of sustainability reporting assurance statements was evaluated against the recommended criteria mentioned in sustainability reporting and assurance guidelines and standards, as issued by GRI, AccountAbility, IAASB and the Fédération des Experts Comptables Européens (FEE). O'Dwyer & Owen (2005) selected assurance statements related to the sustainability reports short-listed for the 2002 ACCA-UK and European Sustainability Reporting Awards. They discovered improvements in terms of the assurance undertaken and also identified a greater focus on sustainability performance, while there were still some concerns about the low level of stakeholder engagement that resulted in low quality, poor transparency and a lack of credibility. That study discovered an association between the quality of assurance and the type of assurers. The consultants' approach provided a higher level of assurance since their statements were mostly focused on completeness, fairness and overall balance, while the accountants' opinions were mostly around data accuracy. (Perego & Kolk (2012) followed the O'Dwyer & Owen's (2005) approach to assess the quality of sustainability reporting assurance statements among the Fortune Global 250 companies over ten years. Their cross-country study claimed that the quality of assurance statement was highly associated with the type of assurer. Several other studies (CPA Australia, 2004; Hodge et al., 2009; Mock et al., 2007; Moroney et al., 2012; Perego, 2009; Pflugrath et al., 2011; Seguí-Mas et al., 2015; Simnett et al., 2009; Zorio, García-Benau, & Sierra, 2013) supported the quality of assurance statements and, as a result, the credibility of sustainability reports, was associated with the type of assurer selected by the reporting organisation.

Some studies, such as those by Perego & Kolk (2012), Perego (2009) Pflugrath et al. (2011) and Simnett, Nugent, & Huggins (2009), found a higher quality in the assurance statements prepared by accounting specialists. Accounting specialists who are actively working in this area of assurance are the Big 4 accounting firms. These firms are able to provide a high-quality service due to having a capacity to hire knowledgeable and experienced personnel, invest in accurate assurance and control mechanisms and have the incentive to protect their reputations (Perego, 2009; Simnett, Nugent, et al., 2009). On the other hand, O'Dwyer & Owen (2005) revealed that assurance statements provided by consultants added more value in comparison to the ones prepared by accountants. Similarly, the findings from a recent study of the top 300 cooperatives around the world stated that although accountants were the majority of sustainability assurers, the quality of assurance statements provided by consultants was of a significantly higher standard (Seguí-Mas et al., 2015). Meanwhile, there is some evidence indicating that the assurer's type does not affect the quality and the level of reliance that users place on different assurance statements (Ackers, 2015).

Apart from the assurers, there is some evidence that assurance standards also influence the quality of assurance statements (Deegan et al., 2006; Perego & Kolk, 2012; Peters & Romi, 2015). The report prepared by AccountAbility and KPMG indicated that the use of different assurance standards resulted in very different assurance statements. For example, using ISAE3000 resulted in statements that covered much about weaknesses and limitations of the organisation's reporting, while following AA1000AS as the assurance standard resulted in statements, which not only focused on the weaknesses and strengths of the sustainability reports, but also commented on related sustainability systems and addressed stakeholder's concerns (Iansen-Rogers & Oelschlaegel, 2005).

Based on the findings of Australian and cross-country studies – Perego & Kolk, (2012) and Choon-Yin & Tiong (2015) – considering the average quality of assurance statements, there are still some areas that need improvement due to the existence of a quality gap. They indicated that there was a gap between the highest quality according to reporting criteria and assurance standards, and the current quality of sustainability reporting assurance statements. This identified gap motivated this research to undertake an examination about the quality of assurance statements through answering research question three and contribute to the knowledge by searching for improvements through designing research question four stated in section 1.2.

As explained above, previous studies have resulted in much uncertainty and many contradictions about the motivations for, and barriers to, assurance engagement and its benefits; different assurers and their differences; and the quality of assurance statements. The next section provides some insights about similar areas, particularly in New Zealand.

2.4 Sustainability Reporting and Sustainability Reporting Assurance in the New Zealand Context

Currently, there are no requirements for sustainability reporting and its assurance in New Zealand. However, NZX published a 'Consultation Paper - Corporate Governance Code' on 31 August 2016, that proposed developing Environmental, Social and Governance (ESG) reporting guidance for NZX main board issuers. Based on this proposal, reporting will still stay voluntary, but those issuers who opt in to report will generate comparable reports since they should either follow the guidance or report against GRI. A disclosure based on the new proposal can be either part of the annual report or on the issuer's website. It was also indicated that issuers should publish a policy on the continuing disclosure of ESG information (NZX, 2016).

The SBC was established in 2012 – when NZBCSD merged with BusinessNZ-Sustainable Business Forum (SBF) – to promote sustainable business and policies. SBC requires their members to disclose sustainability information (SBC, n.d.):

Each member is required to produce a sustainable development report, integrated report or public account demonstrating that member's progress on environmental, social and economic performance within two years of becoming a member.

Although SBC believed that the membership criteria had a significant influence on an organisation's decision to publish sustainability reports, it appeared the criteria were not fully enforced. Wright et al. (2016) discovered that SBC members started sustainability reporting once they realised that type of reporting provides them with either an economic advantage or no economic disadvantage. Likewise, Milne, Tregidga, & Walton (2009) examined NZBCSD members and discovered that although the figures and disclosures showed New Zealand organisations were performing sustainable activities, their activities centred heavily around economic targets.

Overall, as KPMG's surveys indicated, the number of companies reporting on sustainability was increasing (KPMG, 2013b, 2015a). Pinto, De Villiers, & Samkin (2014) also tested sustainability reports of New Zealand's top 50 listed companies from 2005 to 2010 and came to the same conclusion. However, they discovered that the amount of sustainability disclosure was different for environmentally sensitive and non-environmentally sensitive companies. Non-environmentally sensitive companies decreased the amount of disclosure while environmentally sensitive companies increased the amount of sustainability disclosure during the six-year period of their study.

Most of the studies conducted in a New Zealand setting concentrated purely on sustainability reporting; specifically, to answer a classic question: 'Why do organisations select to disclose sustainability information when they are operating in a voluntary reporting environment like

New Zealand?' (Dobbs & Van Staden, 2016). Apart from Wright et al. (2016) and Milne et al. (2009), who recognised economic advantages as the main driver for sustainability disclosure, other surveys conducted in New Zealand also showed that reporting on sustainability performance had not been fully adopted by New Zealand organisations. According to signalling theory, creating a good image was identified as the most important reason for them to start reporting in such a voluntary environment (Dobbs & Van Staden, 2016; M.J Milne, Owen, & Tilt, 2001). Because of such motivations, New Zealand sustainability reports contain a large amount of good news and little bad news (Dobbs & Van Staden, 2016). As a defence, a lack of demand from stakeholders and a lack of management systems were explained to be the two key reporting barriers that New Zealand organisations face (Milne et al., 2001). In contrast to Milne et al. (2001) and Dobbs & Van Staden (2016), it was discovered that organisations have some genuine reasons for disclosing sustainability information (Robertson, 2012). Robertson (2012) noted that reporting on sustainability performance for marketing purposes and only showing a good picture of the organisation was not the main disclosure driver among New Zealand organisations. Being a good corporate citizen, meeting sustainability-related association membership requirements (e.g. SBC), having a good risk management system through embedding sustainability, and communicating to stakeholders, were identified as reporting drivers in a voluntary environment (Robertson, 2012). To examine the sustainability reporting market from a new perspective, De Villiers & Van Staden (2012) conducted an online survey with New Zealand shareholders. They discovered that shareholders mainly used sustainability information for making investment decisions. They preferred a separate section of the online annual report to be devoted to a sustainability report as it was easily accessible through a website.

As explained above, studies conducted in New Zealand mostly focus on sustainability reporting; however, they examined almost all aspects of sustainability reporting, which provided valuable information for future researchers to continue to the next step, which is assurance.

As far as the researcher was aware, Robertson's (2012) study was the only study that had examined assurance in some detail in New Zealand. However, there were a few New Zealand studies that either focused on one aspect of sustainability assurance, such as environmental assurance (Chiang & Lightbody, 2004), or examined some aspects of sustainability assurance superficially while mainly focusing on the reporting process (De Villiers & Van Staden, 2012). Chiang & Lightbody (2004) assessed financial auditors' opinions using a questionnaire to find about the role of financial auditors in environmental assurance. Their findings indicated that public pressure and the organisation's management are the main drivers for assurance participation. There were low numbers of financial auditors involved in environmental assurance at that time due to a lack of demand for their services and also a lack of sufficient experience and knowledge; however, their results indicated an increasing trend for participating. De Villiers & Van Staden (2012) identify that although assurance is costly,

shareholders prefer receiving assured information as they strongly believe sustainability assurance is a sign of accountability – which is in line with signalling theory – and decreases the possibility of green washing – which, based on stakeholder theory, increases legitimacy for stakeholders. Interestingly New Zealand shareholders commented that they would prefer a high level compulsory reporting that was regulated by law not just by accounting bodies or listing rules.

Robertson (2012) identified cost, lack of value, lack of demand or external pressure, and immature reporting, as the reasons for not engaging in sustainability reporting assurance. In terms of assurance benefits, although credibility was discovered as the main external benefit of assurance, internal advantages were the main reason for organisations to engage in this. However, problems such as a lack of regulations and the existence of different options in terms of the level of assurance appeared to decrease the value of the assurance. Finally, the small New Zealand market in terms of the number of reporting organisations, active sustainability assurers, and low levels of understanding and awareness about sustainability, were named as the reasons that were leaving New Zealand behind other countries with similar sustainability reporting and assurance environments. Interestingly, considering all the findings related to the lack of drivers and the problems facing reporting organisations, the interviewees in Robertson's (2012) study still believed assurance engagement might be increasing due to pressure from Māori groups, investors and higher level of international communication via export markets. In contrast to De Villiers & Van Staden's (2012), Robertson's (2012) findings did not support having mandatory regulations for sustainability reporting and assurance as an encouraging tool for organisations.

In addition to an overall lack of knowledge about the different aspects of sustainability assurance in New Zealand, little is known about the current state of sustainability reporting assurance. Thus, the first research question – see section 1.2 – was set to discover the current sustainability assurance market.

2.5 Chapter Summary

This chapter has explained the most appropriate theoretical perspectives related to sustainability assurance and reviewed previous studies regarding sustainability reporting assurance. Although previous studies and international surveys such as KPMG's surveys, had already addressed the huge engagement of companies in voluntary sustainability reporting assurance, little was known about sustainability reporting assurance, especially in New Zealand. Based on the review, there was no information about the current state of sustainability reporting assurance or the quality of assurance statements in New Zealand. However, it was suggested that organisations' motivations, sustainability reporting and sustainability reporting assurance standards, and the type of assurer, might influence the quality of assurance statements, as there was no agreement in the findings of the previous studies.

Based on the review of earlier studies in New Zealand, there has been no study that considered both managers' and assurers' viewpoints – as two key involved parties in the assurance process – in terms of the motivations for, and barriers to, assurance, preferred types of assurers, and the quality of the assurance statements. Thus, this research fills these gaps by answering the six research questions, as stated in Chapter 1. The research design used to answer those research questions is explained in the next chapter which introduces the data gathering and data analysis methods.

Chapter 3

Research Methods

3.1 Introduction

The literature review conducted in Chapter 2 discovered that there were some under-explored aspects of sustainability reporting assurance in New Zealand. Hence, this research aims first, to report on the current status of sustainability reporting and sustainability reporting assurance and, secondly, focus on an in-depth understanding of the viewpoints of the managers and assurers involved. In doing so, this research is defined as exploratory research in nature. Exploratory research is undertaken to clarify unknown or ambiguous situations or to discover potential opportunities (Zikmund et al., 2013). In this type of research, the researcher conducts an extensive search to discover what is happening and then gathers more details by conducting qualitative approaches (Saunders, Lewis, & Thornhill, 2012; Sekaran & Bougie, 2013).

Different methodological choices were made to address the exploratory nature of this study and to answer the six research questions. Saunders et al. (2012) explained that there are two main methodological choices in research design: the *mono method* when only one data collection technique – either qualitative or quantitative – is undertaken; and *multiple methods* when more than one data collection technique is used to answer each research question. As shown in Figure 3.1, multiple methods are split into two main categories. *Multimethod* research is considered when two or more data collection techniques within a specific research approach – either qualitative or quantitative – are undertaken. However, *mixed methods* research is followed when both qualitative and quantitative approaches are combined by undertaking two or more data collection techniques.

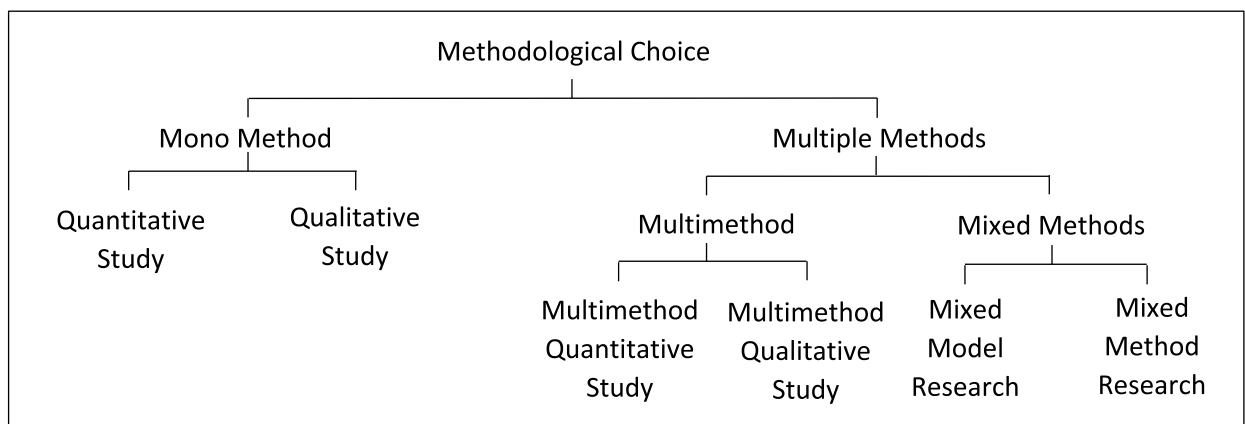


Figure 3.1 Methodological Choice
 (From Saunders et al. ,2012, p.165)

Considering the six different research questions, both mono and multiple methods were conducted to form the research design (Table 3.1).

Table 3.1 Research Design

No.	Research Question	Methodological Choice	Data Collection Technique
1	What is the current status of sustainability reporting and sustainability reporting assurance?	Mono method	1. Internet search
2	Why do/do not organisations engage in sustainability reporting assurance?	Multimethod	1. Interview - managers 2. Interview - assurers
3	What is the quality of sustainability reporting assurance statements?	Mixed methods	1. Content analysis 2. Interview - managers 3. Interview - assurers
4	How could the quality of sustainability reporting assurance statements be improved?	Multimethod	1. Interview - managers 2. Interview - assurers
5	What types of sustainability reporting assurance do organisations prefer?	Mixed methods	1. Content analysis 2. Interview - managers 3. Interview - assurers
6	Why are different types of sustainability reporting assurance preferred?	Multimethod	1. Interview - managers 2. Interview - assurers

The remainder of this chapter describes the research design by dividing it into four sequential data gathering phases.

3.2 Phase 1: Population Identification

The first phase of this research examined the current status of sustainability reporting and sustainability reporting assurance among the companies listed on NZX in 2013. The 144 companies listed on the NZX main board in 2013 were selected as this study's initial population.

NZX-listed companies were chosen because their financial information was publicly available and, thus, these companies often have extensive non-financial information on their webpages, in their sustainability reports, or as part of their annual reports. Moreover, according to Vision 2050, mandating NZX-listed companies to report on sustainability information is one of the priority actions by 2020 (Sustainability Business Council, 2012). Focusing on sustainability reporting assurance will be the next step after mandating sustainability reporting. The year, 2013, was selected since it provided

the most recent available data at the commencement of the research. However, the research period was not limited to 2013.

An extensive internet search, followed by a simple documentary analysis, was carried out during July - August 2013 to form two research populations that will be studied concurrently. The internet can be used as a great source of both primary and secondary data (Quinlan, 2011). To do so, the NZX archive database, the website of companies listed on NZX in 2013, the GRI database and the Corporate Register website were searched for either annual reports, stand-alone sustainability (social responsibility/environment) reports, or web-based sustainability reports. Some companies were also contacted by email or phone in order to gain certainty about their publicly-available sustainability reports.

That search resulted in **31** companies listed on NZX in 2013, as the first research population. Those companies had only published sustainability information, at any time during their company’s life, but did not assure their reports – all reporting years were searched by tracking back for each company in the initial population. The second research population was developed from a similar search – with an emphasis of identifying assurance statements – conducted to form the first research population. By tracking back for each company in the initial population, all reporting years were checked in order to find any publicly-available sustainability reporting assurance statements, provided by either external or internal assurers, at any time during the company’s life. The second research population contained **ten** of the companies listed on NZX in 2013, which had not only have reported sustainability information but also engaged in a sustainability reporting assurance process and published their sustainability reporting assurance statements. Both research populations are shown in Figure 3.2 below.

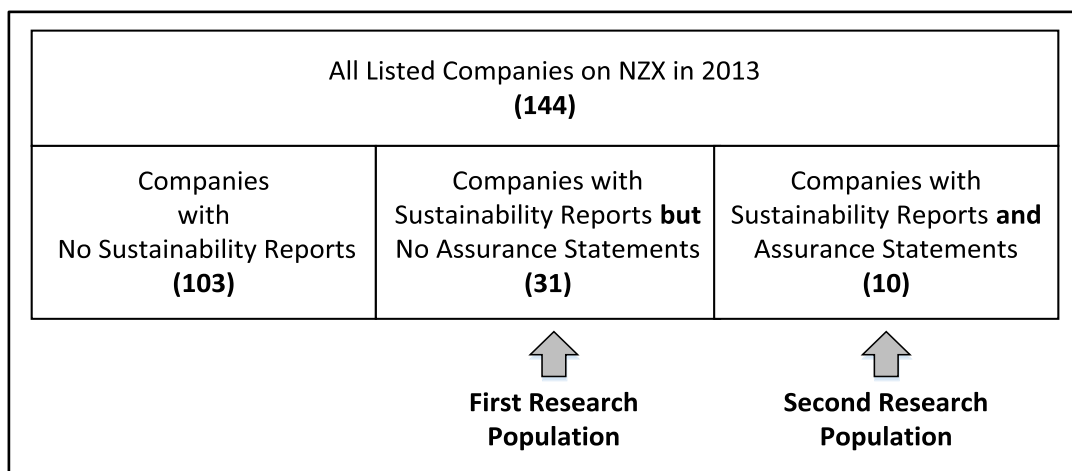


Figure 3.2 Research Populations

The search revealed that companies published their sustainability reporting assurance statements as part of their annual or stand-alone sustainability reports. A total of 85 sustainability reporting assurance statements, published publicly from 2002 to 2013, were gathered from the ten companies in the second research population to be coded in this phase. This research period started in 2002, since the first sustainability reporting assurance statement among the companies listed on NZX in 2013 was published in 2002, and finished by 2013, as that year was the most recent year with data available when this research was designed.

3.3 Phase 2: Content Analysis of Sustainability Reporting Assurance Statements

The second research population, formed during Phase 1 and discussed in section 3.2, was used in Phase 2 in order to primarily answer research questions 3 and 5. This phase aimed to investigate the quality of sustainability reporting assurance statements and also report on the preferred types of assurers used among the companies listed on NZX in 2013, so far.

To achieve the aim, this research followed the approach of O'Dwyer & Owen (2005) and Perego & Kolk (2012) in assessing the quality of sustainability reporting assurance statements. Considering this approach, the recommended criteria mentioned in the common sustainability reporting and assurance guidelines and standards (i.e. GRI, AA1000APS, AA1000AS, ISAE3000 and FEE) were introduced as quality indicators for the sustainability reporting assurance statements.

Quantitative content analysis was applied to code all the information in the sustainability reporting assurance statements in order to evaluate the quality of those statements. Content analysis has been widely used in accounting research and was the most common method adopted to analyse the content of corporate social reporting communications, such as assurance statements (Ball et al., 2000; Deegan et al., 2006; Gillet, 2012; Lock & Seele, 2015; O'Dwyer & Owen, 2005; Perego & Kolk, 2012; Choon-Yin & Tiong, 2015). As Riffe, Lacy, & Fico (1998) and Weathington, Cunningham, & Pittenger (2012) described, quantitative content analysis was a technique for transforming qualitative data into assigned numeric values by using valid measurement rules in order to simplify the text analysis and draw conclusions.

This research followed Weber's (1990) eight steps of content analysis, as shown in Table 3.2, to design a suitable content analysis instrument.

Table 3.2 Common Steps in Content Analysis

- | |
|---|
| <p>Step 1. Definition of the recording units (e.g., word, phrase, sentence, paragraph)</p> <p>Step 2. Definition of the coding categories.</p> <p>Step 3. Test of coding on a sample of text.</p> <p>Step 4. Assessment of the accuracy and reliability of the sample coding.</p> <p>Step 5. Revision of the coding rules.</p> <p>Step 6. Return to Step 3 until sufficient reliability is achieved.</p> <p>Step 7. Coding of all the text.</p> <p>Step 8. Assess the achieved reliability or accuracy.</p> |
|---|

(From Weber, 1990, pp 21-25 & Duriau, Reger, & Pfarrer, 2007, p. 19)

Before coding can begin, the content analysis coding instrument needed to be designed and tested. O'Dwyer & Owen (2005) and Perego & Kolk (2012) codebooks were considered as the initial codebooks and they were then modified and updated based on the information extracted from the newly published sustainability reporting assurance standards and guidelines – i.e. ISAE 3000, AA1000AS, AA1000APS and GRI – and FEE Discussion Paper since then it has influenced the reporting and assurance processes (Hodge et al., 2009; O'Dwyer & Owen, 2005). A pre-test codebook including 22 quality criteria, their definitions and the scoring scales was developed. This codebook scored the quality criteria using a scoring system that awarded no points for the absence of information and a range of one to three points for their presence.

To test the coding instrument before the final test, two sustainability reporting assurance statements from two different New Zealand companies outside the research populations (i.e. non-listed New Zealand companies) were selected. Five researchers of various backgrounds were chosen as the sustainability reporting assurance statement pre-test coders to ensure different viewpoints were considered. All coders were provided with a coding package, including an introductory letter about the research topic and the purpose of the pre-test, instructions for how to conduct the pre-test, the codebook and two selected sustainability reporting assurance statements (apart from the sample statements, other information is attached as Appendices A.1 to A.3). One assurance statement had been prepared by an accounting specialist assurer and the other by a non-accounting specialist assurance organisation. These two assurers were chosen to ensure the instrument was appropriate to the main categories found in other studies.

After completing the coding process, the researcher and all coders met to discuss the pre-test results. Although, the researcher was confident that the pre-test had generated a high level of coding

reliability, an inter-coder reliability test was also performed to statistically confirm the coding instrument's reliability.

Four tests are available to measure inter-coder reliability: the coefficient of reliability (Holsti, 1969), Scott's pi (1955), Cohen's kappa (1960) and Krippendorff's alpha (1980). The coefficient of reliability does not take into account the level of agreement that may result from chance (Holsti, 1969). Although Scott's pi and Cohen's Kappa both consider the agreement occurring by chance, they are used when only two coders were involved in the coding process (Cohen, 1960; Scott, 1955). Thus, this study has calculated Krippendorff's alpha to measure the level of inter-coder reliability. Considering all five coders, the reliability test showed Krippendorff's alpha of 0.651 for the first assurance statement and 0.504 for the second statement. The reliability test was run separately for the two coders who had the highest level of sustainability reporting knowledge and more coding experience than the other coders who did the pre-test. Considering those two coders, the results of Krippendorff's reliability test increased to 0.710 and 0.635, for the first and second assurance statements, respectively.

An extensive discussion revealed that the unfamiliarity of some of the coders with sustainability reporting assurance and content analysis, and also some unclear definitions caused some disagreements. Following a discussion some changes, such as dividing one criterion into three separate criteria, clarifying criteria definitions and improving the scoring range, were made to improve codebook clarity and accuracy. Finally, after applying those minor changes, full agreement was reached and a new coding package, including a codebook with 25 criteria, their definitions and the scoring scales (see Appendix A.4) was developed for the final content analysis to be applied to the 85 sustainability reporting assurance statements. This final codebook followed the same scoring system as the pre-test codebook and the range of total quality scores was from zero (lowest quality) to 40 (highest quality).

All 85 sustainability reporting assurance statements were coded by the researcher to ensure consistency. Key words, phrases, paragraphs or sections were highlighted and annotated manually using hand-written numbers, as described in the codebook. The researcher then reviewed all highlighted sections and words in each category of the codebook to ensure consistency of the coding process within each category. Besides, in order to check the reliability of the final code book, three of the 85 sustainability reporting assurance statements assessed by the researcher, were also examined by another coder with sustainability knowledge and content analysis experience. The test resulted in a high level of agreement between the two coders (97.3 percent agreement).

3.4 Phase 3: Managers' Interviews

This research phase aimed to interview sustainability managers in order to gather sufficient information to answer research questions 2, 3, 4, 5 and 6 – as shown in Table 3.1 – from the manager's perspectives.

Online one-on-one semi-structured interviews were chosen as an appropriate data collection method for gathering managers' opinions. In the one-to-one interviews, only one interviewee was the focus of the researcher. On the one hand, this allowed the researcher to conduct an in-depth interview and gather detailed responses. On the other hand, it provided the interviewee with the time and space to express his/her opinions or experiences (Quinlan, 2011). In semi-structured interviews, similar pre-designed questions with similar wordings were asked of all interviewees, while giving the researcher the opportunity to add new questions or change the order of questions based on the interviewee's responses. In other words, although it was a flexible interview method, which may change with the interview flow, it provided the researcher with comparable responses (Bryman & Bell, 2011).

Considering the limited research budget and also the convenience of the research participants, all interviews were conducted online using Avaya Scopia® Desktop and Mobile Applications (Scopia®). According to King & Horrocks (2010) there is an argument about the difficulties of using video interview instruments, such as lack of knowledge to work with the internet and modern electronic devices, not having access to such facilities, poor internet connections, and video/audio quality problems. However, video interview instruments like Skype or Scopia® provide free visual communications that enable the researcher to observe the participants and allow both parties to transmit items or reports while they are in their own environment and this saves travel costs and time (Salmons, 2014).

Although Pretto & Pocknee (2008) suggested that Skype was the most reliable and preferred method of online interviews, they noted that this software package did not provide any audio or video recording function. Hence, Scopia® was selected as it provided the recording function. The participants of this research were not subject to any of those problems mentioned above, as Scopia® was a powerful online software application that could be quickly installed and used on computers (with speakers, microphone and webcam), laptops, tablets and smartphones. This software allows interviewees to join pre-set virtual meeting rooms without creating an account. Scopia® provides the researcher with high-quality recordable video interviews.

To conduct interviews, both research populations were used to consider not only the managers of companies who have already engaged in the assurance process, but also the managers of companies who have published sustainability reports but have not yet experienced engaging in the sustainability assurance process.

3.4.1 Managers Engaged Only in Sustainability Reporting

Managers of 31 companies who formed the first research population were targeted to be interviewed in this phase.

Interview Population

In the first research population the companies were spread out among different industry sectors. Although the extensive search conducted, revealed that the first sustainability report – among the companies listed on NZX in 2013 – was publicly published in 2000, the researcher chose to focus on the most recently published sustainability reports in order to target managers who were recently involved in that process as interviewees.

The 2013 published sustainability reports had various names, types and lengths as shown in Table 3.3 below. The reports were mainly published under the ‘sustainability’ name but there were several reports which were allocated some ‘other associated names’, such as environment-social report, environment-people-safety report, corporate report or social responsibility report. As suggested by the other names, reports other than those ones published under the sustainability name did not cover all pillars of sustainability performance. As this research was focussed on a broad view of sustainability encompassing all three pillars (environmental, social, economic), this research chose to focus only on reports named ‘sustainability’.

Regarding the sustainability report types, in most cases, sustainability information was located in the annual report or published as a standalone report, and there were a few companies that disclosed sustainability information on their websites also.

The report length was located in a range from a half page to almost 20 pages. Thus, it was decided to divide reporting companies into two categories: short reports (from a half page to two pages) and reasonable reports (more than two pages), according to the length of the sustainability report, based on the primary search results. That search, conducted in Phase 1, clarified that all the companies belonging to the second research population – i.e. those that have already engaged in the assurance process – had publicly disclosed a reasonable amount of sustainability information. Considering this, there would be little benefit in interviewing managers and demanding their opinions about the assurance process while they did not publicly publish sufficient sustainability information. Hence, this classification resulted in targeting only 13 out of 31 companies for the initial invitation email for interview. Those 13 companies disclosed a reasonable amount of sustainability information in their sustainability reports which were either located in the annual report or published as a standalone report.

Table 3.3 Summary of the First Research Population’s Published Reports

Report’s Name	Report’s Type	Report’s Length	Number of Companies
Sustainability report	Annual or standalone report	Short	2
		Reasonable	13
	Web based information	Short	3
Other associated names	Annual or standalone report	Short	0
		Reasonable	12
	Web based information	Short	1
Total			31

Interview Instrument

The first interview package – including an initial invitation email, a follow up email and/or phone call, a confirmation letter, a consent form and an interview guide (Appendix A.5) – was prepared for conducting interviews with the first group of managers.

The initial invitation was a personalised email sent to the initial contact people but aiming to find the right interviewees. The follow up email and/or phone call, a shorter and less formal version of the initial email, was prepared to be used cases where companies had not replied to the initial invitation. A confirmation letter was planned to be emailed to the final participants to provide them with more details about the research project and the interview process – e.g. interview time period, interview tool, and main interview topics – in order to enable the interviewees to set a suitable time for the one hour interview. The consent form was designed to be signed off by the interviewees just before conducting the interview in order to emphasise the research topic and its objectives. It informed them about the confidentiality and anonymity of their responses, the withdrawal right over the given period, and also formally received their permission for recording the conversation. The interview guide consisted of five main sections – sections A to E – including 14 questions followed by several probes and prompts (Appendix A.5). Section E’s questions did not directly answer any research questions; however, they might provide more detail for some of the other sections. The relationship between the research questions and the interview questions is pictured in Figure 3.3 – the link between the research questions and the main interview sections was demonstrated in Figure 1.1, outlined in section 1.2 and discussed in sections 2.3 and 2.4.

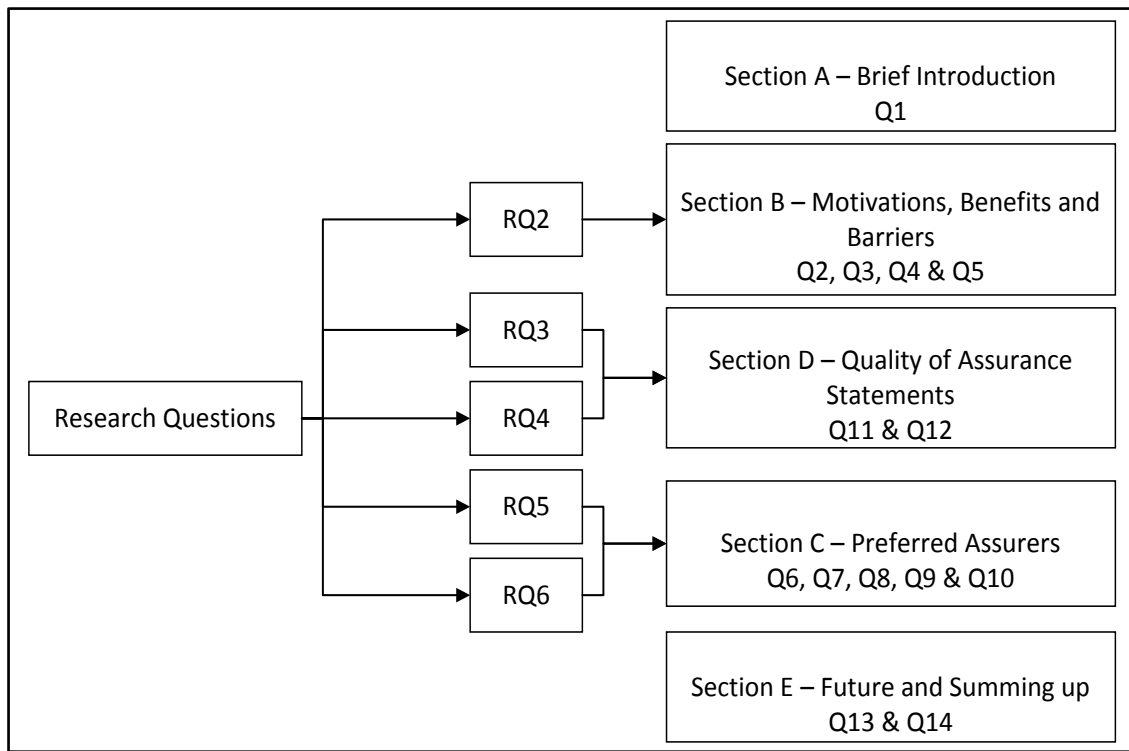


Figure 3.3 Relationship between the Research Questions and the Interview Questions for the First Group of Managers

Pre-test Interview

After establishing the interview package, a pre-test was then organised in order not only to identify possible problems associated with the interview questions, but also to ensure that the data gathering instrument operated well. Pre-testing an interview provides the interviewer with a practice environment in which to test the interview instructions and check the relevancy and flow of questions before final data collection (Bryman & Bell, 2011; Neuman, 2011). An organisation outside of both research populations – as advised by Bryman & Bell (2011) – was identified, as a result of an internet search, to participate in this pre-test interview. The sustainability manager and his/her details were identified via searching the organisation’s website. The first invitation was sent out on 24th June 2014; a response was received the next day and the one-on-one pre-test interview was conducted online using Scopia®. The pre-test results revealed that the interview package provided sufficient and clear information to the participant. Although the interview questions operated well, some probes and prompts were added to the interview guide as a result of the pre-test.

Probes encourage the participant to provide more detail, while prompts are used to clarify ambiguous questions (King & Horrocks, 2010). As Neuman (2011) listed, there were various types of probes, including a short pause, non-verbal communication, repeating the answer, asking questions, such as, ‘Could you explain it more?’ and, finally, asking more specific questions to encourage interviewees to complete their responses.

Final Interviews

After reaching a level of confidence about the interview instrument, the aforementioned 13 NZX listed companies' annual/sustainability standalone reports and websites were searched to find their sustainability managers' contact details as the initial interviewees. The initial invitation was emailed to the 13 sustainability managers on 15 July, 2014. The initial contacts were requested to pass the invitation on the most appropriate person within the company since this research introduced a sustainability manager as 'the most relevant person to sustainability reporting and its assurance process in each company.'

Only two out of 13 invitees accepted the offer to participate in the research interview. Then, after three days, several phone calls were made, over a week, to invite the rest, as mentioned in the invitation. However, the phone invitation method was not successful because the contacts were mostly busy and unavailable to talk directly or preferred receiving information formally via email. Therefore, the follow up email was sent out as a reminder on 28 July, 2014. Three more companies agreed to participate while one company did not show any interest as the manager believed they were not actively involved in sustainability reporting and its assurance to be able to add any value to this research. The other seven companies never responded to the initial email, the phone call or the follow up email.

The confirmation letter was emailed to those five interviewees once they had accepted the invitation to participate. Five interviews were organised to be conducted from the last week of July to the first week of September 2014. Before participating in the formal interview, all interviewees were provided with the consent form to be signed off.

During each interview, the same interview guide was followed to ensure consistency among the interviewees; however, different types of prompts and probes were used to gather as much in depth information from each interviewee as possible. Conducting interviews via Scopia allowed the researcher to record all interviews and store the audio files. However, notes were taken during each interview as back up.

3.4.2 Managers Engaged in Sustainability Reporting and Sustainability Assurance

The second research population focused on the ten companies listed on NZX in 2013 that have already engaged in the sustainability assurance process.

Interview Population

Considering the small number of companies identified under the second research population, all companies were targeted to be interviewed. All these companies have published reasonable amounts of sustainability information, either as standalone reports or as part of their annual reports.

Interview Instrument

The second interview package, including an initial invitation email, a follow up email, a confirmation letter, a consent form and an interview guide (Appendix A.6) was prepared for conducting the second group of managers' interviews.

All the components mentioned above were quite similar to the components designed for the first group of managers – as mentioned in 3.4.1 – apart from the interview guide which was slightly different. The second interview guide consisted of five main sections – sections A to E – including 15 questions followed by probes and prompts (Appendix A.6). Section E's questions did not directly answer any research questions, however they might provide more details for some of the other sections. The relationship between the research questions and the second group of managers' interview questions is shown in Figure 3.4 – the link between the research questions and the main interview sections was demonstrated in Figure 1.1, outlined in section 1.2 and discussed in sections 2.3 and 2.4.

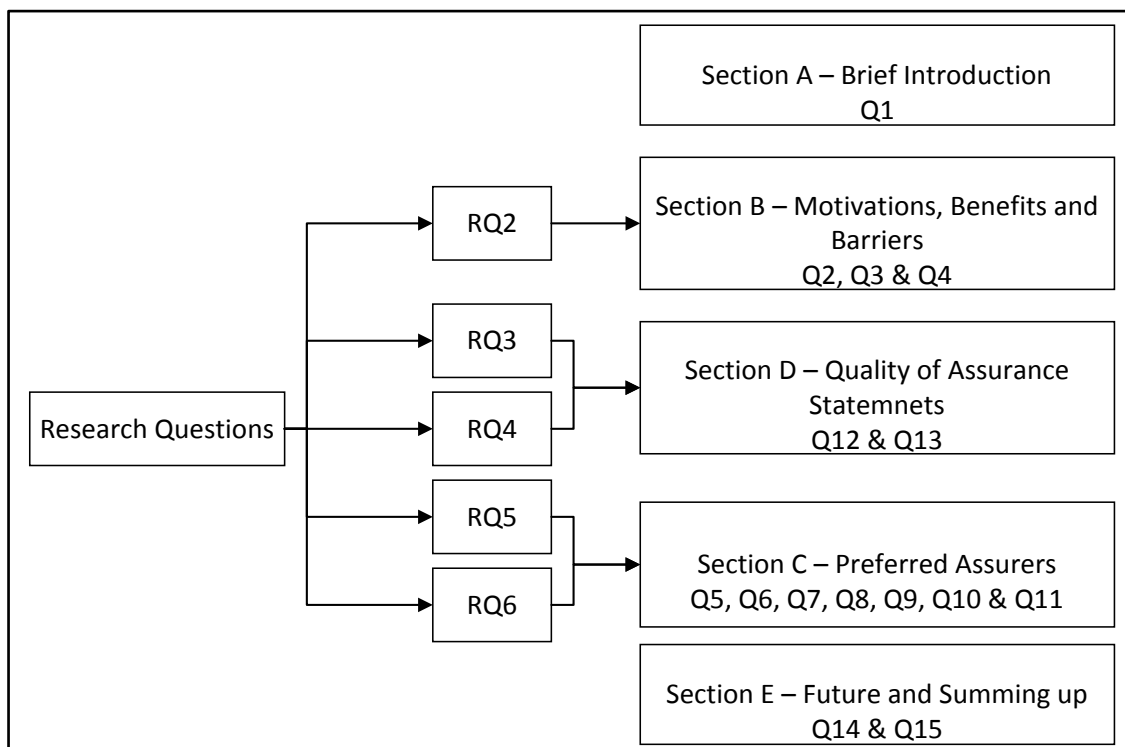


Figure 3.4 Relationship between the Research Questions and the Interview Questions for the Second Group of Managers

Pre-test Interview

Similar to the interview pre-test conducted for the first interview package, a pre-test was designed to check the interview package before conducting the final interviews.

An organisation outside both research populations, with sustainability reporting assurance experience that had already published sustainability reporting assurance statements, was selected as the pre-test participant. The sustainability manager's contact details were obtained from the organisation's website and the manager was initially contacted on 24 June 2014. An immediate response was received from the pre-test manager and the online one-to-one pre-test interview was set to be conducted in two months as the manager was busy. The pre-test interview did not recognise any problems with the questions or the package, in general. However, some probes and prompts were added to the interview guide to be adjusted according to the pre-test results.

Final Interviews

After finalising the interview package, a website search was conducted to identify sustainability managers at the ten companies and their contact details. The initial invitation email was sent to the managers on 2 September 2014. Initial contacts were asked to pass the invitation on to the most appropriate person within the company in line with this research's sustainability manager definition: 'The most relevant person to sustainability reporting and its assurance process in each company.'

Two out of ten managers replied to show their interest in participating in the research interview, while another manager rejected the interview request as they claimed that: '*We receive many requests to participate in research on various aspects of sustainability, unfortunately it is not possible to respond to them all.*' The follow up request was emailed to the other seven companies as a reminder on 5 September 2014. Three more managers agreed to participate while no response was received from the remaining four companies.

Once those five managers had agreed to participate, the confirmation letter was emailed to them. Five interview time slots were organised to be conducted from the first week of September to the first week of October 2014.

All interviewees were provided with a consent form to be signed off, before commencing the interviews. During each interview, the same interview guide was followed to ensure consistency among the interviewees, although various types of prompts and probes were applied to seek complete responses. Using Scopia®, all interviews were recorded while some notes were taken during each interview as back up.

3.4.3 Data Analysis of Managers' Interviews

All ten recorded interviews were transcribed verbatim into Microsoft Word. The researcher was the only person involved in transcribing in order to achieve the highest level of familiarity with the data before commencing data analysis. Each transcript was reviewed and then pseudonyms were assigned to each manager. Table 3.4 shows a summary of all interviews conducted:

Table 3.4 Summary of Managers' Interviews

No.	Manager Type	Pseudonym	Interview Length (Minutes)	Transcript Length (Words)
1	Managers in companies <u>not yet engaged</u> in assurance	MNA1*	26.34	1860
2		MNA2	40.30	3894
3		MNA3	36.20	2629
4		MNA4	31.55	2399
5		MNA5	38.34	2397
6	Managers in companies <u>already engaged</u> in assurance	MA1**	37.01	1981
7		MA2	40.34	2796
8		MA3	72.06	4347
9		MA4	38.43	3298
10		MA5	37.32	2347

*MNA1= Manager Not Assured No.1

**MA1 = Manager Assured No.1

The transcripts were transferred to, and the data analysis processed by a qualitative software package called NVivo 10. Using a software package made the analysis more organised because it reduced the chances of making mistakes, overlooking data or missing key concepts (Quinlan, 2011). The NVivo data analysis involved summarising data into categories based on themes, concepts and relationships (Cavana, Delahaye, & Sekaran, 2001; Neuman, 2011). The actual coding (summarising) process consists of three stages. *Open coding* is the first stage where the researcher goes through the interview text to condense the data into codes based on research concerns. This stage produces several codes considered as sub-categories. *Axial coding* is the next coding phase where the researcher finds common and repeating ideas by looking for the links and relationships among the sub-categories. This stage generates key categories from the previous stage sub-categories (codes). *Selective coding* is the final stage in coding qualitative data. In this stage, the researcher discovers the main topics and themes by looking at all the categories and sub-categories. These newly generated themes are called core categories (Auerbach & Silverstein, 2003; Neuman, 2011; Quinlan, 2011). Core categories are directly related to the research questions.

Table 3.5 Managers' Interviews – Themes and Codes

<i>Motivations and Barriers (Question 2)</i>
<ol style="list-style-type: none">1. Reporting motivations2. Assurance motivations (<i>for companies with assurance</i>)3. Why Not assurance (<i>for companies without assurance</i>)4. Assurance benefits5. Assurance difficulties6. Credibility without assurance (<i>for companies without assurance</i>)
<i>Preferred Assurer (Questions 5 and 6)</i>
<ol style="list-style-type: none">7. Assurer advantages8. Why external?9. Why internal?10. Stopped assurance or changed assurer11. Other services for sustainability assurance clients12. Internal sustainability assurers13. Why not internal sustainability assurers14. Internal assurance vs external assurance.
<i>Quality (Questions 3 and 4)</i>
<ol style="list-style-type: none">15. Quality factors16. Quality improvement - factors17. Quality improvements - responsible parties

The first stage of the coding process generated 104 open codes. In the second stage, the primary codes were revised by grouping similar codes with the same concepts in order to produce axial codes. This stage resulted in 17 key codes and 70 sub-codes. The researcher then scanned all generated codes and sub-codes to develop the final core codes. This final coding stage resulted in three core codes (themes) aligned with the research questions (Table 3.5).

3.5 Phase 4: Assurers' Interviews

This research phase targeted sustainability assurers for interview with the objective of answering research questions 2, 3, 4, 5 and 6 – mentioned in Table 3.1 – from the assurers' viewpoints.

Considering the rationales noted in section 1.3, the same data collection method, and an online one-on-one semi-structured interview, was chosen to gather the assurers' opinions.

3.5.1 Interview Population

In order to gain access to sustainability assurers, all ten companies in the second research population, were considered initially. As explained in section 3.3, 85 sustainability assurance statements were gathered from those ten companies. The final section of each sustainability assurance statement

revealed the name of the assurance provider responsible. These 85 sustainability assurance statements were prepared by 19 assurance providers and had been classified as two main types of assurers; accounting specialists and non-accounting specialists, and were located in New Zealand, Australia and United Kingdom (see Table 3.6). Although this research intended to consider both external and internal assurers for the interviews, as shown in Table 3.6, all the sustainability reports reviewed had been assured by external assurers. Thus, no internal assurer was interviewed in Phase 4.

Table 3.6 Summary of Assurers

Assurer type	Assurer	Assurer Location	Number of assurance organisations	Number of statements
Non-Accounting specialists	Consultants	Australia	3	16
		New Zealand	4	13
		United Kingdom	1	12
	Certification bodies	Australia	2	5
Accounting specialists	Big 4	Australia	4	14
		New Zealand	4	24
	Individuals	Australia	1	1
Total			19	85

3.5.2 Interview Instrument

A third interview package was developed for the interviews with assurers. Same as in the managers' packages, this package includes an initial invitation email, a follow up email, a confirmation letter, a consent form and an interview guide (see Appendix A.7). Regarding the text and structure, all the components were similar to the managers' packages (section 3.4.1) except for the interview guide. Although the interview guide covers the same five key sections to be comparable to the other interview guides – as outlined in section 3.4.1 and 3.4.2 – it contains 24 questions and several probes and prompts (Appendix A.7).

Section E's questions do not directly answer any research questions, however they might provide more details for some of the other sections – same as in the managers' interview guide. The relationship between the research questions and the assurer interview questions is depicted in Figure 3.5 – the link between the research questions and the man interview sections was demonstrated in Figure 1.1, outlined in section 1.2 and discussed in sections 2.3 and 2.4.

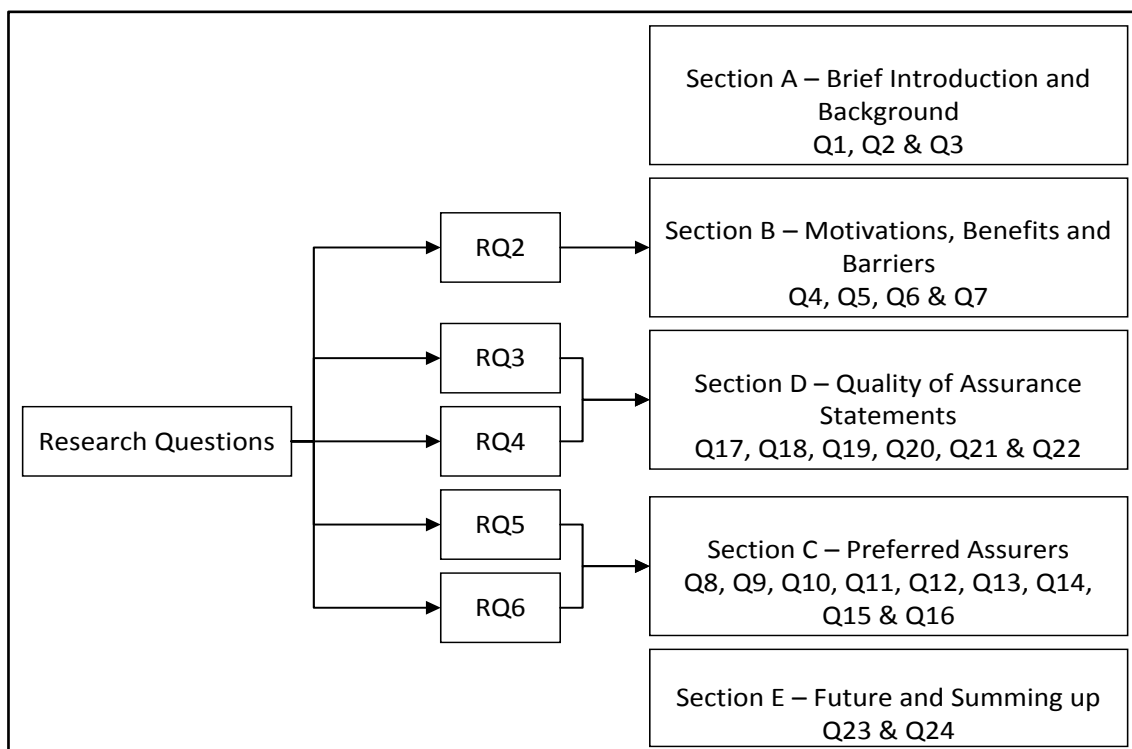


Figure 3.5 Relationship between the Research Questions and the Interview Questions for the Assurers

3.5.3 Pre-test Interview

The initial aim was to pre-test the assurers’ interview package on a participant other than those identified as the assurers of companies in the research populations, similar to the pre-tests conducted in the case of the managers. However, a wide search had failed to identify a sustainability assurer with similar experience in New Zealand but outside the research populations. Considering the main objective of this study, was establishing best sustainability reporting assurance practices by discovering both managers’ and assurers’ viewpoints, Phase 3 and Phase 4 were designed to be consistent and comparable. Hence, both managers’ packages and the assurer’s package followed the same structure (five key sections) and the similar questions enabled the researcher to make a comparison of the results. As the managers’ interview packages had been pre-tested in Phase 3, conducting a pre-test was not essential in this phase.

3.5.4 Final Interviews

Using the assurers’ names that, appeared in the signature section of the sustainability assurance statements, all possible sources, including NZX-listed companies’ websites, assurers’ websites and LinkedIn, were searched to find initial interviewees’ contact details.

No valid contact details were found for two of the assurance organisations listed in Table 3.6 below. The researcher decided not to send the invitation to the only individual assurer because it would act

as an outlier and the result would not be comparable to the others. Therefore, the initial invitation was emailed to 16 out of 19 assurance organisations. The first invitation email was personalised and sent to the initial contacts on 12 August 2015. These initial contacts were asked to pass the invitation on to the most appropriate person within the organisation since this study introduced a sustainability assurer as ‘the person with the extensive involvement in the sustainability reporting assurance process and specially the preparation of the assurance statement in an accounting or non-accounting assurance organisation.’

Only five of the 16 assurance organisations accepted the initial interview request. Therefore, a week after the first invitation, the follow up email was sent as a reminder. Four more assurance organisations agreed to participate while three others rejected the interview invitation; one organisation did not have any free time to be interviewed, and the two others have been already acquired by other assurance organisations, which were also on the research contact list and had already accepted the invitation to be interviewed. The rest – four assurance organisations – never replied to the researcher.

The confirmation letter was emailed to the nine interviewees once they had accepted the invitation to participate. Nine interview arrangements were set up from mid-August to mid-September 2015, including five branches of the Big 4 accounting firms (accounting specialists) and four different consultant organisations (non-accounting specialists). All interviewees were provided with the consent form to be signed off before starting the interview conversation.

Although various probes and prompts were used occasionally, the same interview guide was followed in all the interviews. As backup, key notes were taken during each interview while all nine interviews were recorded using the Scopia® recording function.

3.5.5 Data analysis of Assurers’ Interviews

All nine recorded interviews were transcribed verbatim into Microsoft Word. As in the Phase 3 process, the researcher was the only person involved in transcribing and reviewing the transcripts. As per the consent form, pseudonyms were assigned to interviewees. Table 3.7 shows a summary of all the interviews conducted.

Table 3.7 Summary of the Assurers' Interviews

No.	Assurer Type	Pseudonym	Interview Length (Minute)	Transcript Length (Words)
1	Accounting specialists	AS1*	51.18	4737
2		AS2	60.33	5568
3		AS3	36.53	3169
4		AS4	55.48	4069
5		AS5	61.50	6817
6	Non Accounting specialists	NAS1**	73.17	7170
7		NAS2	62.09	4893
8		NAS3	52.10	4234
9		NAS4	51.30	4810

*AS1= Accounting Specialist No.1

**NAS1 = Non-Accounting Specialist No.1

All the assurers' interview transcripts were transferred to, and the data analysis was processed by, NVivo 10. The same coding system as described in section **Error! Reference source not found.** was applied to categorise and summarise data in order to make it ready for analysis.

The first stage of coding generated 140 open codes. The primary codes were reviewed and modified to produce axial codes, in the second stage. This stage generated 27 key codes and 72 sub-codes. Then all the generated codes and sub-codes were examined to develop the final core codes. This final coding step resulted in four core codes (theme) aligned with the research questions (see Table 3.8).

Table 3.8 Assurers' Interviews – Themes and Codes

<i>Demographic (background for all questions)</i>
<ol style="list-style-type: none"> 1. University qualification 2. Professional qualification 3. Current position 4. Sustainability assurance experience 5. General experience 6. Experience in completing an assurance case
<i>Motivations and Barriers (Question 2)</i>
<ol style="list-style-type: none"> 7. Assurance motivations 8. Assurance difficulties or barriers 9. Assurance benefits 10. Assurers' issues
<i>Preferred Assurer (Questions 5 and 6)</i>
<ol style="list-style-type: none"> 11. Assurer advantages 12. Assurer knowledge 13. Stopped assurance or changed assurer 14. Detailed assurance report (management report) 15. Other services for sustainability assurance clients 16. Pre-existing relationship 17. Internal sustainability assurers 18. Why not internal sustainability assurers? 19. Internal assurance vs external assurance
<i>Quality (Questions 3 and 4)</i>
<ol style="list-style-type: none"> 20. Reporting criteria 21. Assurance standard 22. Advantages of assurance standards 23. Quality importance 24. Quality factors 25. Offer quality assurance 26. Quality improvement - factors 27. Quality improvement - responsible parties

3.6 Chapter Summary

This chapter explained the rationale for selecting both mono and multiple methods in designing this research and the four phases. The process of gathering the initial data and forming two research populations was fully described in the first phase. Then all the details related to applying content analysis on these 85 sustainability reporting assurance statements gathered were undertaken in Phase

2. Phases 3 and phase 4 explained the use of interviews as a qualitative data gathering technique for collecting managers' and assurers' points of view. Online one-on-one semi-structured interviews were undertaken, for both the pre-test and actual participants, and also recorded via Scopia®. All the audio files were transcribed, transferred to, and coded by the researcher using a qualitative software package called NVivo 10.

The results of the applied data gathering and data analysis methods will be described in Chapters 4 to 6 to form the related discussions and enable conclusions to be drawn in terms of answering the research questions.

Chapter 4

Assurance Motivations and Barriers

4.1 Introduction

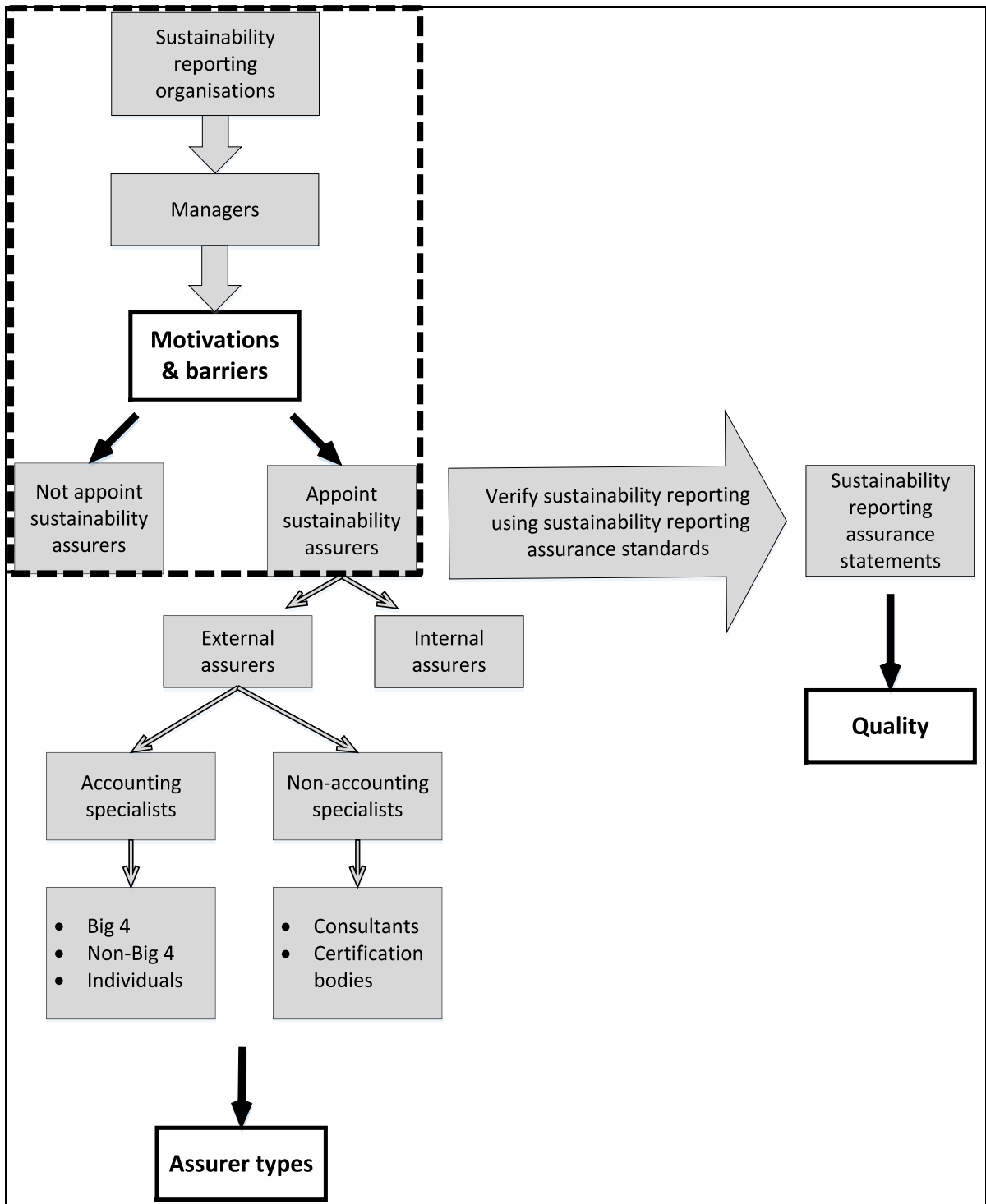


Figure 4.1 Summary of the Research Focus – Motivations and Barriers Highlighted

The first research question, related to the current state of sustainability reporting and its assurance in New Zealand, was partially answered in section 3.2 by identifying the two research populations. However, more information associated with the status will be added throughout this chapter and Chapters 5 and 6. Specifically, this chapter bridges the gap related to the motivations for, and barriers to, sustainability reporting assurance – as highlighted in Figure 4.1. This chapter reports the research interview results gathered from applying the methods discussed in Chapter 3, to compare, contrast and collate managers' viewpoints with assurers' viewpoints to be able to answer, 'Why do/do not organisations assure their sustainability reports?'

Section 4.2 provides insights about the general trends of sustainability reporting assurance followed by some background information gathered through the interviews. The motivations for reporting on sustainability performance are then summarised in section 4.4, while the remainder of this chapter will focus more on the sustainability reporting assurance. An organisation's drivers for, and barriers to, assurance are demonstrated in sections 4.5 and 4.6, respectively. Benefits from sustainability reporting assurance are described in section 4.7, while some claims around the possible replacements for the assurance process are in the following section. The problems that assurers are dealing with in order to perform a sustainability assurance service are identified in section 4.9.

4.2 General Trend of Sustainability Reporting Assurance

There has been a fluctuating trend in the number of sustainability reporting assurance statements published by each company in the research population per year since 2002. The companies started engaging in sustainability reporting assurance by publishing three different assurance statements prepared by three different assurers, based on each of the three pillars of the sustainability concept (i.e. environmental, social and economic aspects). That style has been almost replaced over the period of the study (2002 - 2013), with all statements being combined and published in only one assurance statement, called the sustainability reporting assurance statement.

As shown in Table 4.1 below, it appeared that the number of the companies' publishing assurance statements has increased since 2002. As a result of that change, the number of sustainability reporting assurance statements published by those companies, in total, has also increased. This result is in line with the outcomes of studies by Ackers (2015), KPMG (2013) and Perego & Kolk (2012), who all believed that rate of sustainability reporting assurance statements had increased over time. While Robertson (2012) and KPMG (2013) discovered that only one fifth of New Zealand sustainability reports were assured externally, this research showed that about one third of NZX-listed companies were externally assured.

Both figures mentioned above increased between 2002 and 2012 but, interestingly, they decreased in 2008 and 2013. The sudden decrease in 2008 could be justified as a result of the global financial crisis – described as a period of weak business confidence by Pinto et al. (2014). They believed the crisis influenced sustainability disclosure levels and overall sustainability disclosures stagnated. Further investigation in this research revealed that one company suspended its engagement, three companies did not publish publicly-available statements, and one company claimed they had already started preparing integrated reports and were currently busy transforming from sustainability reporting to integrated reporting. The Australian sustainability assurance market faced the same issue. Some Australian companies stopped engaging in the assurance process for similar reasons, as discovered in this research: some organisations stopped as they saw no need for assurance due to having consistent data gathering and reporting processes; others did not stop engagement but stopped the public release of assurance statements; and the rest replaced external assurance with some sort of internal audit (Bepari & Mollik, 2016). While Wong, Wong, Li, & Chen (2016) discovered that the UK and the USA listed companies were increasingly seeking assurance to add credibility to their sustainability reports, this research found that since 2010 the number of NZX-listed companies engaging in sustainability reporting assurance has not increased. The finding of this research was similar to that of Bepari & Mollik (2016) who identified that the percentage of organisations engaging in sustainability reporting assurance has stagnated.

Table 4.1 Number of Assurance Statements and Companies Engaging in Assurance per Year

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of Assurance Statements Published	3	3	9	6	6	9	5	5	8	10	12	9
Number of Companies Engaging in Assurance	1	1	2	3	5	7	5	5	8	8	9	8

4.3 Background

Each formal interview meeting started by providing the interviewee with a brief introduction to the research to recall some key points from the invitation and confirmation emails, such as achieving recording permission, confidentially and anonymity. Although both groups of interviewees – managers and assurers – had already been told, at the time of the interview, this was restated that the interview conversation was divided into three and four main sections in the managers’ and assurers’ cases, respectively.

4.3.1 Managers' Information

The managers' background information had been collected from the profile page on their company's website, and also checked with them during the interview conversation. Table 4.2 shows a summary of managers' demographic information.

Table 4.2 Summary of Managers' Demographics

Pseudonym	Position	Manager's Sustainability Experience	First Reporting Year	First Assurance Year
MNA1	National Facilities Manager	11 years	2002	Not engaged yet
MNA2	General Manager, Strategy & Corporate Affairs	6 years	2010	Not engaged yet
MNA3	Environmental and Sustainability consultant	4 years	2008	Not engaged yet
MNA4	Sustainability Manager	13 years	2005	Not engaged yet
MNA5	Investor Relations Manager	4 years	2009	Not engaged yet
MA1	Environment Manager	13 years	2007	2009
MA2	Sustainability Consultant	3 years	2002	2002
MA3	Carbon Reporting Manager	11 years	2006	2007
MA4	Environmental and Sustainability Manager	2 years	2001	2005
MA5	Executive General Manager Community and Environment	2 years	2001	2006

Each manager's interview commenced by asking a question about their experience in relation to sustainability reporting and sustainability reporting assurance. That question aimed to not only let them start the conversation with a familiar topic but also to capture some information about their role, their experience and the time their company started reporting sustainability information and engaging in the assurance process (if applicable).

4.3.2 Assurers' Information

Similarly, the first section in an assurer's interview collected information to become familiar with the participant's background and to provide them with an easy topic to start sharing their experience confidently. Table 4.3 provides a summary of the assurers' demographic information.

Table 4.3 Summary of Assurers' Demographics

Pseudonym	Position	University Discipline	Professional Qualification	Sustainability Assurance Experience
AS1	Partner	Accounting	Chartered Accountant	6 to 7 years
AS2	Assistant Manager	Environmental Science	-	5 years
AS3	Partner	Accounting	Chartered Accountant	8 years
AS4	Associate Director	Accounting & Environmental Science	Chartered Accountant	5 years
AS5	Senior Advisor	Environmental Science	-	3.5 years
NAS1	Principal Consultant	Environmental Science	-	6 to 7 years
NAS2	Director	Environmental Science	-	16 to 17 years
NAS3	Principal	Environmental Science	-	10 years
NAS4	Environmental Market Leader	Environmental Science	-	15 to 20 years

Assurers were asked to describe their practical experience, the number of sustainability reporting assurance team members in their organisation and the length of time they normally spent completing a sustainability reporting assurance case. A number of them identified the organisation's size, the report's scope and coverage, the level of the assurance (limited or reasonable), and the assurer's familiarity with the organisation as important factors affecting the assurance process in terms of the number of team members and the length of time taken for the task.

The interview results showed there was no set time for completing a sustainability assurance process; it may take from one week to eight weeks to consider the factors mentioned above. Team members varied from three to seven assurers in at least three different levels:

... smallest team would be three members, a partner who is signing it off, myself who is managing engagement and a more junior resource will be supporting me ... (AS4)

In general, as the number of codes identified and the length of interviews (see Chapter 3), as well as the years of experience in sustainability reporting assurance, showed that the assurers' interviews were more comprehensive and informative than the managers' interviews. Assurers answered questions by sharing their experience gained over working with many reporting organisations, while most managers reflected on knowledge acquired by managing sustainability reports only in their current organisation. Together their perspectives answered all the related research questions.

4.4 Reporting Motivations and Drivers

Both managers' groups – managers of companies that only reported on sustainability performance and managers who had already engaged in the assurance process – were asked to express their opinions relating to their motivations for reporting on sustainability performance. Most companies started sustainability reporting as they felt a need to report such information. From those, there are some companies inherently attached to the sustainability concept because of: (1) company's purpose of existence; (2) involvement in community activities; or (3) the industry nature they operate in. However, in some cases a powerful source of 'demand' motivated companies to disclose sustainability information. That demand could have arisen from the CEO or high level management, or from an external party, such as investors or shareholders who need more sustainability information for making informed business decisions, or even from a 'government' that supports measuring environmental, social and financial performance (MNA3):

... we have been shifted in the government structure, [in consequence] the board want to understand more about our corporate social responsibility... (MA1)

... In short version [it] was an investor essentially prompted us to set up the programme ... (MNA1)

Similar to this research, Farneti & Guthrie (2009) identified that sustainability reporting was considered as a channel for informing stakeholders and also gaining a reputation. Further to this, Dobbs & Van Staden (2012) conducted a survey completed by 30 NZX main board listed companies' managers and recognised that improving corporate image is one of the most common drivers among reporters, as some managers invested in sustainability reporting as a tool for attracting investors. In this research, managers believed that reporting voluntarily on the sustainability performance not only informed stakeholders about the company's performance – stakeholder theory – but also sent a signal to the public about the company's transparency – signalling theory. Dobbs & Van Staden (2012) also discovered "satisfying community concerns" as the most important factor influencing companies' decisions to report sustainability information. That was followed by "satisfying other groups of stakeholders", such as shareholders, investors, customers and employees.

Although sustainability reporting is growing in New Zealand, it is still behind many markets around the world. Surveys of corporate responsibility reporting, published by KPMG in 2013 and 2015, revealed that 47 percent of New Zealand's top 100 companies (by revenue) reported on corporate responsibility activities in 2013 and that figure increased to approximately 53 percent in 2015, while the average corporate responsibility reporting rate was 62 percent in 2013 and 73 percent in 2015 across the world (KPMG, 2013b, 2015a). This lag encouraged several NZX companies to become a sustainability leader by reporting on sustainability performance:

*... we wanted to act as a leader to show and encourage other people to also be sustainable... if we can show that we are sustainable and hopefully we can act as a leader by showing we can produce a report that would ensure...
(MA4)*

In general, sustainability reporting drivers and motivations found in this research were in line with the drivers noted in KPMG's Survey of Corporate Responsibility Reporting 2013 (New Zealand Supplement) (KPMG, 2013a). However, this research aimed to focus mainly on the sustainability reporting assurance characteristics, since – as explained in Chapter 2 – sustainability reporting *per se* did not solve the agency problem.

4.5 Assurance Motivations and Drivers

Considering the fact that companies in the first research population have never engaged in the sustainability reporting assurance process, assurers and only managers of the second research population described the company's motivations and drivers for that engagement.

Managers and assurers have explained several reasons for organisations to participate in the sustainability reporting assurance process. Similar to other studies, both groups noted that assurance motivations and drivers varied from one organisation to next; in other words, assurance engagement depended on the characteristics of the reporting organisation (Fernandez-Feijoo, Romero, & Ruiz, 2015; Simnett et al., 2009; Zorio et al., 2013). The organisation's sector, size, structure, objectives and values, resources, management attitudes, stakeholders and where the organisation is currently located in the sustainability journey, are factors mentioned by these research participants as influential that motivate organisations to engage in sustainability reporting assurance. Motivations and drivers gathered from the managers and assurers are categorised below, including:

- Positive Signals
- Internal Improvements
- Recommended by Sustainability Indices
- Credibility and Confidence
- Competitive Edge and,
- Responsibility

4.5.1 Positive Signals

Managers claimed that they have already engaged in sustainability reporting assurance as it sent positive signals. This engagement represents that not only they had recognised the importance of sustainability performance but also they took it seriously by going through the assurance process and confidently disclosing the assurance statement.

Assurers agreed that assurance represents that the organisation is really '*committed*' (AS4) to sustainability performance and its reporting. Besides some assurers added that assurance indicates that the assured sustainability report is '*a thorough presentation*' of the actual sustainability performance by considering both negative and positive aspects:

*It is not just a green wash or not prepared just for the marketing purposes...
(NAS1)*

This is in line with signalling theory and stakeholder theory, and is also comparable to some previous studies. Publishing assurance statements enhances stakeholders' confidence – associated with the quality of information – and an organisation's reputation by legitimising its sustainability activities (Faisal, Tower, & Rusmin, 2012). Perego & Kolk (2012) found that assurance statements sent positive signals to the stakeholder directly and, similarly, Braam, De Weerd, Hauck, & Huijbregts (2016) identified assurance as a signalling mechanism.

4.5.2 Internal Improvements

While only two managers mentioned internal drivers for engaging in the assurance process, assurers believed that organisations widely accepted assurance as an internal check system.

From the manager's point of view, MA2 described assurance as the '*process of continuous development*' and MA3 referred to sustainability reporting assurance as a '*double advantage*':

... you are not only assuring the general public and the wider world but you are assuring your own bosses that the right activities are taking place and the right procedure has been built to your reporting so it was a big jump ... (MA3)

The sustainability reporting assurance statement is not the only outcome of the assurance process. Assurers normally check the underlying system, including the data, sustainability concepts and the measurements in order to provide organisations with some recommendations for future improvements. On the one hand, informing managers about an upcoming assurance gives them a motivation to prepare a better report as they know that someone will come to check their systems and reports. This implies that one of the three main contributions of assurance is acting as a preventative control. Assurance automatically improves the reporting quality as managers will work

more carefully when they are informed about the scrutiny process by the assurers (Van Peurse, Pratt, & Cordery, 2011).

On the other hand, accounting specialist assurers introduced sustainability reporting assurance as a professional check for an organisation's internal systems by comparing their sustainability system to their financial system. They believe sustainability reporting is still immature and the organisation's sustainability system is not as well designed and well controlled as their financial system so the assurance process could provide them with a level of internal confidence about their performance by ensuring the correctness and accuracy of their report:

... is a protection for themselves...the sustainability process could give them assurance internally that what they are reporting is consistent with their internal systems and they are not exposing themselves to risk by disclosing publicly something that is not correct ... (AS3)

4.5.3 Recommended by Sustainability Indices

Managers, as well as several assurers, acknowledged the role of popular sustainability-related indices and point-driven accreditation schemes. Although sustainability reporting assurance is voluntary in most of the world, as mentioned by both managers and assurers, it is recommended by the Carbon Disclosure Project (CDP), Dow Jones Sustainability Index (DJSI) as part of RobecoSAM's Corporate Sustainability Assessment, GRI, and Certified Emissions Measurement And Reduction Scheme (CEMARS). These indices require or strongly recommend applicants provide an assurance statement in order to be granted membership or receive higher scores:

... there is quite a strong request from the CDP that you have your report assured by an independent external body and you get points for it and that's basically means we all driven by points ... (MA3)

... there are requirements so a lot of organisations who want to follow GRI, want to do assurance as well because they are recommended or required by GRI ... (NAS3)

4.5.4 Credibility and Confidence

Credibility, robustness and confidence were pointed out several times during different assurers' interviews. Although none of the managers used the word 'credibility' as an assurance driver, they found assurance to be an external validation tool that provided them with a level of 'confidence':

... a way of proving that [the sustainability report] is right for us, we know and we can give confidence to our stakeholders what we are actually saying and what we are actually doing ... (MA4)

Assurers considered sustainability reporting assurance as an absolute advantage for organisations. An assurance statement proved that a professional third party had already looked at their reported information independently, and ensured the existence of a rigorous and accurate process:

... if you see the [sustainability] report that has an assurance report in it you look at the report differently ... (AS5)

... by having that external assurance opinion attached to their sustainability information they automatically have that credibility factor ... (AS3)

This research result was in line with a number of previous studies, such as Martinov-Bennie et al. (2012), O'Dwyer & Owen (2007), Pflugrath et al. (2011) and Simnett et al. (2009), who described assurance as an integral component as it added credibility to the reporting process. Besides, Faisal et al. (2012) discovered organisations that have included assurance in their published reports, disclosed a higher level of sustainability information.

4.5.5 Competitive Edge

The interview results also recognised that sustainability reporting assurance generally helped organisations to hold their place in the market as it proved they communicated transparently to their stakeholders in order to meet their demands. An organisation's status in the sustainability journey is known as an important indicator. Organisations that have already reached a maturity level in sustainability reporting are more likely to commit to assurance. Maturity in sustainability performance helps them see the real value of assurance. In assurers' opinions, these organisations believe the assurance statement is an important piece of information to the market that also adds value to their organisations. Being recognised by the market was identified as the main driver for the global companies as they saw 'the competitive edge' (NAS4) in the global market:

... So a lot of the clients, they have global footprints. Because then globally they need to start reporting on sustainability whereas for the local companies there is no push or driver to get it assured or even report on sustainability ... (AS5)

This finding emphasises the concept of signalling theory and is also comparable with previous studies. Moroney et al. (2012) noticed that assurers and, indeed, assurance can help organisations to gain a competitive advantage and be ahead of their competitors in the market by recognising and addressing sustainability-related risks in the early stages. Park & Brorson (2005) also found that organisations started engaging in sustainability assurance in order to gain the leading position in sustainability management and sustainability performance.

4.5.6 Responsibility

In accordance with stakeholder theory, similar studies like Andrews's (2002) and Slater & Gilbert's (2004) discovered that sustainability assurance represented managements' commitment to corporate sustainability and stakeholders; however, managers in this research, did not identify commitment to their stakeholders as a driver. Moreover, managers barely mentioned operating in a sensitive industry sector (e.g. energy sector), or organisational values as the key drivers for assurance engagement. Several assurers believed some industry sectors were inherently more environmentally and socially sensitive and some organisations have a stronger commitment to the community and environment as a result of their organisational structure and set objectives. These organisations saw the value of assurance and, as AS4 noted, 'they believe that this [assurance statement] is important information for the market.' Some assurers explained that responsibility and commitment to the stakeholders by imagining themselves as a group of external stakeholders, such as investors – as explained by NAS1:

... I am seeing it more from a similar reason to have financial accounting ... As an investor, you kind of want to know these things are happening but you don't necessarily want to have to go through and looking at details of everything so an investor can say look I've got an statement here that says your finance is already checked and is fine, similarly if I've got an statement having say you considered all the material issues with your sustainability performance that makes my life easier ... (NAS1)

4.6 Assurance Difficulties and Barriers

There are still a large number of organisations around the world that have chosen not to engage in the assurance process, despite the assurance advantages (will be identified later in section 4.7) and previous studies, such as improvements in reporting credibility (O'Dwyer & Owen, 2007) and in internal operations and risk management (Mock et al., 2007). O'Dwyer et al. (2011) and Peters & Romi (2015) claim that it takes time for the involved parties – organisations and assurers – to realise the value of any new assurance services.

The small number of companies listed on NZX in 2013 that had already engaged in sustainability reporting assurance – only ten companies were identified in Phase 1 – was an indication of the existence of a large number of assurance barriers. Hence, two different sets of wordings were used to form a question in a way that suited the two groups of managers. Managers who have already engaged in the sustainability assurance process were asked to describe the problems they had faced so far and the other group of managers were asked to outline their reasons for not participating in that process. Assurers were also asked to explain their experience with organisations or sustainability managers who had never shown any interest in sustainability reporting assurance. Interestingly, both managers and assurers classified the same sorts of difficulties about why their organisations did not engage in the assurance process, as follows:

- Lack of resources
- Lack of external drivers
- Lack of sustainability knowledge

4.6.1 Lack of Resources

Lack of resources was the main problem identified by both groups of managers and also assurers. 'Cost' was the one barrier identified by every assurer interviewed – mostly as the 'key barrier'. They recognised that non-engaged organisations described sustainability reporting assurance as 'an additional cost' (AS3). Organisations have already spent a lot of money for the preparation of the mandatory audited financial reports and for sustainability related set ups, measurements and reports; hence, they were mostly unable to afford another cost by having assurance for the sustainability information, especially when they were not aware, or do not acknowledge, the value of assurance.

Similar to the assurers, one class of managers noticed cost as the first issue relating to the lack of resources by introducing sustainability reporting assurance as an 'expensive exercise' (MNA1).

On the other hand, the second class of managers had already engaged in the assurance process; although the high cost of assurance was noted, but it was overcome:

There is a barrier of cost but we are taking that on board so that is not a major issue as it is worthy ... (MA3)

There was a third class of managers, among the interviewees, who considered the cost issue and prioritised other activities as they could not find sufficient value out of investing in that 'additional cost' (MNA4) for assurance:

Cost is important for companies so if it [assurance] is too expensive then it is just not necessary to approach ... (MNA5)

Cost was not the only resource-related barrier. Although some companies might be keen to invest a considerable amount of money in the assurance process, they do not have an auditable sustainability report due to lack of time, personnel and data:

... it's quite a pain because only you [sustainability manager] are in the position and you have to get this information from many parts of the business and you need to understand your limited time so it's a bit difficult ... (MA4)

Assurers also highlighted that the timing might cause a serious issue for the companies which reported sustainability information within their annual reports. Preparing financial and sustainability reports concurrently puts much pressure on companies and causes 'an unnecessary stress' (NAS3) due to the need to collate all the information and meet a number of deadlines in a short period of time. As a result, they were not able to meet the deadlines to hand their sustainability report to the assurers and they made the decision not to engage in the assurance process.

A similar general pattern emerged in the study by Perego & Kolk (2012), who examined Fortune Global 250 firms and discovered that a lack of firm capabilities and resources were the main factors stopping organisations from engaging in the assurance process.

4.6.2 Lack of External Drivers

Similar to the result of the KPMG's survey, both managers and assurers recognised the importance of mandatory requirements in the sustainability reporting assurance engagement (KPMG, 2015a). However, currently, there was no mandatory requirement in New Zealand currently, KPMG's surveys listed sustainability reporting requirements as a motivation leading organisations to consider the assurance (KPMG, 2013b, 2015a).

Assurers believed that once the board of directors were informed about the mandatory form of sustainability reporting, they will comply with reporting rules, allocate sufficient budget, and be more interested in seeking additional assurance. While sustainability reporting was still voluntary for NZX companies, ASX listed companies have been mandated to report on sustainability-related risks and opportunities since 1 July 2014 (ASX Corporate Governance council, 2014). This form of requirement forces companies to report sustainability information and may act as a motivator to take one more step and engage in the assurance process. A study in Australia, conducted by Martinov-Bennie et al. (2012), discovered that even a regulatory extension for reporting would be a potential driver for organisations to reconsider assurance engagement. They also claimed that this kind of extension will result in the development of assurance standards and formalisation of sustainability assurance due to changes in the nature and quality of reporting. Moreover, a similar pattern emerged in the study of Fernandez-Feijoo et al. (2015), since the European Parliament set rules and regulations on the disclosure of sustainability information by larger companies. In both studies, they discovered that this kind of regulatory action positively affected an organisation's decision about engaging in sustainability reporting assurance.

NZX companies are not mandated by rules and requirements to engage in the sustainability assurance process. They do not even receive any assurance-related demands or recognition from the market, peers or stakeholders. One of the assurers (NAS4) explained this issue by asking a simple question:

*... who is demanding that you have assured this non-financial information?
Nobody is asking for it!*

Not having a large audience was, indeed, brought up by one of the assurers. NAS1 imagined being a company manager; '... I think not many people read annual reports so they do not read sustainability reports. So why do I want to put so much effort into writing a report which will not be read ...'. Assurers believed that the small market in New Zealand increased the magnitude of this problem. They noted

that there were not a large number of sustainability reporters in New Zealand, as was also found in Phase 1 of this research (see section 3.2), and as a result, there was not much emphasis on sustainability reporting and its assurance. There was insufficient recognition for reporting organisations or organisations already engaged in the assurance. Assurers also made comparisons between New Zealand and other countries with almost similar voluntary requirements. For example, in Australia, more companies were reporting, and the leading reporters were companies already engaged in the assurance process, as AS2 noted; ‘... there is a bit of a competition there but there is not that much peer pressure in New Zealand, but I think it takes time.’

Reporting managers also shared their experience facing the same problem. They received ‘*very little market encouragement*’ (MNA1) and had no stakeholder demands to be prompted to consider assurance as a necessary or demanded activity:

... we haven't really felt the need to do it to satisfy external stakeholders. Even we had quiet comprehensive sustainability disclosures, nobody has really come back and said well why this has not been assured ... (MNA4)

4.6.3 Lack of Sustainability Knowledge, Skills and Standards

Assurers blamed the level of sustainability knowledge among, and within, companies as another major barrier. Not all the companies involved in sustainability reporting understood the value of the assurance:

I don't think many companies have understood why it [assurance] is important ... (NAS1)

That is the business benefit and the business case is not clear to most companies ... (NAS2)

Assurers discovered that some organisations still embraced sustainability reporting assurance only as a marketing tool, and others still believed that if there was a well set up management system and if they checked sustainability performance through their own internal systems, they will add more value than having assurance. Managers of these organisations normally put too much effort into sustainability report preparation and ignored assurance. There is also a knowledge gap between different levels of management in each organisation. Assurers usually believed that sustainability managers have an average level of sustainability knowledge and acknowledge the reporting and assurance values and their benefits for the organisations, but their senior executives were not familiar with the advantages of assurance and did not allocate any form of resources to the assurance.

Besides, one of the assurer's interviewed (NAS1) identified confusing assurance standards as a barrier to assurance engagement. As that assurer noted, sustainability reporting guidelines and assurance standards were meant to be much easier and clearer than the current ones. Organisations do not want

to take the risk to engage in the assurance process as they are still confused with sustainability indicators and it is difficult for them to recognise which items are related to their business:

There has been a lot of confusion about GRI or Integrated Reporting <IR> or what is the framework for sustainability report ... it's just too big, too much to think about so that has been probably a barrier as well ... (NAS1)

Managers also confirmed this barrier. *MAN3* noticed that the low level of awareness about the purpose of sustainability reporting resulted in an unstable and uncertain sustainability reporting system, which caused a general 'fear' around that process. Board members and some of the personnel involved might judge the process differently as they have different background knowledge. People with a low level of sustainability knowledge do not understand sustainability values; hence, they do not take it as a serious and necessary action. Consequently, they do not manage the interrelated company's sustainability system in a way as to be able to produce a strong sustainability report. Having such a system – and report – not only prevents companies from complying with reporting standard indicators but it also decreases the quality of the report and the confidence level they need to engage in the assurance process and be assessed against its benchmarks.

Manetti & Becatti (2008) and Perego & Kolk (2012) supported the findings of this research. They discovered that the lack of well-developed standards stops organisations' engagement as they know report users will be unable to understand and interpret the assurance statements. Besides considering the signalling aspect of an assurance engagement, users needed to have a reasonable level of sustainability reporting and assurance knowledge to understand the signals (Connelly et al., 2011). The current level of sustainability knowledge among reporting organisations and their users (stakeholders) is insufficient to allow organisations and stakeholders to understand the value of the assurance process.

Although there were a number of organisations engaged in the assurance process, considering the existing barriers, some managers highlighted that New Zealand was generally suffering from not having highly skilled and experienced assurers and consultants as 'sustainability assurance is not yet a very developed service' (*MA1*).

4.7 Assurance Benefits

While the managers, who have already engaged in the assurance, described the benefits that they have gained from the assurance process, the reporting managers listed possible advantages. Both managers and assurers had issues in distinguishing between the motivations and the benefits.

Assurers repeated exactly what they had pointed out about assurance motivations in section 4.5. To sum up, they believed assurance benefitted organisations as it assisted in sending positive signals to

stakeholders, improved internal processes, increased the organisation's scores in sustainability-related indices, provided high level of internal and external credibility and confidence, gave a competitive advantage and, finally, proved that the organisation accepted a level of accountability and responsibility towards its stakeholders.

From the managers' perspectives, although they noted similar items as what they identified for the motivations and drivers (section 4.5), they added two new factors as assurance benefits: measurability, comparability and consistency, and competitive advantage.

'Measurability, comparability and consistency' were identified as a new benefit. Managers noticed that although most sustainability reports around the world were prepared using GRI, reports still varied in size, scope and format. An assurance statement might be able to provide a level of consistency and comparability across the world regardless of the reporting companies' differences:

If you get your assurance, I would say you probably become more measurable so if things become measurable and quantifiable so then you can objectively look at and you can compare what you are doing from year to year, I would become more efficient in the way of managing things, e.g. is it less waste? Is more profit in the way we are doing things? (MNA2)

It's about consistency, I know a lot of companies report using GRI standard but I mean you can interpret a requirement differently from one company to another company but by having an assurance you make sure all interpretation is consistence across all the sites ... (MA4)

Managers recognised that the assurance statement provided them with a 'competitive advantage' and this encouraged them to move towards international best practice – this was not a new factor in this research as it had already been identified by assurers (see section 4.5), but it was a new benefit from the managers' points of view.

Given the results of the content analysis, 64 percent of the assurance statements – 54 out of 85 – examined in this research were addressed to internal stakeholders as opposed to only 19 percent prepared for all stakeholders. These figures indicated that sustainability assurance statements were mostly prepared for internal stakeholders. However, the results of the managers' and assurers' interviews highlighted that sustainability reporting assurance almost equally benefitted both internal and external stakeholders through two main channels – external credibility and internal improvements – as discussed below.

4.7.1 External Credibility

Managers and assurers believed that sustainability assurance added value by enhancing quality, credibility, reliability, transparency and consistency of the reported sustainability performance. These findings are consistent with the results of previous studies. Braam et al. (2016) examined a sample of

Dutch companies and found there was a positive association between assurance and both the nature and level of the information disclosed in the sustainability report. In other words, companies that engage in assurance, not only disclose larger amounts but also provide more reliable and accurate information. Moroney et al. (2012) reported that the quality of information in assured sustainability reports was significantly higher than the disclosures published without an assurance statement, based on their research of the top 500 companies listed on the Australian Securities Exchange (ASX). Although, Alon & Vidovic (2015) and Kuruppu & Milne (2010) discovered there was not necessarily an association between the organisation's reputation and the assurance, Hodge et al. (2009) and O'Dwyer et al. (2011) proved that publishing an assurance statement positively impacted on users' perceptions and/or reliability of the sustainability information and, therefore, influenced reputations. As explained previously, while this research found the value of assurance, there were contradictory findings about the external value of assurance which could be due to having a variety of assurance statements in terms of quality (Alon & Vidovic, 2015).

4.7.2 Internal Improvements

The assurers and managers believed some organisations engaged in the assurance process solely for its internal benefits. This result was in line with some studies that listed several internal advantages for the assurance. In fact some studies, such as those by Alon & Vidovic (2015), Ball et al. (2000) and O'Dwyer et al. (2011), claimed that the internal advantages of sustainability reporting assurance were greater and more important than the external benefits.

As explained in section 4.5, the managers and assurers interviewed introduced assurance as an internal check system, which resulted in continuous development. Comparable to other studies – e.g. Ball et al. (2000), Darnall, Seol, & Sarkis (2009), Edgley et al. (2010) and O'Dwyer et al. (2011) – the findings of this research discovered that sustainability reporting assurance enhanced internal performance by identifying an organisation's weaknesses and improvement opportunities related to information systems, internal controls and risk management. Alon & Vidovic (2015) found that sustainability assurance was considered more as a 'managerial tool' to solve the agency problem between owners and managers, than as a positive signal to external stakeholders.

Moreover, discussions from some international conferences reflected the assurers' viewpoints in regard to the internal benefits of the assurance process. The director of KPMG South Africa's Sustainability Advisory Services believed that "assurance of sustainability reports facilitates company's learning and continuous improvements in procedures". The senior manager of Environmental and Sustainability Services at EY Netherlands also noted that "assurance improves the reporting process and the contents of reporting" (International Accounting Bulletin, 2006).

Considering both internal and external advantages, although there were some difficulties in terms of assurance engagement (see section 4.6), managers belonging to the second population, who have already started assurance, stated that they will continue with assurance engagement in the future and also make an effort to improve their performance, their reporting, and to extend the scope of their assurance. However, managers belonging to the first population believed that they definitely need a strong demand or a requirement as motivation to attend.

... we are in a position of waiting for a demand side pressure, waiting for investors or public or regulators to require a level of assurance ... (MNA1)

... we need probably more regulations in this area that all force things up otherwise it may just remain where it is ... (MNA2)

4.8 Credibility without Assurance

Credibility was discussed as a motivation in section 4.5 and is one of the most important benefits of sustainability reporting assurance. However, as discovered in Phase 1, there were still a large number of sustainability reporting organisations not engaged in the assurance process. Managers who have already engaged in the assurance process commented that there was no other method to replace the sustainability reporting assurance process. While, managers of reporting organisations with no sustainability assurance related experience listed integrity and self-confidence, internal checks and some other methods as sustainability reporting assurance equivalents, as shown below.

4.8.1 Integrity and Self-confidence

Some organisations strongly believed that they published accurate data and that their managers worked with *'integrity'* (MAN2 & MA5) was sufficient in terms of credibility. They described integrity as a preventive control providing a level of confidence which stopped managers presenting only positive aspects of their sustainability performance or making up figures.

4.8.2 Internal Checks

Some internal processes such as setting up an *'environmental management system'* (MA1 & MNA3) or going through an *'internal audit'* (MA5) – not a complete internal assurance with a statement at the end, just internal checks – was deemed as an appropriate equivalent of the assurance process as managers asserted such a system provided sufficient *'checks and balances'* (MNA2) for them. Given that organisational resources and capabilities play a role in decision making processes, an environmental management system by itself could provide sufficient advantages for some organisations in terms of credibility around sustainability reporting (Hart & Dowell, 2010). Besides, there are managers who consider sustainability reporting assurance more as an internal assessment

tool than a credibility enabler; hence, they believe it can be simply replaced by internal verification systems (Bepari & Mollik, 2016).

4.8.3 Others

Managers also noted external processes; namely, organising stakeholder feedback sessions for collecting stakeholders' demands, participating in sustainability certification schemes to be examined against a suitable benchmark and contracting sustainability consultants in order to take advantage of quality assurance exercises to provide them with a level of credibility.

These findings were in line with previous studies that discovered some substitutes or complements for assurance. Trotman & Trotman (2015) believed that corporate social responsibility-related internal controls can be the assurance compliments by enhancing reliability of the corporate social responsibility data. They also claimed that internal audits can increase credibility by ensuring that the company complied with all sustainability-related requirements. Cohen, Krishnamoorthy, & Wright, (2008) and Viscelli (2013) also listed sustainability-related corporate governance activities as a complementary to external assurance.

4.9 Assurers' Issues

Assurers identified the problems and difficulties facing them in offering the sustainability reporting assurance service as:

- Materiality and performance measurements
- Lack of knowledge within organisations
- Immature reporting and assurance standards and,
- Competition among well-known assurers

4.9.1 Materiality and Performance Measurements

Difficulty in sustainability performance measurements, especially around materiality, was the most frequently mentioned issue. One problem associated with materiality, was about the dimensions of materiality, so some organisations focused only on the internal aspect of materiality from the leadership point of view and what they have done inside of the organisation. However, they needed to consider a broader picture for materiality by evaluating employees' reviews, environmental and community impacts and also customer satisfaction reports. Edgley, Jones, & Atkins (2015) also discovered materiality as a major challenge for assurers and suggested that they engage with stakeholders in order to gain the best results.

Moreover, similar to this research, Edgley, Jones, & Atkins (2015) and Manetti & Becatti (2008) pointed out that the qualitative nature and the wide scope of sustainability information caused some problems around measuring the '*key non-quantitative*' aspects of the sustainability performance:

... the evaluations are more qualitative ... most of them that are important actually aren't able to be measured or not be able to get measured very well so materiality in the non-quantitative is an issue ... (NAS2)

In general, as pointed out by a number of assurers, it was challenging to gather sufficient evidence on the relevant and material topics in order to test the appropriateness of the measures and to be able to report them in an understandable format for their readers. Indeed, for some specific types of sustainability assurance, external experts needed to be involved in the assurance to be in charge of different technical tasks.

Disclosing online web-based sustainability information caused some measurement difficulties for the assurers due to its dynamic nature. Assurers recognised that attaching or referencing static documents, such as hard copy reports or PDF files, was easier and less confusing to readers as opposed to referring them to online pages since these documents there might be subject to changes.

A similar pattern was revealed in the study conducted by Martinov-Bennie & Hecimovic (2010). Their case study listed the application of risk, materiality, auditability, meaning and availability of audit evidence as the key challenges faced by assurers.

4.9.2 Lack of Knowledge within Organisations

From the assurers' points of view, sustainability reporting assurance involved working with the organisation's employees and other stakeholders who did not necessarily have sustainability knowledge and/or were not informed about the assurance trail. Hence, assurers needed to spend some time in advance to train them and '*build the capacity*' to ensure they understood the associated concepts:

... you spend time building the capacity and some time they [stakeholders] are not going to engage but normally if we have been spent enough time up front explaining what the process is then they are engaged ... (AS2)

Lack of knowledge prevents organisations from balancing all pillars of sustainability performance, or covering the negative performance aspects as well as the positive stories; therefore, some ongoing issues will occur, like focusing only on Greenhouse Gas (GHG) reporting (AS1) or greenwashing.

Furthermore, both groups of sustainability assurers – accounting specialists and non-accounting specialists – believed that it was really challenging to move from financial auditing to sustainably assurance. Sustainability assurance is '*a big exercise*' (NAS4). It covers a wider area and requires more time to be spent, more staff to gather information and more tests to be undertaken compared to a financial audit. However, organisations do not acknowledge and, thus, do not advocate sufficient time and budget due to their low level of familiarity with sustainability:

... the trickiest thing to work through is that quite often, coming from financial assurance background, finance team, the CFO and the board who understand the process, understand what the good system, good audit trail, good disciplines around and reporting, they understand the financial reporting framework. So when it comes to auditing sustainability information, the system is much less mature! (AS3)

Another sign proving the existence of that challenge is that accounting specialist assurers – even top tier firms - are paid less to assure non-financial reports in comparison with assuring financial reports. As Eben Harrell reported in the Harvard Business Review (2015): “a big company can spend \$10-100 million for a financial audit, and only a few hundred thousand dollars at best for an assurance on the sustainability report” (Harrell, 2015).

This issue was also outlined by one of the non-accounting specialist assurers who made a similar comparison between offering an advisory service and sustainability assurance:

... I might have an account (related to a big listed company) that was half a million a year of strategic advisory services whereas the assurance part of it might be 40 to 50 thousand, so for us the interesting work is advisory services that we are providing to the clients not the assurance work ... (NAS4)

4.9.3 Immature Reporting and Assurance Standards

There were some issues related to assurance standards and the assurance process *per se*. As supported by Deegan (2006) and Edgley et al. (2015), this research found that a lack of specific sustainability reporting guidelines and the absence of appropriate benchmarks caused a level of ambiguity in assurance statements for both reporters and assurers. AS1 believed that auditing standards were very well understood, at least within the profession, but in the sustainability area there was a number of competing guidelines and standards, and no unique global or industry-wide standard. That assurer explained this problem by giving an example. For the correct adherence to sustainability standards, assurers needed to evaluate the complete life cycle of the product. For example, if a New Zealand organisation imported fridges from China, according to the current standards, all associated emissions should be counted and evaluated, from the time the product was manufactured in China until the time it was transported to New Zealand, then the warehousing period and, even, the emissions that could be created through its actual use:

... it's almost impossible in many respects, you can make estimates but there is not a lot of certainty that we can get for providing a great level of assurance over or certainly not in the context of assurance ... (AS1)

Besides, NAS4 found out that following the current assurance standards resulted in ‘a very broad brushed’ process that did not provide sufficient details due to only leading assurers to perform ‘a tick box service’ and not consider all the material risks.

Similar issues were discovered by Martinov-Bennie et al. (2012). They believed a combination of lack of uniformity among assurance standards and having non-financial qualitative information in sustainability reports caused some difficulties for assurers in forming an audit opinion and, for users, in interpreting assurance statements in terms of sustainability performance.

A need for an international standard on sustainability reporting assurance has already been discussed in a report published in the International Accounting Bulletin (2006). A group of accounting specialists pointed out that credibility would not be an outcome of the assurance process if all assurance reports were presented differently. There was definitely a need for a united well-designed approach to sustainability reporting assurance.

4.9.4 Competition among Well-known Assurers

Assurers stated that the major accountancy organisations – referred to as accounting specialists in this research – were the dominant assurance providers all over the world. A KPMG’s survey published in 2015, also reported that the Big 4’s share in the sustainability reporting assurance market was larger than any other assurer types (KPMG, 2015a). Smaller non-accounting assurers noticed that it was a challenging issue for their type of assurer to work among big assurance providers as there was not such a large market for the assurance service in New Zealand. These organisations are of risk due to the small number of available expert staff and also in not having as robust process such as the larger assurers follow. A short report published by Netbalance, based on the Australian market, also showed that although Net Balance was the leader in providing sustainability assurance statements, 57 percent of the reports were assured by the big accounting specialists (Netbalance, 2014b).

Netbalance was acquired by EY Australia in September 2014 and KPMG Australia also acquired Banarra in 2015. Although both Netbalance and Banarra were categorised as successful consulting organisations providing sustainability assurance in New Zealand and Australia, they held a smaller market share than the accounting specialists (Netbalance, 2014a). As published in their websites, those acquisitions provided them with higher power and broader skills and experience to be able to offer the best assurance service to their clients (EY Australia, 2014; KPMG, 2015b).

4.10 Chapter Summary

This chapter summarised the results of interviews with both managers and assurers when answering the second research question in terms of the motivations for, and barriers to, sustainability reporting assurance. In general, when considering the number of years of experience, assurers provided more detailed information compared to managers.

Overall, it was admitted by both groups of interviewees that there was a definite need for organisations to engage in sustainability reporting assurance since sustainability reporting assurance benefits organisations internally and externally. Engaging in sustainability reporting assurance improves their internal performance and reporting systems. In line with agency theory and stakeholder theory, it helps organisations in terms of reducing information asymmetry, as well as providing legitimacy toward stakeholders through increasing the reliability and credibility of the sustainability reports.

Although a genuine list of drivers was identified for the assurance engagement by both managers and assurers, organisations were still facing some barriers as well as the issues assurers were dealing with in terms of performing sustainability assurance, which indicated that New Zealand was not fully ready for undertaking this kind of assurance engagement considering its current reporting and assurance environment.

A lack of strong drivers in terms of sustainability assurance engagement – or at least towards sustainability reporting – a low level of sustainability reporting and assurance knowledge, and a lack of well-designed standards, were discovered as the main problems for organisations about a sustainability assurance engagement; and for assurers against performing a sustainability assurance service. Thus, some sort of reporting or/and assurance requirements should be set to recognise the value of the reporting and assurance processes officially and, as a result, motivate organisations' engagement. However, sufficient time should be allowed for both reporting organisations and assurers to adjust to the new requirements.

Apart from increasing the overall public sustainability knowledge through sustainability-related associations, some sorts of rights within organisations should be considered for the sustainability team (sustainability managers and assurers) similar to the rights given to financial audit teams – e.g. inviting them to annual general meetings – to emphasise their existence and their roles in and their values to, the organisations, and to improve the level of sustainability knowledge.

The next chapter will focus on the different types of assurance and the characteristics of the preferred assurers.

Chapter 5

Preferred Assurer

5.1 Introduction

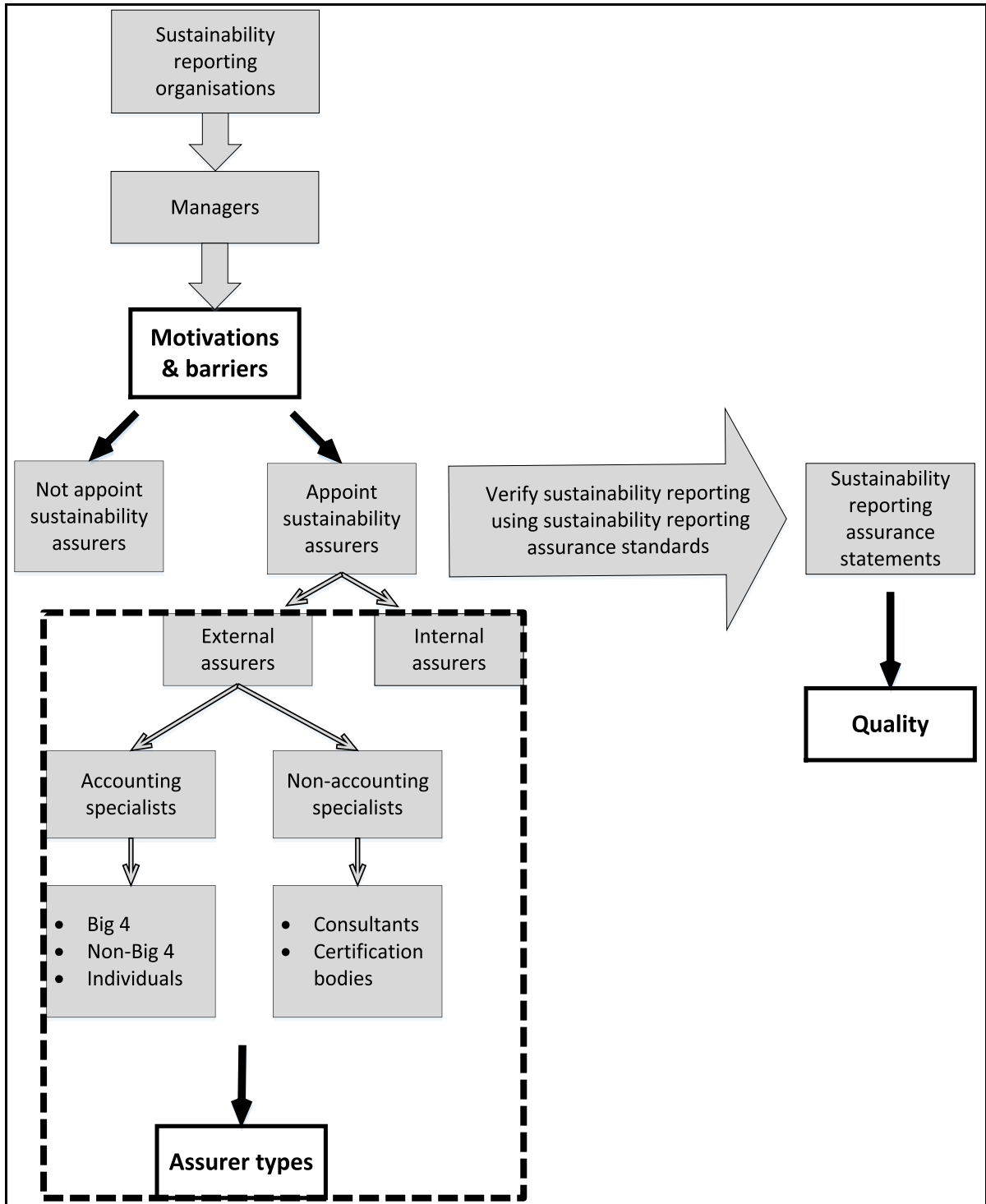


Figure 5.1 Summary of Research Focus – Assurer Types Highlighted

The previous chapter provided some findings in terms of the motives for, and the barriers to, sustainability reporting assurance engagement. This chapter concentrates on the gap related to differences among different types of sustainability assurers – as highlighted in Figure 5.1. This chapter examines the results of the content analysis and the interviews conducted with managers and assurers to discover their preferred sustainability assurers, explain their characteristics and highlight their differences by answering the fifth and the sixth research questions:

- What types of sustainability reporting assurance do organisations prefer?
- Why are different types of sustainability reporting assurance preferred?

The first three sections will discuss different types of assurers, their advantages, and the knowledge a sustainability assurer should possess. Section 5.5 provides the reasons for stopping sustainability assurance engagement or shifting to a new assurer. Organisations' expectations from their sustainability assurers in terms of the reports they provide, and the range of services they perform are discussed in sections 5.6 and 5.7. The final section of this chapter presents a comparison between internal and external sustainability assurance.

5.2 Assurer Type

Following the agency problem between managers and shareholders (and also other stakeholders), managers are in charge of making decisions whether to report sustainability information as well as whether to engage in the assurance process, in order to reduce information asymmetry. Agency theory suggests an independent mechanism (e.g. assurance) should be chosen to monitor managers' activities properly (Peters & Romi, 2015). In New Zealand's voluntary sustainability reporting and assurance environment, current assurance guidelines and standards state that all types of assurers – external or internal – are considered independent and eligible to prepare sustainability reporting assurance statements for NZX-listed companies. Despite this, the content analysis conducted in Phase 2, revealed that all the sustainability reports reviewed had been assured by external assurers. Hence, similar to other studies (Ackers, 2015; CorporateRegister, 2008; O'Dwyer & Owen, 2005; Perego & Kolk, 2012), this research classified assurers into two main external types: accounting specialists and non-accounting specialists. As shown in Table 5.1, consultants and certification bodies are the sub-categories of non-accounting specialists, and accounting specialists comprise the Big 4 firms and individuals.

Consultants seem to be the most popular assurer type among the NZX-listed companies reviewed with 48.2 percent of statements prepared by them (41 out of 85 statements). They were followed by the Big 4 accounting firms, who have assured 38 out of 85 sustainability reports. This result was similar to O'Dwyer & Owen's (2005) findings who claimed that consultants carried out the majority of assurance

in the UK. However, other studies, such as those by Ackers (2015), KPMG (2013b) and Perego & Kolk (2012), also identified accountants (specifically Big 4) as the dominant provider of sustainability reporting assurance statements.

Table 5.1 NZX Companies' Choice of Assurer

Assurer Type		Number of Assurance Statements	Percent of Assurance Statements
Non Accounting Specialists	Consultants	41	48.2
	Certification bodies	5	5.9
Accounting Specialists	Accounting firms (Big 4)	38	44.7
	Individuals	1	1.2
Total		85	100

This contradictory result from previous studies encouraged the researcher to obtain more details in that regard by obtaining the managers' and assurers' viewpoints as to the preferred assurer.

5.3 Assurer Advantages

As mentioned by Hodge et al. (2009), it was important to choose the appropriate assurance provider as this not only showed that the quality of the assurance statement provided by assurers but also the credibility of the assurance organisation *per se* was a key element that influences users' perceptions of sustainability reports. Although there are no defined characteristics or special qualifications for sustainability assurers, accounting specialists are known as the dominant sustainability assurance providers in most studies (Alon & Vidovic, 2015; KPMG, 2013b, 2015a; Perego & Kolk, 2012).

This section lists the managers' choices of assurers and discusses their justifications in order to investigate the preferred assurer type. Assurers' comments about their own organisation's advantages also added to that discussion to enable the researcher to cover both parties' viewpoints at the same time.

Two managers noted they have no preference for choosing their sustainability assurer however, they justified it very differently. *MA1* could not find any experienced person in New Zealand regardless of assurer type, while *MA2* believed they can work with any assurer 'as long as they are a reputable organisation and they can demonstrate the skills and knowledge of both sustainability and assurance areas'. While no manager chose to place absolute reliance on the internal assurer's skills, four managers selected both internal and external assurers concurrently, as they believed: '... there is a value to do both, internal and external'. Of these four managers, one selected a non-accounting specialist, another chose an accounting specialist and the remaining two managers described the same value for both accounting and non-accounting specialists:

... my basic expectation would be an environmental consultant would be a better assurer of sustainability, I think the Big 4 improved a lot in the last five years so I think I would be careful in fact [a Big 4] would be very good, the people that we had, the relationship five or six years ago with the knowledgeable people ... (MA3)

Interestingly, the other four managers who preferred only an external assurer, selected the two external assurer’s categories equally, as shown in Table 5.2. Previous studies (such as: Barry Ackers, 2015; Hasan et al., 2003; O’Dwyer & Owen, 2005; Paolo Perego & Kolk, 2012; Pflugrath et al., 2011; Simnett, Vanstraelen, et al., 2009) have given contradictory results about preferred assurers, as discussed in section 2.3.2.

Although the content analysis conducted resulted in introducing consultants as the most preferred assurer in New Zealand, followed by the Big 4 (see Table 5.1), the managers’ interviews had resulted in no single dominant assurer among the available options in the New Zealand market (see Table 5.2).

Table 5.2 Manager’s Choice of Assurer

Participants	Internal Assurers	Accounting Specialists	Non-accounting Specialists
MA1			
MA2			
MA3	✓	✓	✓
MA4	✓		✓
MA5			✓
MNA1			✓
MNA2	✓	✓	
MNA3		✓	
MNA4		✓	
MNA5	✓	✓	✓
Total	4	5	5

Considering the number of managers with a preference (eight out of ten), 50% would rather use both internal and external assurers concurrently. This approach of assurance appeared to be new in New Zealand; however, it had already been discovered by Jones & Solomon (2010), based on the UK companies and had also been suggested and named as “combined assurance” by the King III Report in South Africa (PWC, 2010). Combined assurance coordinated management, the internal assurer and the external assurer to ensure the key risks facing organisations were addressed. This form of assurance was cost effective due to eliminating unnecessary duplications. However, a well organised audit committee should be set up to enable the implement of combined assurance properly (PWC, 2010; Zhou, Simnett, & Hoang, 2016). In addition to identifying combined assurance, managers listed several reasons for selecting to engage with their preferred types of assurers; assurers also differentiated themselves by identifying some key points as below:

- Experienced and knowledgeable people
- Appropriate audit
- Reasonable price
- Reputation and,
- Existing relationship

5.3.1 Experienced and Knowledgeable People

Assurers believed having the ‘right people’ in terms of the sustainability knowledge and assurance experience was the most important advantage for their assurance organisation. Two of the non-accounting specialists commented that only if organisations did not pay a lot of attention, did not consider sustainability performance as a key business aspect, and intended to ‘pick the easy route’, will they end up contacting their financial auditor for sustainability reporting assurance. These non-accounting assurers claimed that they offered better services as they were environmental and social experts – as opposed to financial experts – and they have a broader sustainability knowledge and experience. While the accounting specialists believed that even though they were not environmental and social specialists, they can bring in an external expert once if they felt the need for any technical skills. However, they are experts in performing assurance services since they understand the audit trail and all related concepts. As Big 4 accounting firms, they gained much experience due to working with a large number of different businesses from various industry sectors:

... I think it's a competitive market so it always can be difficult to try to differentiate us from the others, we got an appropriate team in terms of the skills that we bring to it in terms of expertise in whatever industry sector it is, we bring people that initially add value and experience and what would be the need of the client to that sector, so I think the team make up is important ... (AS4)

In general both assurer types agreed about the key role of having ‘a subject matter expert’ in their sustainability assurance team.

Managers also indicated that the assurer’s expertise and experience really mattered to them. MA1 noted: ‘It doesn’t matter which discipline they came from if they weren’t experienced I don’t think they are going to be any good any way’, while some managers like MA5 preferred a non-accounting assurer:

... I found with [an accounting specialist] that they were doing as much learning as what we were through the whole process so I don't actually believe that they have got people that particularly skilled in that area themselves whereas a certification organisation that is the reason for its existence ... (MA5)

Similar to the assurers, the managers believed that the external assurers, who have gained much experience through providing various services to different clients in different industries and

environments, were able to provide a 'benchmarking advantage' (MNA2) to their clients. This finding highlighted that reporting organisations expected sustainability assurers to be experts for both in theory and practice of business sustainability. Similarly, GRI North America (2014) and Knechel, Wallage, Eilifsen, & Van Praag (2006) identified 'expertise' as the most important criterion when choosing a sustainability assurer.

5.3.2 Appropriate Audit

Skills for performing an appropriate and high-quality audit was identified, mostly by accounting specialist assurers, as an advantage for some assurance organisations. Sustainability assurers should be good auditors. In other words, they should be expert in gathering sufficient appropriate evidence and in performing different measuring techniques. These skills were 'not only about looking at the numbers' (AS2) in the sustainability reports and gathering numeric support.

Having an appropriate and complete assurance covers the whole process by focusing on what organisations try to achieve, how they set their sustainability objectives and systems, and how they can improve them. Hence, as discovered by Huggins et al. (2011), assurers should also have sufficient quality control systems in place. That kind of assurance not only reflects their present performance but also considers past settings and future outcomes. Consequently, assurers are able to advise organisations on the whole process and add value by performing the assurance service:

... we are also trying to have a broader view point in understanding the organisation because when they are going towards integrated reporting or looking at how they might want to add value hopefully we are trying to help them to link it better, do the advisory. That is where the advisory and assurance come together ... (AS4)

Hence, as well as performing a high standard assurance, providing some recommendations for further improvements are counted as one of the advantages and elements of an appropriate and complete audit by assurers. Likewise, managers felt the importance of receiving of post-assurance statement support:

We expect them to provide a kind of gap analysis of where we are where we would like to be and some guidance as to how we might close that gap between where we are (on the current assurance assessment) and where we would like to be ... (MNA1)

5.3.3 Reasonable Price

Price was identified by managers and the accounting specialist assurers as a distinguishing factor. Price was listed as a challenging point since the assurance market was competitive and assurance organisations needed to keep a balance between the price and quality of their services. For example, accounting specialists believed they provided a higher quality assurance – as they have set well-

designed systems – compared to non-accounting specialists; therefore, they demanded a higher assurance fee. However, smaller assurers (mostly non-accounting specialists) provide the assurance service at a lower fee and that causes a challenge for larger assurers to compete. As discussed in section 4.9, regardless of the assurer type, the external assurance fee was generally high for reporting organisations. Hence, some managers, personally preferred internal assurers as it provided the reporting organisation with the ‘*most cost effective deal*’ (MNA2) as long as there were no mandatory requirements associated with the sustainability assurer type.

In contrast to this research, a Netherlands based study published by Knechel et al. (2006) pointed out that cost was considered one of the least important features affecting assurer selection. Their study revealed that accounting specialists were generally known as an expensive service provider, and reporting organisations chose them only if they did not care about the cost. However, the results of research reflected that cost still mattered among NZX-listed companies, as pointed out by most of managers.

5.3.4 Reputation

There was a general belief among all the accounting specialist participants that the Big 4 name was a known brand in the assurance and audit market due to more robust control processes. The Big 4 name represents ‘*independence*’ and increases ‘*credibility*’ of both the sustainability report and its assurance statement:

... the main other assurance providers in the market are small consulting firms whereas we are one of the Big 4, we have the name and the reputation behind us, so for that reason having an assurance report from us means more because there are processes we have in place internally as well, so it provides like a different level of assurance ... (AS5)

A similar pattern emerged in the managers’ interviews, as they selected Big 4 accounting firms as they found them more reputable than other assurers. This reputation results in a high level of transparency, credibility and robustness which, in consequence, allows investors to place some degree of trust in both the sustainability report and the assurance statement:

... who has credibility, who has good track record and reputation in this area if you must spend money on it you want someone who knows? (MNA2)

In line with the finding of this research, a survey conducted by GRI North America (2014) recognised assurer reputation as one of the influential characteristics in an organisation’s choice of assurer. A survey conducted in the Netherlands targeting senior managers, revealed that assurer reputation was listed as one of the most important factors for reporting organisations as clients of the sustainability assurance service. In other words, if a reporting organisation values the assurer’s reputation, they will

select accounting specialists (Knechel et al., 2006). Professional accountants (Big 4) were suggested as the provider of higher quality assurance statements as they have proved to have high skills in detecting errors and omissions derived from name repetition and reputational capital (Martínez-Ferrero & Garcia-Sanchez, 2016; Simnett et al., 2009).

5.3.5 Existing Relationship

All assurers reflected positive opinions about their pre-existing relationship. This relationship between the reporting client and the assurer, was built while an accounting specialist was carrying out the financial audit. They believed it was beneficial for both parties; the assurance organisation and the client. Especially for accounting specialist assurers, the most common concurrent services are sustainability assurance and the financial audit:

... it really comes down to the relationships that you have, because an assurance process is very much about people and about managing people, managing process and all are working together to achieve that end goal which is not get a qualified audit report ... (AS3)

The pre-existing relationship – as the result of a financial audit – provides an ‘overall familiarity with the business’ (AS1) as some of the information sources are the same for both services. In addition to, it provides value, and is more efficient for, the client to have one team of assurers for both financial and sustainability assurance since ‘they won’t need to go through as many interviews’ (AS5). As shown in Table 5.2, some managers have chosen to work with their financial auditor for the same reason:

... an accounting firm, they audit our financial statement anyway, they know our business very well ... (MNA4)

Similar to this research, a survey conducted in North America discovered that having a relationship with assurers through financial auditing provided organisations with the advantage of having a consistent approach in both financial and non-financial reporting, and assuring processes, since different assurers applied different approaches and processes (GRI North America, 2014). Contrastingly, Fernandez-Feijoo, Romero, & Ruiz (2016) also identified that working with organisations as their financial auditor provided the Big 4 accounting firms with an opportunity to capture more clients. It allows the Big 4 to offer a faster and cheaper sustainability assurance service as there are some common processes in both forms of assurance. Fernandez-Feijoo, Romero, & Ruiz (2016) considered it as a marketing strategy for the Big 4 as it promotes their name and causes some problems for other assurers in the sustainability assurance market.

However, some accounting specialist assurers claimed that regardless of the pre-existing relationship, the importance of sustainability performance to the people responsible for it, and also the organisational structure, played important roles in choosing assurers:

... depends on the organisations, and also the significant of the sustainability information, who reports and has ownership of it ... the CFO might have responsibility for that information and it is a lot more likely for the CFO to choose the same auditor ... (AS4)

From the non-accounting specialist's point of view, choosing the organisation's financial auditor also as the sustainability assurer might be the easiest way but it is not necessarily the best way:

... people would choose the thing straight forward, because we have a financial audit done by an auditor already so we just ask them to do this on top of that... in our case, they decided to use their financial auditor, that was not a surprising thing but they get a very different product as a result! (NAS2)

Meanwhile, there were some non-accounting specialists who indicated that working with one service provider in all areas could be more reasonable and add more value than working with several service providers who never got enough time and opportunity to understand the reporting organisation's environment properly.

5.4 Assurer Knowledge

Only the assurer participants were asked to give their opinions about the knowledge and skills that sustainability assurers needed. Huggins et al. (2011) considered that sustainability assurers needed to be independent and have a reasonable level of knowledge in both subject matter – to be able to examine, measure and report information – and in assurance – to gather sufficient evidence and apply the appropriate tests. A similar result was found in this research where six of the assurers believed sustainability assurers needed to understand not only the subject matter but also the auditing process and related standards. The two non-accounting assurers noted sustainability experience as the most important skill and while, in contrast, one accounting assurer considered it purely as an auditing process:

Sustainability space, it's just another framework, another set of terminology that you just learn. You pick that up I think a lot quicker than you pick up the auditing and the assurance skills so it might be because of my background ... (AS1)

While the results of Pflugrath et al. (2011) also supported the idea that acquiring sustainability knowledge and experience was easier than gaining assurance expertise. As pointed out by the interviewees in this research, the sustainability assurers should have a combination of both sustainability and auditing knowledge:

... you can't just be a strict financial audit or a number person, you have to have softer side too and qualitative part side ... (NAS1)

A sustainability report represents an organisation's picture in 'a holistic way' (NAS3); thus, sustainability assurers should be familiar with both qualitative and quantitative data. On the one hand,

sustainability assurers should understand sustainability in a business context and also sustainability reporting standards in order to recognise what sustainability reports contained and be able to identify material items while considering the three pillars of sustainability. On the other hand, auditing knowledge plays an important role in performing sustainability reporting assurance. Assurers should comprehend assurance standards and have assurance experience to be able to gather sufficient evidence, apply the appropriate substantive and control tests, and ask the right questions.

In conclusion, assurance organisations should pay special attention to the skills of the sustainability assurance team members. Similar as in this research, a previous study found that assurers needed to obtain cross-functional skills related to the subject matter to be able to handle all aspects of sustainability performance properly and, at the same time, a level of auditing knowledge to be able to go through the assurance process (Olson, 2010). Evidence provided by Chiang & Lightbody (2004), Huggins et al. (2011) and Simnett et al. (2009) suggested that assurers should make up multi-disciplinary teams to ensure that they cover all necessary knowledge and skills. The team should have people with both sustainability and auditing knowledge or a combination of different people with various skills. As the interviewees in this research noted, considering the needs of each particular sustainability assurance case, this issue can be temporally fixed by hiring experts or bringing them over from other branches. However, the long term solution is *'training'*. Assurance organisations normally provide beginners with in-house staff training that is then followed by some on-the-job training. The trained assurers have the chance to work with accredited and experienced members to gain real life experience. Besides, there is also external training available through workshops and courses organised by professionals in this area, such as the GRI-related training workshops or the ones from the Institute of Environmental Management & Assessment (IEMA).

The Netbalance and Banarra acquisition by EY and KPMG, respectively, was a step toward gathering all necessary skills in one place (see section 4.9.4). On the one hand, EY believed that the acquisition boosted their capabilities and abilities in providing higher quality sustainability assurance and advisory services. On the other hand, Netbalance stated that the acquisition, and in consequence the combination of various skills, allowed them to step into new markets and extend their services (EY Australia, 2014). There was a similar story behind Banarra's acquisition, as Banarra's founder and managing director noted that this combination allowed them to offer services to the wider KPMG clients. While one of KPMG's partners believed Banarra's sustainability skills and experience provided their clients with excellent advice (KPMG, 2015b).

5.5 Stopped Assurance Engagement or Replaced Assurer

There seemed to be a close relationship between the reasons for stopping the assurance engagement or replacing assurers and the characteristics of the preferred assurers. Hence, the managers engaged

in assurance, and the assurers were questioned about their experience (if applicable). While the managers did not identify any major issues for stopping assurance engagement or even changing assurers, the assurers explained a rich list of reasons as discussed below, including:

- Cost Cutting
- Efficiency
- No value or more value elsewhere
- No driver and,
- New and fresh perspectives

5.5.1 Cost Cutting

From the assurers' points of view, cost cutting was the most important factor (interestingly, this was not mentioned by any of the managers in this research, probably because they had not experienced that situation) in making decision about engaging in the assurance process or replacing the assurer as organisations mostly have budget constraints:

Probably one of the main factors of losing jobs is not because of the relationship and the quality of what we've done, is mostly because the competitors are offering to do it cheaper ... (AS4)

However, cost cutting was identified by the managers interviewed in an earlier study in New Zealand (Eweje, 2011). That manager claimed that they used to have assurance but considering they have been given a limited budget they stopped engaging in that activity after questioning the value of assurance.

5.5.2 Efficiency

In several cases, cost saving did not result in a disengagement, but led reporting organisations to work with their financial auditor as it was more 'efficient' (NAS1) due to a pre-existing relationship. All the non-accounting participants believed that having a strong pre-existing relationship with the financial auditor affected an organisation's decision making in selecting the same assurer in both areas. The financial audit organisation already understood the structure and the nature of the business, evaluated the financial performance and built a relationship within the reporting organisation. Hence, the sustainability assurance process will be less time consuming and more reasonable by saving time and money since the basic information has already been gathered during the financial audit. One of the assurers explained this factor using a client story:

... our client changed provider because probably they rationalised it, they had six different assurance providers across the organisation, providing assurance in different areas mostly kind of management system based audit and they just rationalised that. One organisation was working quite closely with them so they knew the client, they could add value rather than having six people who never really got to know them that well ... (NAS4)

Efficiency was also considered by managers, MA5 commented that they started assurance engagement with their financial auditor in order to *'get wrapped into one'*. MA2 believed that this combination helped them to *'move towards integration'*. Besides, MA4 asserted that assurer's *'reputation'* was a key factor in giving them a level of confidence and that is only achievable through working with financial auditors:

... XXX is really high regarded in NZ in terms of the quality of the audit and specially sustainability... it gives us more confidence and the assurance that they are providing is more detailed... I remember that after the audit we came out knowing what we were actually presenting was definitely accurate but with YYY for example may be it is right may be its not! (MA4)

5.5.3 No Value or More Value Elsewhere

Most assurers noticed that the *'value'* received from the assurance played an important role, they either did not see any value in the whole process at all or saw the value in following assurance with another assurer:

... we [assurers] have done it for five years and it wasn't giving them [organisations] sufficient value to encourage them doing it every year... there wasn't much changes year on year for them, the materiality is changing though. I mean they are improving their processes but they see that we don't need to be looking at it every year ... (AS2)

... there is nothing to do with the relationship with them, you know when we were their external auditor we had a strong relationship with them but they clearly saw more value in the XXX accreditation in terms of I guess it is a stronger brand in the market place ... (AS1)

Managers also confirmed this fact based on their experience. As mentioned earlier, in section 5.3, MA5 started sustainability assurance with their financial auditor but they changed their direction and moved to a non-accounting specialist as, first, they believed, sustainability consultants are more specialist in the *'subject matter'* and, secondly, an accounting specialist assurance statement did not help them increase the accreditation score.

5.5.4 No Driver

The voluntary nature of sustainability reporting and its assurance (unlike the financial audit) in New Zealand turned it into an *'optional annual decision'* (AS3). Some elements, such as having a new management team or new board members, lack of significant changes in the organisations' sustainability system, or even not receiving extensive value from the sustainability assurance can easily influence that annual decision.

Although none of the managers outlined the voluntary nature of assurance directly, two managers pointed out that they had no specific preferences, either in choosing assurers or continuing to work with them. These managers just relied on the ‘tender’ results:

... we put the things out to tender for a limited period... and at the end of that when we go up and look at what our internal needs are and where we are in our sustainability journey and put that out and see who can provide what we are looking for from the assurance process – there is no specific or personal preference in advance ... (MA2)

5.5.5 New and Fresh Perspectives

Regardless of all the other factors discussed earlier, the assurers stressed that sustainability assurers might be replaced frequently in order to get ‘a fresh set of eyes’ (AS5). Although there were no rules and regulations related to changing sustainability assurers in New Zealand yet, working with an assurer for a long time might reduce the expected benefits in terms of credibility and transparency because it might turn into a repetitive process:

... I think that would be natural in terms of having someone new coming every few years. It’s perfectly to me reasonable and I would expect that, you know just to get different perspectives ... (NAS1)

5.6 Detailed Assurance Report (Management Report)

All assurers were asked to explain the outcome of the sustainability assurance process. The interviews revealed that although the assurance statement was the final publicly-available result of this process, organisations can also be provided with a management report for management.

Most assurers stated they always provided their sustainability assurance clients with a management report. As they explained, management reports added real value to the sustainability performance improvement process by presenting many more details in comparison to the assurance statement:

... we always give them a detailed report, the assurance statement is kind of a thing that has to happen, I think the real value we always see the real value comes out of the assurance report which provides the in depth assessment of all the applications of the principles and what can be improved ... (NAS3)

Meanwhile, only two assurers – one accounting specialist (AS4) and one non-accounting specialist (NAS1) – declared that they will provide a management report ‘only if’ clients demanded such a report, as the intention of the management report was to provide extra information for the management but not for any other groups of stakeholders.

5.7 Other Services for Sustainability Assurance Clients

In order to understand the relationship between the sustainability assurer and the reporting organisation, managers with assurance engagement experience were asked to explain if they received any other services from their assurers. Similarly, assurers were asked to explain what other services they offered to their sustainability assurance clients. The findings revealed that all assurers interviewed believed that working with clients in the sustainability assurance area automatically provided opportunities for the assurance organisation to offer other services to their sustainability assurance clients.

The accounting specialist assurers mentioned that they were all conscious of the code of ethics and they did not impede their independence. They accepted offering other services as long as they were aligned with the ethical and professional standards:

... we provide some advisory stuff but then we have independence conflict so we can't provide advisory work for our assurance clients, we can't audit our own work because of conflicts of interests ... (AS5)

... we'll provide whatever services we can to clients, they want to pay for them, within the boundaries of professional responsibilities and independence, and at the end of the day we are running a business ... (AS1)

Similarly, all the non-accounting specialist assurers were familiar with the objectivity concepts and the independence threats – without referring to the ethical standards or the code of ethics – and they tried not to accept offering any other sustainability-related services from their sustainability assurance clients:

... in order to be independent you can't be providing the whole range of other source of services to them ... (NAS2)

... we tried not to provide any sustainability services to these people so we would have had provided engineering services that our organisation does or planning services ... (NAS3)

Although managers were not concerned about the ethical aspects, they expected their assurers to provide them with a couple of services, as described below.

5.7.1 Advisory Services

Most managers noted that they received some sort of advisory services from their sustainability assurers. As indicated in section 5.3, they actually demanded such a service as they believed that was part of a complete assurance engagement. In other words, managers expect their assurer to provide them with some advice and suggestions, as this results in continuous development:

... good assurance provider should also be capable of setting some advice of how to develop so they can come along and they can quickly check and say

that's good or yes you said the right things but they also need to put a little advice subsequent to the main assurance ... (MA3)

Likewise, the results of interviews conducted in an earlier study with Big 4 practitioners identified that assurance engagement contains “a natural advisory element” (O’Dwyer, 2011, p.1247). These practitioners believed that while this element did not threaten their independence, it guided organisations to set better sustainability systems and processes and, as a result, produce more reliable and relevant reports for the stakeholders.

5.7.2 Training Services

Participating in sustainability-related seminars and training sessions organised by sustainability assurers was another point mentioned by managers in regard to having other forms of relationships with their assurers other than sustainability assurance:

... XXX CA firm provides seminars. They provided the venue for instance and they were the host, on GRI reporting, they talked about G4 they had a seminar about the changes from G3 to G4 ... (MA3)

For example, EY, one of the accounting specialist assurers, offers a series of GRI, social impact and sustainability-related workshops (EY, 2016). Similarly, Envirostate, one of the non-accounting specialist organisations, offered a two-day workshop on Certified GRI Training for sustainability reporting that covered all phases of the GRI sustainability reporting process (Envirostate, 2016). A more comprehensive five-day training was designed by SGS New Zealand Limited that focused on the purpose of sustainability reporting and its assurance; the application of reporting guidelines and assurance standards; and also the practical evaluation of sustainability reports (SGS, n.d.).

5.8 Internal Sustainability Assurers

Although there was no rule banning internal assurers from conducting sustainability reporting assurance and some institutions, like IIA, also supported the role of internal assurers for sustainability assurance, the findings of this research revealed that using an external sustainability reporting assurance service was more common among the NZX companies. Hence, all managers were questioned about whether they had ever had any work experience with internal sustainability assurers. Similarly, assurers were asked to give their opinions about the extent to which they worked with the internal sustainability assurers while performing the sustainability reporting assurance service.

Half the managers declared that they never had sufficient time and personnel to apply sustainability internal assurance. However, based on what the other half described, they received some sort of similar services, such as: generic internal audits, internal data checks, environmental consultancy, carbon emission validation and GRI self-declaration, but not a complete internal sustainability

assurance. The managers interviewed stated they had never experienced a complete internal sustainability assurance service and, consequently, they had never published a sustainability assurance statement prepared by their internal assurers. However, managers had noted a positive opinion about using an internal audit service in the future:

... want to develop our internal auditing program both in financial and non-financial areas and hiring specialists ... (MA3)

The assurers interviewed reflected comparable results to what the managers experienced. All the assurers stated *'not common'* or a similar phrase to describe the status of internal sustainability assurance in New Zealand. Assurers recognised that there were normally two or three employees focusing on sustainability activities in each organisation who checked data and, reported to a higher management level, but their outcomes were not presented publicly as part of the organisation's external report. They believed those people might be called internal auditors (internal assurers) but they were not specialised in the sustainability area and they actually checked *'all sorts of things'* (AS2) and provided a very broad service. If they enter the sustainability area, they mainly will focus on the *'environmental management system'* (AS1 & NAS2), *'GHG emissions'* (AS5) or *'health and safety data'* (NAS1), and they are not able to provide any professional opinion as they are not specialised or, in other words, trained in sustainability assurance:

... they don't audit it internally but they would report on it for their managers ... (AS5)

You might be calling that auditing but that would be internal data checking processes, it was not set up that way ... (NAS2)

As the internal audit team or the sustainability team did not provide the complete internal assurance service, AS3 believed there was no connection between the external sustainability assurance and the services performed by the internal assurers. This linkage, however, might work in large global companies since their systems are set up in a more integrated way.

However, some assurers noted that it might still be possible to gain benefits from that incomplete internal sustainability assurance. The internal reports provide them with more detail in terms of understanding the organisation and its internal controls; therefore, even the level of the internal assurer's work might help assurers in audit planning, designing control and substantive tests, and also in gathering sufficient appropriate evidence.

Ackers & Eccles (2015) and Haji & Anifowose (2016) strongly believed that an effective and complete internal audit should be equivalent to external sustainability assurance, especially in the early stages of sustainability involvement, as it provided organisations with a genuine and cost effective assurance. Other studies, such as the Chartered Institute of Internal Auditors (2015), King (2008) and Nieuwlands

(2007), confirmed that internal assurers were well positioned to carry out sustainability assurance services as they had already obtained a broad view of the organisation's systems, as well as the risks and controls. Moreover, the Chartered Institute of Internal Auditors (2015) noticed that the internal assurer's role started shifting from an advisor to an assurer while organisations were getting some maturity in their sustainability programme.

Assurers believed, in general, that choosing the right sustainability assurer depended on the 'use' of the assurance for the organisation:

... so comes down to why are you doing this report and who your target audience is and how important is the external assurance for them as a stakeholder group ... (NAS4)

Regardless of the use, both managers and assurers explained their reasons for not choosing internal assurers as their sustainability assurers, as discussed below, including:

- Lack of independence and credibility
- Lack of experience and knowledge
- Lack of resources and,
- Lack of requirements and drivers

5.8.1 Lack of Independence and Credibility

Although internal auditing was defined as 'an independent and objective assurance' (IIA, 2012, p. 27), a lack of independence was still the most frequent issue, pointed out by the assurers, with an internal audit team carrying out the sustainability reporting assurance service. The assurers interviewed believed that internal assurance would not meet the characteristics of an independent sustainability assurance service. *NAS1* and *NAS2* noted the purpose of assurance was to ask someone to check sustainability reports and other associated resources 'independently', and provide a true and fair opinion in order to prove the organisation's transparency, accountability and credibility in terms of sustainability performance. *NAS1* added that the internal sustainability assurance service can definitely be used but their report can be disclosed only as a 'check'. However, they believed if that the external stakeholders were the main addressee, that an internally-prepared report would not add any value or credibility to the sustainability report since the organisation itself generated the sustainability information, prepared the report, and also confirmed the accuracy and validity of report.

These assurers stated that an assurance statement provided by internal assurers did not represent independence and was not yet considered 'normal' (*NAS2*) to be seen as part of the published annual reports. This is especially so in a world where most organisations were obviously looking for a 'recognised brand' (*AS1*) to be attached to their sustainability reports in order to attract investors and, in general, all external stakeholder groups:

... it [internal sustainability assurance] is not independent whether or not standards say that they have to be, the perception is that they are not going to achieve the same thing as an external auditor would ... (AS2)

Similar as the management point of view, although they accepted that the internal sustainability assurance process provided them with some recommendations and feedback for future improvements, they did not believe that the value of the internal sustainability assurance statement was due to lack of independence:

... I think through the credibility issue would be questions about the fact that the person heavily involved in actually creating report is also the person kind of doing the assurance ... (MNA4)

In contrast, Chartered Institute of Internal Auditors (2015), King (2008) and Ridley et al. (2011) stressed that internal assurers are well placed to be able to fully understand the risks and opportunities facing organisations in order to provide good assurance and consulting in aspects of sustainability.

5.8.2 Lack of Experience and Knowledge

Three assurers listed the lack of sustainability knowledge and experience as one of the key weaknesses of internal assurers. Internal assurers were not the subject matter experts as they mainly worked on the financial performance and just looked at the numbers, while sustainability assurers needed to look at the whole sustainability context and make some qualitative judgements:

... we are not just looking at the figures, we are looking at how they are written, so the sentences around the figures or the paragraphs around the tables and graphs. We look at the whole context in that to make sure what they are saying about the numbers is balanced and transparent ... (AS2)

In agreement with this result, a number of studies discovered that internal assurers needed to enhance their existing knowledge and skills if they aimed to maintain or improve their sustainability assurance involvement. They need to upskill in order to meet the needs of stakeholders and gain their confidence (Chartered Institute of Internal Auditors, 2015; Nieuwlands, 2007; Soh & Martinov-Bennie, 2015). IIA also supported this saying: "Internal auditors should maintain the skills and knowledge necessary to understand and evaluate the governance, risks, and controls of Corporate Social Responsibility (CSR) strategies" (IIA, 2010, p. 1).

5.8.3 Lack of Resources

Some of the managers with assurance experience claimed that they were not capable of organising an internal audit team due to a lack of time, personnel and facilities:

... we don't have the resources to be able to do that, we don't have the luxury that a lot of larger companies have, they got budget focused on sustainability alone ... (MNA5)

Even if organisations resolved all the above-mentioned limiting resources, internal audit team responsibilities within each organisation needed to be prioritised since ‘there is always more demand for internal assurance than there are resources in a given year’ (AS1).

Although the IIA agrees that sustainability is a broad subject area, it is introduced as one of the management responsibilities to ensure they have appropriate and sufficient resources allocated to sustainability activities, when they are planning for internal assurers to evaluate their sustainability performance and sustainability reporting (IIA, 2010).

5.8.4 Lack of Requirements and Drivers

Considering the voluntary nature of sustainability reporting assurance in New Zealand, the lack of an external driver was identified as a challenge by some assurers. They assumed that the growth in the sustainability reporting assurance market, as the result of a level of mandatory requirements, could drive internal assurers to look at this market more seriously in order to equip themselves to offer high standards of sustainability assurance service. Therefore, that service will find its place in the market as more organisations will demand internal assurance and, as a result, internal assurers’ status will change to a ‘normal’ sustainability assurer.

This research supports the Chartered Institute of Internal Auditors' (2015) findings. Although internal assurers have already achieved most of the skills and abilities they needed to perform internal sustainability assurance, this service was not yet considered common among organisations. Internal sustainability assurance services will grow once sustainability reporting and its assurance becomes more established. The report by IIA (2015) also claimed that the internal audit function could be capable of covering work that was currently covered by Big 4 accounting specialists.

5.9 Internal Assurance vs External Assurance

Except for two managers who had never heard about internal sustainability assurance or never read their statements, the other managers and assurers made comparisons between internal and external assurance services and their assurance statements. Assurers also made some comments on the differences between accounting specialists and non-accounting specialists.

Some managers believed that both internal and external processes should result in similar outcomes as ‘both should be looking at the same sort of things and telling you the same sort of things’ (MNA2 & MNA5). A similar pattern emerged in the conversations with assurers in terms of the content of the assurance statement. They believed all sustainability assurers needed to follow the ‘*prescriptive*’ (NAS3) format suggested by the current standards; however, there would still be some differences in the ‘*assurance process*’ (NAS3):

... the standards are reasonably clear on what needs to be in the statement so they are probably reasonably similar in terms of getting the right message across ... (AS2)

Although most managers did not select internal assurers as their preferred provider by themselves – as identified in section 5.8 – they listed some positive aspects for internal assurance as opposed to external assurance. It was pointed out that a complete internal assurance acted like ‘a catalyst’ (MA3) to fundamentally improve sustainability performance and also reporting. Besides they spend sufficient time in the organisation not only to check all details and provide a comprehensive and constructive report but also to ensure all the follow up corrections are made. MA1 added that, ‘it’s very easy to waylay external reporter’, whereas the internal assurers do not pass issues easily due to a high level of familiarity with the organisation. This finding is in line with Bepari & Mollik (2016) who identified that some managers considered the internal assurance practice added more value than the external one, since it provided insights from the internal control perspective.

On the other hand, a lack of independence was always noted by managers as the main weakness of internal assurance and that resulted in them classifying that service as a ‘worthless deal’ (MNA1) or a ‘biased viewpoint’ (MNA5).

As a response to this question, only one of the managers took a further step and differentiated between the two types of external assurers:

The language might be slightly different, the accounting firms, they have different background and perspective from the engineering consultancy and so in terms of having something get standardised as an assurance process ... (MNA3)

As mentioned at the beginning of this section, all assurers followed MNA3’s approach and made a comparison between accounting and non-accounting assurers.

On the one hand, all accounting specialist assurers claimed that all the Big 4 audit firms always offered a very robust assurance process. They follow auditing procedures and their internal guidelines while considering sustainability reporting benchmarks (e.g. GRI), and complying with the related sustainability assurance standards set by the External Reporting Standard (XRB), i.e. ISAE (NZ) 3000 or ISAE (NZ) 3410 for GHG engagements. The accounting specialist assurers also noted that they were not confident with the non-accounting specialists’ assurance processes or their assurance statements as the final outcome:

... there are very confusing assurance statements out there which as an assurance practitioner I read, I don’t know what you have done or to what level you have done the work ... (AS3)

AS4 noted that although the non-accounting assurance statements were normally not as clear as they should be, a general judgement about all non-accounting assurers would not be fair. Some non-accounting assurers provide a good quality service as the result of using a well-known standard like ISAE 3000:

... when I do look at the assurance statements of the smaller assurance provider to me it doesn't read as a clear assurance option, it's not always that clear in terms of the findings, the criteria ... (AS4)

On the other hand, non-accounting assurers believed that they always offered 'a higher standard service following a robust process' (NAS4). Their processes focused on sustainability performance and sustainability principles unlike accounting specialists, who only concentrated on the accuracy of the data and measurements published in the sustainability report:

... is more in-depth review of sustainability strategy and it's not just the report ...so there is actually a more discussion and more questioning of the actual actions not just the way that they are reported ... (NAS3)

Similar differences between the accountants' and consultants' approaches were discovered in previous studies. Accounting specialists normally provided low level assurance (a negative opinion) mostly focused on the accuracy of the sustainability data published in their report. In contrast, consultants provided a higher level assurance (a positive opinion) concentrating on overall completeness, fairness and balance of the information disclosed (Mock et al., 2013; O'Dwyer & Owen, 2005).

In terms of the assurance statements, non-accounting assurers definitely allocate a section in their reports to write about some recommendations for further improvements, which is 'not typical' (NAS2), in the accounting specialists' assurance statements:

... we add that element of good practice, there are areas of improvements whether or not others have that ... (NAS1)

Similarly, Deegan et al. (2006) pointed out that the accounting specialists' assurance statements were not as complete as the non-accounting specialists' statements as they did not allocate a section of assurance statements to commentaries and recommendations. Furthermore, as Moroney et al. (2012) discovered, assurance statements provided by consultants contained more soft disclosures. They believed accounting specialists are not that flexible in disclosing information as they must follow professional and ethical assurance standards. This study also found out that non-accounting specialists criticised accounting specialists' approach in following XRB assurance standards. The non-accounting interviewees believed following those standards step-by-step and word-by-word limited assurers and reduced the flexibility and clarity in writing their opinions and forming the assurance statement structure.

In general, as *NAS1* clearly pointed out, *'the skills of the individual assurers'* involved in the assurance process played an important role in conducting the assurance process and forming the assurance statement, regardless of all the mentioned differences and similarities between the accounting and the non-accounting specialist assurers.

5.10 Chapter Summary

This chapter collated the results of the content analysis and interviews with managers and assurers to answer the fifth and the sixth research questions in terms of the preferred assurer types.

Considering the earlier studies' findings and the support of sustainability reporting and assurance standards, this research extended the range of eligible sustainability assurers by adding internal assurers. However, the results of content analysis revealed that none of the assurance statements published by the listed companies on NZX, in 2013, were assured by internal assurers. The result of content analysis indicated that consultants – closely followed by the Big 4 – were the most preferred assurers.

Although managers mostly selected a type of external assurer in preference to working with internal assurers, it was noted that the ideal form of assurance will be achieved by having both internal and external sustainability assurance concurrently, which is named as combined assurance.

While neither one accounting specialist nor another non-accounting specialist was preferred, a list of advantages – in terms of their knowledge, experience, recourses, capabilities and their services – were identified for each type. Apart from the focus of agency theory on having an independent monitoring mechanism (i.e. independent assurers), the interviewees stated that there was a need to have multi-disciplinary assurers. In other words, assurers needed to have assurance experience and understand the audit process, and also be the subject matter expert in terms of sustainability – and understand the environmental and social aspects of the business along with the financial performance. The recent merger of two famous non-accounting assurers with two of the accounting assurers provides supporting evidence for the idea of organising multi-disciplinary assurance teams.

Chapter 6, the last results and discussion chapter will concentrate on the quality of current sustainability reporting assurance statements and identify the responsible parties involved and the factors effective in improving the quality.

Chapter 6

Assurance Quality

6.1 Introduction

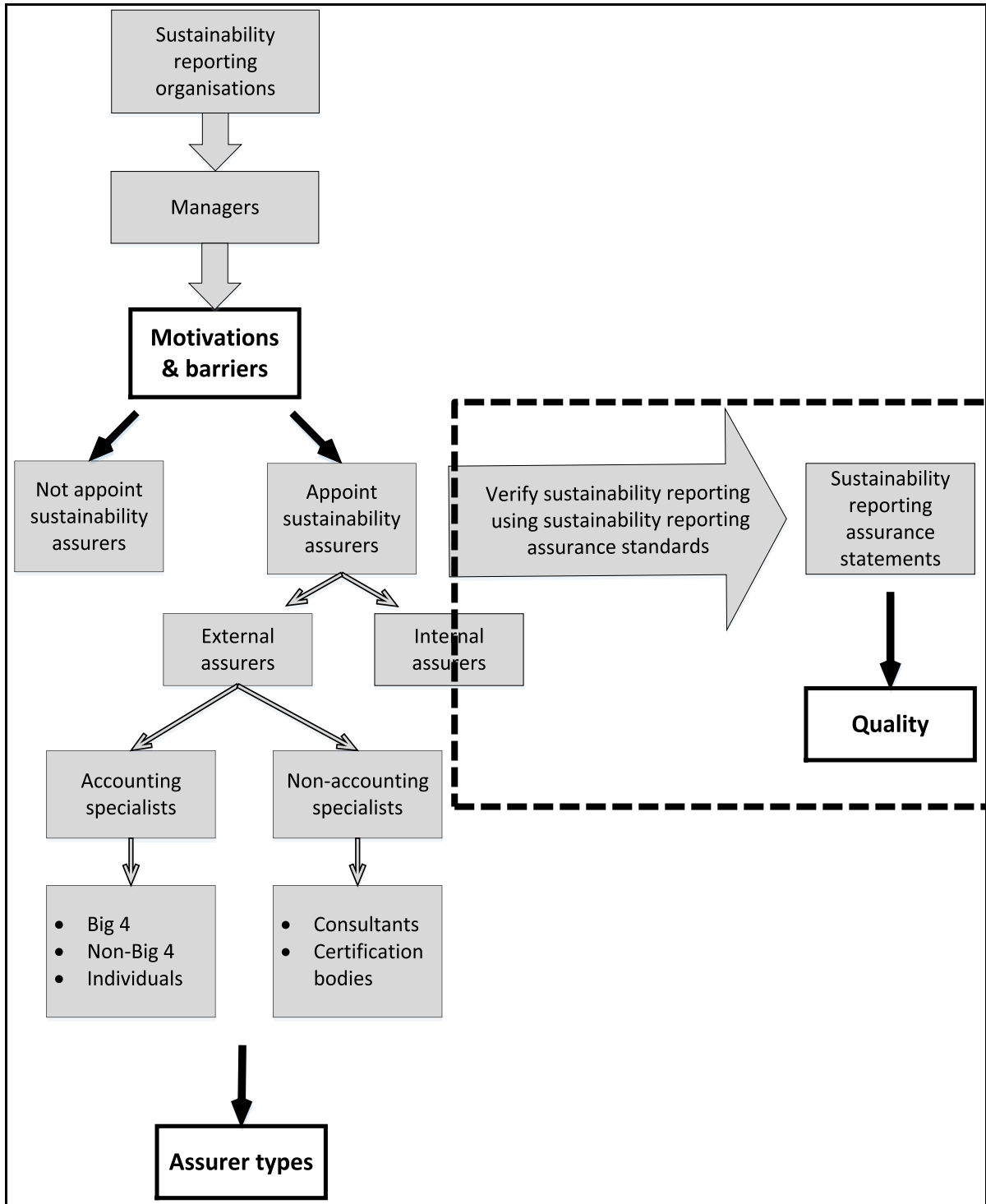


Figure 6.1 Summary of Research Focus – Quality Highlighted

While the first research question was answered in Chapter 3; and Chapters 4 and 5 have already provided discussions around research questions 2, 5 and 6, this chapter focuses on the gap related to the assurance quality – as highlighted in Figure 6.1. This chapter presents the results and discussions for the third and the fourth research questions, as stated below:

- What is the quality of sustainability reporting assurance statements?
- How could the quality of sustainability reporting assurance statements be improved?

In doing so, the data gathered from the sustainability reporting assurance statement content analysis, and the manager' and assurers' interviews were combined to form the associated results and discussions. Section 6.2 focuses on the result of the content analysis to answer the first question mentioned above (i.e. the third research question). Sections 6.3 and 6.4 aggregate the results of the assurance statement content analysis and both managers' and assurers' interviews to provide details about the association between the quality of assurance statements, the reporting criteria and the assurance standards used. The remainder of this chapter mostly emphasises the managers' and assurers' viewpoints about the factors influencing the assurance quality, the key parties responsible and the solutions for improving the quality of sustainability reporting assurance statements in order to provide a comprehensive answer for the second question mentioned above (i.e. the fourth research question).

6.2 Quality of the Assurance Statements

As described in section 3.3, 85 sustainability reporting assurance statements were assessed in Phase 2 of this research, using a content analysis technique, that followed O'Dwyer & Owen's (2005) and Perego & Kolk's (2012) approach in order to identify the current quality among companies listed on NZX in 2013.

Similar to the findings of Perego & Kolk (2012) this research shows an improvement in the quality of the sustainability reporting assurance statements reviewed over the research period, as shown in Figure 6.2. In the first and the last year of the research period, the average quality scores were 18.67 and 28.67, respectively. However, a comparison between the total average quality score (26.12) and the maximum score, based on the designed codebook (40) – see Appendix A.4 – suggested considerable room for further improvements in the quality of the sustainability reporting assurance statements.

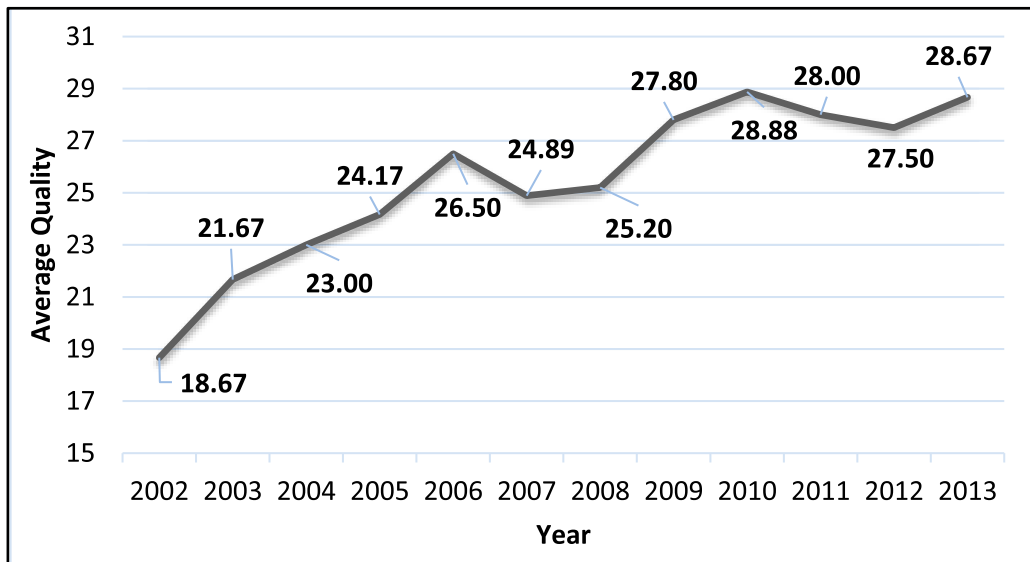


Figure 6.2 Quality of Assurance Statements per Year

Several studies (such as; (CPA Australia, 2004; Hodge et al., 2009; Mock et al., 2007; Moroney et al., 2012; Perego & Kolk, 2012; Perego, 2009; Pflugrath et al., 2011; Zorio et al., 2013) suggested that the quality of sustainability reporting assurance statements may be affected by the type of assurer; hence, this research made a comparison among the quality of assurance statements provided by four different types of sustainability assurers in New Zealand: the Big 4 accounting firms, and individuals as accounting specialists; and consultants, and certification bodies as non-accounting specialists. As Figure 6.3 shows, consultants provided the highest quality sustainability reporting assurance statements, on average, with a quality score of 27.05 out of 40. Certification bodies presented a slightly lower quality, with 25.60 out of 40, closely followed by the Big 4 who scored 25.17 out of 40, on average. Previously in section 5.2, in terms of the number of assurance statements prepared, consultants were identified as the dominant assurers in New Zealand, closely followed by the Big 4.

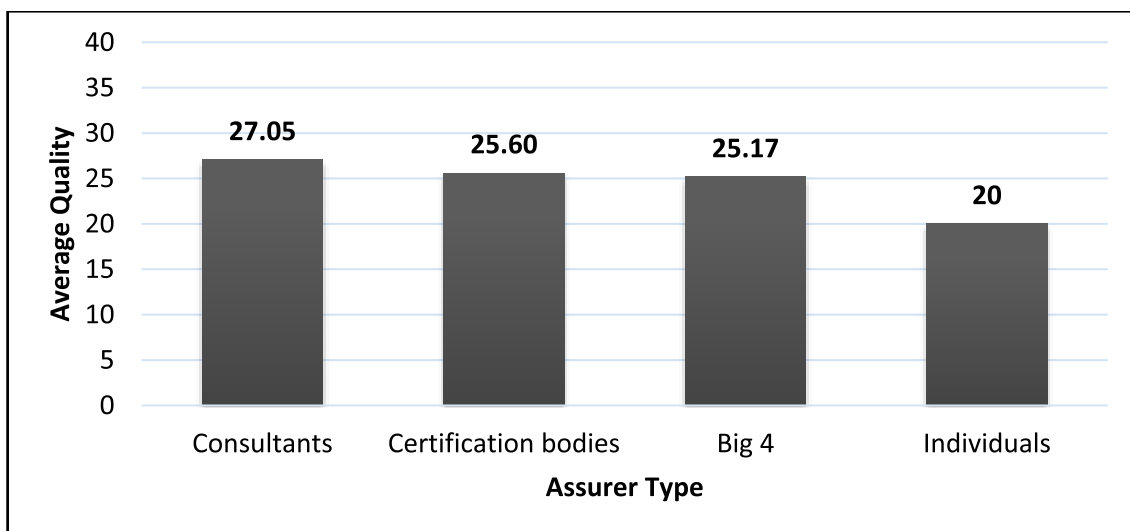


Figure 6.3 Quality of Assurance Statements per Assurer

Thus, consultants are not only the dominant providers, but also they are the providers of the highest quality assurance statements among the listed companies on NZX in 2013.

Apart from one statement by an individual assurer, who was considered to be an outlier, a very similar result was obtained from the other three main types of assurers. This result revealed that the quality of sustainability reporting assurance statements among the NZX-listed companies reviewed was not influenced by the type of assurer (accounting or non-accounting specialist). However, the quality of the assurance statements specifically depends on individual assurers within each assurer type (category). For example, both the maximum (39 out of 40) and the minimum (13 out of 40) quality scores were achieved within the consultant category. This research result was consistent with Ackers (2015), who indicated that the assurer's type was not a factor in addressing the quality and level of reliance that users placed on different assurance statements. In contrast, Perego & Kolk (2012), Seguí-Mas et al. (2015) and Zorio et al. (2013) discovered that the quality of assurance statements was substantially affected by the type of assurance provider. Perego & Kolk (2012) classified assurers in four categories: accounting firms, specialists (consultants), certification bodies and others (including individuals and stakeholders' panels). Their findings revealed that there was a significant quality gap between the others' work (individuals and stakeholders panel) and the three other categories. The measured quality in this research was almost the same for accountants and certification bodies, while specialists (consultants) offered a lower quality assurance. Zorio et al. (2013) identified that accounting specialists performed higher quality assurance as opposed to consultants; while a recent study on the 300 largest cooperative and mutual enterprises in the world listed in the Global300 Report 2010, discovered that sustainability reporting assurance statements provided by non-accountants were of a higher quality (Seguí-Mas et al., 2015).

In contrast to previous studies but in line with the content analysis conducted in this research, the results of interviews did not support the influence of assurer type on the quality of sustainability reporting assurance from the managers' and assurers' viewpoints. Although both managers and assurers indicated differences between different types of assurers in terms of the approach, experience and knowledge, and managers also explained their reasons for choosing their preferred assurers (see Chapter 5), neither group identified the assurer type as a quality factor or a quality improvement solution (see sections 6.6 and 6.8).

As part of understanding the quality of assurance statements, more information about the reporting criteria and assurance standards was gathered through interviewing managers and assurers; this is presented in the next sections.

6.3 Reporting Criteria

As already defined in section 2.3.3, ‘reporting criteria’ represents a guideline/standard the assurer and the reporting company have agreed to use to evaluate the sustainability report (AccountAbility, 2008a, 2008b). This research found that since 2002, GRI has been the most used reporting criterion among the NZX-listed companies reviewed, as shown in Table 6.1. This table revealed a high preference for GRI, as it was the criteria used in 18 stand-alone cases, and in 20 cases (45 percent in total) in combination with other standards and guidelines.

Consistent with this finding, KPMG (2015a) also indicated that 60 percent of all sustainability reporting organisations in 45 countries surveyed used GRI. The KPMG’s survey showed that more than 80 percent of New Zealand’s top 100 companies (by revenue) referred to the GRI guideline in their sustainability reports (KPMG, 2013b). As mentioned in section 3.3, the first sustainability reporting assurance statement among the research population companies was published in 2002 and, since that year, all sustainability reporting assurance standards and guidelines used in this research had been available, except for ISAE 3000, which was effective from 2005. However, the findings of this research suggested that the reporting organisations preferred using more than one guideline/standard in preparing their sustainability report as 31 percent selected a combination.

Table 6.1 Reporting Criteria

Reporting Criteria		Statement Frequency		Statement Percent
More than one standard	GRI + AA1000APS and/or others	16	26	31%
	GRI + others	4		
	Other combinations	6		
No standard/guideline mentioned		19		22%
GRI		18		21%
Greenhouse Gas Protocol		11		13%
Company internal criteria		6		7%
AA1000APS		5		6%
Total		85		100%

In addition to the result of content analysis, the assurers interviewed commented on the criteria chosen as the reporting benchmark. With no exception, all the assurers not only named GRI as the most used and globally accepted standard, but also pointed out that they recommended the use of GRI to their clients. They believed GRI was an easy guideline to understand, follow and apply, especially for reporters in the early stages as it allowed them to choose the relevant items for their business and their industry. Meanwhile, some assurers reflected quite strong opinions about GRI:

... we suggest them to use GRI because there isn't any other one, we don't know any other one at the same level and that is the most globally used one as well ... (AS5)

Other than GRI, AS2 and NAS1 believed the Integrated Reporting <IR> framework could be an option but it was more complicated and time consuming than GRI and they suggested the <IR> framework for companies with a higher maturity in sustainability reporting:

... [<IR>] is a quite nice framework but it actually takes a lot more to apply ... (NAS1)

Table 6.1 showed that having 'no standard/guideline' was also a common approach among the reporting organisations. This finding was confirmed by one of the non-accounting specialists who believed that 'Although GRI is the most popular standard among our clients, no standard is probably the most used standard' (NAS1).

In terms of quality, the content analysis results indicated that the highest quality obtained by the assurance statements used more than one standard/guideline as the criteria, with a quality score of 30.23 out of 40 – among those assurance statements that used more than one reporting criteria, combination of GRI and AA1000APS obtained the highest quality score (32.31). This was followed by the reports evaluated against GRI, with a score of 28.50. At the other end, the lowest score was achieved by the statements prepared based on the reports examined against internally made standards (20), followed by 20.37 obtained by the assurance statements published by the companies that did not mention use of any standard/guideline (see Table 6.2).

Moreover, the findings revealed that – in terms of the quality of assurance statements – following internally designed reporting criteria did not provide reporting organisations with any extra benefit than from using no standard/guideline as the reporting criteria.

Table 6.2 Assurance Quality per Reporting Criteria

Reporting Criteria		Statement Quality	
More than one standard	GRI + AA1000APS + others	32.31	30.23
	GRI + others	27.00	
	Other combinations	26.83	
No standard/guideline mentioned		20.37	
GRI		28.50	
Greenhouse Gas Protocol		24.64	
Company internal criteria		20.00	
AA1000APS		28.60	

Although using more than one reporting criterion was identified as a popular approach used by the companies, this result showed that GRI and AA1000APS was the only combination that provided a higher quality statements than by using only one reporting criterion.

6.4 Assurance Standards

As already explained in section 2.3.3, an ‘assurance standard’ defines a guideline/standard under which the assurance engagement was conducted (FEE, 2002). Similar to previous studies (such as: Ackers, 2015; Gomes, Eugénio, & Branco, 2015; Perego & Kolk, 2012), the content analysis, conducted in this research, discovered there had always been a high preference for using a combination of available guidelines/standards as assurance standards. As Table 6.3 indicates, in one-third (34 percent) of the reviewed sustainability reporting assurance statements, the assurance process has been governed by a combination of guidelines and standards. Some previous studies addressed that the combined use of guidelines and standards seemed to deliver enhanced results (Iansen-Rogers & Oelschlaegel, 2005; KPMG, 2011).

In general, as also shown in Table 6.3, ISAE3000 has been identified as the dominant assurance standard since it has been used by assurers as the single standard in 23 statements, and in combination with other standards in 27 statements – a total of 50 out of 85 statements reviewed. Further analysis highlighted accounting specialists’ preference for ISAE3000 in conducting sustainability assurance, while non-accounting specialists preferred applying the accountability standard – AA1000AS. This finding was consistent with previous studies by Bepari & Mollik (2016) – in the context of Australia – and Manetti & Toccafondi (2012), based on global data.

Table 6.3 Assurance Standards

Assurance Standard		Statement Frequency		Statement Percent
More than one standard	ISAE3000 + AA1000AS and/or others	18	29	34%
	ISAE3000 + others	9		
	Other combinations	2		
ISAE3000		23		27%
AA1000AS		17		20%
No standard mentioned		7		8%
Australian or New Zealand Auditing Standards		6		7%
ISAE3410		3		4%
Total		85		100%

Accounting firms referenced ISAE3000 – either alone or in combination with other standards – in 77 percent of the assurance statements, while this figure was only 44 percent in the case of consultants.

Mandatory requirements for accounting firms – due to professional body memberships – to apply ISAE3000 in their assurance may explain the high presence of that standard in their statements (Ackers, 2015; KPMG, 2013). More over following ISAE3000 as a standard issued by the accounting profession naturally provided a level of comfort for accounting specialists due to similarities between that standard and other standards they were using in conducting financial audits. On the other hand, non-accounting specialists preferred governing the assurance process by AA1000AS. AA1000AS – either alone or in combination with other standards – were used in 29 out of 46 statements (63%) prepared by non-accounting specialists, and were only in 18 percent of statements signed by accounting specialists. The rational might be due to their AccountAbility registration, which provides legitimacy for them as registered sustainability assurers by the standard setter. Besides, AA1000AS is formed by a group of non-accounting specialists and mostly focuses on sustainability reporting about the principles of materiality, completeness and responsiveness as opposed to ISAE3000, which concentrates on data and information verification. Therefore, AA1000AS seems more in line with the non-accounting specialists’ perspectives than ISAE3000.

Content analysis results also revealed that the highest quality score achieved by the assurance statements led by AA1000AS, was 32.53 out of 40, and the lowest score (19.83) related to the statements governed only by the Australian or New Zealand auditing standards. Interestingly, although ISAE3000 was known as the most popular assurance standard, the use of ISAE3000 did not result in higher quality since the assurance statements led solely by ISAE3000 only obtained a score of 24.22. In contrast to Iansen-Rogers & Oelschlaegel (2005) and KPMG (2011), which suggested using more than one governing standard for enhancing quality, the results shown in Table 6.3 identified that although following a combination of standards was discovered as a common approach, it did not provide companies with the highest quality of assurance statements (26.65 out of 40 – see Table 6.4).

Table 6.4 Assurance Quality per Assurance Standard

Assurance Standard		Statement Quality	
More than one standard	ISAE3000 + AA1000AS and/or others	28.17	26.65
	ISAE3000 + others	25.33	
	Other combinations	19.00	
ISAE3000		24.22	
AA1000AS		32.53	
No standard mentioned		20.29	
Australian or New Zealand Auditing Standards		19.83	
ISAE3410		25.33	

In addition to the results from content analysis, all the accounting specialists interviewed named ISAE3000 as the main assurance standard used, and also described it as the ‘*umbrella standard*’ (AS1). It was also commented that, depending on the subject matter, they might use a less broad standard, such as ISAE3410 in GHG assurance. From the non-accounting specialists’ perspectives, although all the interviewees identified AA1000AS as the most used assurance standard, some also named ISAE3000 and described that they might even use a combination of both in an assurance case.

Given the reasons for selecting the assurance standards, accounting specialists stated that as Chartered Accountants and members of an accounting professional body, they must apply ISAE3000 in their non-financial assurance cases (AS3 & AS4). However, similar to non-accounting specialists, they can use both AA1000AS and ISAE3000 concurrently if a client demands this:

We design an assurance process specifically for each engagement so that would reflect the needs of the client, the nature of the business and the nature of the material being assured... selected assurance standards would reflect the organisation and the approach to reporting is driven by its management systems activity ... (NAS2)

AA1000AS is not actually about the reporting framework, [it] is more about the principles of how they are doing... where clients want us to specifically report against those principles so inclusivity, materiality and responsiveness then we are happy to incorporate that within the assurance process. It’s generally driven by the client’s request! (AS4)

Most assurers believed that, apart from that mentioned requirement for Chartered Accountants, the choice of assurance standard depended fully on the client, what they demanded and what suited them, considering their approach. NAS2 described that if the organisation’s sustainability approach was more linked to its financial performance, probably ISAE3000 will be the focus of the assurance. However, if the organisation has already taken a stakeholder-driven approach then the assurance process will be strongly guided by AA1000AS.

6.5 Importance of the Quality of the Assurance Statement

Although organisations engage in assurance to gain legitimacy from their stakeholders – according to stakeholder theory – and to distinguish their sustainability activities and reporting from others – according to signalling theory (discussed in Chapter 2), not all the assurance statements meet those targets. Due to the voluntary nature of assurance, and also the lack of well-established standards, the published assurance statements themselves are different in terms of quality. Consequently, there are some concerns about the quality of assurance statements. To clarify how important the quality was, assurers’ comments on the reporting organisation’s expectation of the quality of the assurance statements were gathered and analysed.

In general, assurers believed the level of care varied among organisations. It depended on the reporting organisation's approach toward sustainability and also the organisation's maturity in sustainability reporting and assurance. *NAS1* also noted that different management levels have different opinions about the quality of sustainability assurance statements:

The CFO or whoever is in charge of the annual report as a whole is probably just after a tick... their first question is do we get a tick? And that is generally their point of view but I think if you talk to the actual project or sustainability manager, they want to make sure that they have done a good job! (NAS1)

It was pointed out by the interviewees that sustainability reporting assurance was an expensive voluntary engagement; hence, only organisations already engaged in this kind of assurance were truly looking to add value (*AS2, AS5 & NAS2*). Although obtaining high-quality assurance was the intention of all engaged organisations, *NAS3* believed that was not possible in all cases since some organisations did not have a well-designed system in place to provide sufficient information for assurers, or there were some budget constraints that prevented organisations from affording a comprehensive assurance.

Besides, *AS1* stated that, although there were some level of rules and requirements around sustainability reporting assurance, this market was not yet mature in comparison to the financial audit market. Organisations and assurance report users are not fully sure about their needs and the range of services that assurers could offer them. Hence, in this stage, it is more about 'getting it done' than paying a lot of attention to quality:

... they accepted the format of the report as set pretty much by the standards... our clients don't believe they can influence what we say in our report so there isn't ever much of a discussion on the content of our report ... (AS3)

6.6 Quality Factors

Both assurers and managers explained their viewpoints about the factors that they believed could affect the quality of the assurance statements. Following reporting and assurance standards, considering clarity in the assurance process, in general, and allocating a separate section to recommendations for improvements, were named as the main factors.

6.6.1 Following Reporting Guidelines and Assurance Standards

As explained in section 3.3, the quality of sustainability reporting assurance statements was assessed based on the recommended criteria mentioned in the common sustainability reporting and assurance guidelines/standards, as this research followed the approach used by previous studies of (O'Dwyer & Owen, 2005; Perego & Kolk, 2012). Similarly, all assurers noted that there were reporting guidelines

and assurance standards to be followed in order to prepare a high-quality assurance statement. In other words, from an assurer's perspective, following standards is the basic requirement for providing an acceptable assurance statement:

... that is an odd question because there are the standards that we have to comply with and they tell us what needs to go to an opinion. The standard, it's not all you need to do to have a high-quality assurance but that is the minimum you need to do! (AS3)

From manager's perspectives, although they did not directly identify the use of guidelines and standards for enhancing the quality of assurance statements, they indirectly named the elements required by GRI, AA1000APS, AA1000AS and ISAE3000 as quality factors. The scope of the assurance (e.g. subject matter, time period), reporting benchmarks (e.g. GRI or AA1000APS), assurance standards followed by the assurers (i.e. AA1000AS or ISAE3000), assurance level (i.e. reasonable or limited), materiality assessment, stakeholder engagement level, and the final assurance conclusion/opinion were the key items affecting quality from both the managers' and assurers' points of view. Interestingly, despite the level of assurance assumed to be a quality factor since it affected the level of risk and, therefore, the reliability of the information disclosed – i.e. higher level of assurance meant a higher level of tests of details needed to be undertaken (Ackers, 2009; Marx & Van Dyk, 2011), it was identified by only two of the assurers and none of the managers.

In general, identifying following current standards as a quality factor confirmed the use of recommended criteria mentioned by assurance standards and guidelines as a correct and appropriate quality measurement for designing this research content analysis codebook in section 3.3.

Neither managers nor assurers pointed out that the use of any specific reporting criteria or assurance standards would influence the quality of the assurance statements. However, the result of content analysis – explained in sections 6.3 and 6.4 – in terms of recognising consultants as the provider of high-quality assurance statements might be justified for the way they mostly used AA1000AS, which was identified as the standard that resulted in high-quality assurance statements.

6.6.2 Clarity

Clarity and simplicity in the writing of assurance statements was identified by both managers and assurers as a factor enhancing the quality of assurance statements. In general clarity, was a key in different ways, as pointed out by the participants:

It just needs to clearly explain the objectives and the conclusions and the level of assurance ... (AS3)

Clarity in referring to data outside of the report so referring back to the website and additional data so clarity of what you looked at ... (NAS1)

Clearly demonstrate that they [assurers] have challenged the reporting organisation about the significance and relevance of the material that they are reporting ... (NAS2)

Adding a summery conclusion at the front of the sustainability report to have a clear short assurance statement, even if it's a five liner one ... (MA4)

Besides, MA3 added that clarity matters to them, not only in writing of assurance statements but also before that stage, when assurers are finalising the material issues to form their opinions. They expect their assurer to communicate with them and discuss the material issues in advance:

When the assurance statement comes out, there are sorts of things that they [assurers] didn't even bother to talk about but we don't expect any surprises... (MA3)

Similarly, Deegan et al. (2006) discovered that sustainability assurance has not yet been as successful as it should have been because of the absence of independence, transparency and clarity in the assurance statements and also in terms of what was undertaken during assurance.

6.6.3 Recommendations for Further Improvements

Although, according to AA1000AS and ISAE3000, additional commentaries and recommendations for further improvements should be included in assurance statements, the findings from the interviews showed that not all assurers put the same level of effort into that section (AccountAbility, 2008b; ISAE 3000, 2008).

Half of the assurers interviewed believed recommendations should definitely be a section in the assurance statement. In contrast, AS4 pointed out that although those recommendations do not affect the assurance opinion and they were provided only for future improvements, so including them in assurance statements might be confusing for some users – even for the organisations themselves. In other words, that might cause confusion about whether or not it is a 'clean audit opinion'. Hence, they include recommendations only if 'the client wants' (AS4). From the manager's viewpoint, including a commentary section is also considered a 'value adding activity' (MNA3).

The result of content analysis revealed that more than half (almost 52 percent) of the published assurance statements stayed silent about any of the observed results and also about any recommendations for future improvements. Considering 'internal improvement' was one of the main intentions of reporting organisations choosing assurance engagement, as identified through the interviews (section 4.5), reflections on changes happening in sustainability-related activities over the reporting period and recommendations for improvements were considered as key points for reporting organisations, and should be definitely included in assurance statements. Some assurers noted that not allocating a section for recommendations in assurance statements, did not necessarily mean they

have never communicated such information with the organisations through other channels (e.g. the management report). However, managers prefer having that section in the statement to be able to communicate it with all stakeholders. This aligns with both signalling theory and stakeholder theory. This suggests managers use recommendations as a signal to stakeholders in order to distinguish themselves by informing them about both strengths and weaknesses.

6.7 Preparing a High-Quality Assurance Statement

Apart from following assurance standards, as discussed earlier in section 6.6, setting and following quality review processes; keeping high levels of communication with the client; and taking a risk approach to assurance, were identified as methods for enhancing quality by the assurers interviewed, as discussed below.

6.7.1 Quality Review Processes

Most of the assurers – all the accounting specialists and one of the non-accounting specialist assurers (NAS3) – believed that they have a robust assurance process in place which, when followed, will provide them with a high-quality assurance statement as the outcome. Besides, there are ‘*quality review processes*’ within each assurance organisation – both accounting and non-accounting specialists – who send the report for different layers of review in order to express the right assurance opinion:

... [the] sorts of quality review processes we have built within our organisation so we have got more junior staff carrying out the work, based on the work plan, that has been developed by the managers and the partners and it will be reviewed by the managers and the partners... the partner doesn't review every single thing that has been done, clearly focus only on major risk areas and so on and for managers sort of low risk areas ... (AS1)

Huggins et al. (2011) claimed that accounting specialists have some advantages in this case as they must follow strict rules set by accounting professions around following a Code of Ethics and having rigorous quality control systems in place to ensure they are considering appropriate care and skills in each assurance case.

6.7.2 Communication

Assurers stated that a reasonable level of ‘*two-way communication*’ with the client provided them with sufficient information to be able to offer a high-quality service. It was explained that both parties should continually communicate, from the time they are forming the assurance agreement to the time they are finalising the assurance opinion. On the one hand, that allows assurers to clarify with the client about all aspects of the assurance service. On the other hand, assurers will obtain sufficient information about the organisation, the market, the industry and more importantly a good understanding of what the client is seeking through the assurance engagement.

To do so, assurers pointed out that they needed to set regular meetings (considering the different stages of the assurance process) with key personnel and different levels of managers in the organisation – similar to financial audits – and also some meetings with key stakeholder groups since ‘stakeholder engagement’ (NAS4) was particularly mentioned as a key factor in this regard. Thus, communication was not only between the assurer and the reporting organisation, but also key stakeholder groups should be involved in all important stages of the process. NAS1 mentioned that they normally provided the client with a draft of the final opinion before publishing, and they also believed that the client needed to be given a chance to question the assurance result:

We make sure our clients are happy or give them a draft of it and if they got any concerns, talk through with them... (NAS1)

6.7.3 Risk Approach Assurance

Assurers explained that the sustainability assurance process needs to be the same as any other assurance processes, i.e. as robust and consistent as the financial audit process. However, it was pointed out that each sustainability assurance case needed to be planned, based on the ‘risks’ associated with the particular client. In other words, sustainability assurers should follow a ‘risk approach assurance’ to be able to enhance the quality:

...having that reviewed by other partner as signed off by a technical area or risk area or something on those lines... (AS1)

...what do we plan, what are the procedures we are going to do and then who is undertaking the work... and the second quality review partner, all depending on the level of risk... (AS4)

...what I try to do is come up with an audit programme for an organisation that would meet all of its needs, so the compliance needs and the management system needs or meets the risk... (NAS4)

6.8 Quality Improvement

Section 6.2 showed there was still reasonable room for quality improvement, and other sections, specifically 6.5, highlighted the importance of quality in assurance statements. Given this, managers and assurers identified the key parties responsible for quality improvement and shared their insights into the key solutions for improving quality.

6.8.1 Key Parties

Most of the managers and assurers interviewed believed that assurance statement quality improvement was a shared responsibility for all parties involved: reporting organisations, assurers, regulators and standard setters, as well as stakeholders.

Reporting Organisations

The results of this research showed that assurance statement quality was not only related to the quality of assurance process and the assurance standard which govern the process, but also it was affected by the reporting quality and the reporting criteria selected – see section 6.3, with one assurer commenting that is ‘hard to look at the assurance on its own’ (AS4).

Therefore, organisations, as the party in charge of generating data, selecting reporting criteria and preparing sustainability reports, were responsible for the quality of assurance statements regardless of their engagement purposes:

... companies need to be bought into this process ... (AS1)

... the company is responsible for the quality of the data ... (MNA5)

Apart from providing a high-quality sustainability report, organisations are responsible for choosing the right assurers and providing them with sufficient appropriate information, as MA4 commented ‘the company needs to deal with best communication’.

According to agency theory (refer to section 2.2.1), and as demonstrated in the research model (Figure 1.1), managers, as representatives of reporting organisations, were heavily involved in the different stages even after reporting sustainability information. Managers make the decision about whether to engage in sustainability assurance or not, and also have options for choosing among the different assurers, several guidelines and standards, assurance scopes, and assurance levels.

Similar to the results of this research, as mentioned in section 6.7.2, the Australian Centre for Corporate Social Responsibility (ACCSR) (2016) and GRI North America (2014), an organisation’s responsibility to keep strong relationships with stakeholders is recognised as one of the priority actions needed in New Zealand. In line with stakeholder theory, that engagement with stakeholders not only provides organisations with a licence from the stakeholder to operate for a longer period, but also gives them a good understanding about the stakeholder’s concerns, which guides them in their materiality measurements.

Assurers

There is an ‘obvious’ role for assurers to be responsible for the quality of sustainability reporting assurance statements since they design the assurance approach, conduct the assurance process, and form the final opinions. However, it was noted that assurers were responsible only for following guidelines and standards, and having an internal quality assurance process in place – section 6.7.1. Thus, the quality of the assurance statement is not fully under their control:

... we need to be robust and creditable as an industry or as a practice... so it's probably an assurance provider. But there is a need for better collaboration if want to see this grow ... (NAS1)

In general, assurers play an important role, not only in enhancing the speed of assurance growth, but also in improving the quality of assurance. Similarly, Shum et al. (2009) believed that assurers, specifically accounting professionals, played a proactive role in improving the quality. Indeed, assurers were recognised as the responsible party for the amount of information disclosed in assurance statements. To meet current requirements, they needed to disclose all the minimum criteria required by assurance standards. However, assurers can increase the quality of assurance statements by enhancing the level of useful disclosure. Information related to the journey of sustainability activities in the organisation, the organisations' weaknesses and strengths, both in performing and reporting sustainability, and recommendations for future improvements were the examples of useful disclosures.

Regulators and Standard Setters

Both managers and assurers have observed a level of responsibility for standard setters and regulators. They believed standard setters like GRI, AccountAbility and, specifically, XRB in New Zealand, were responsible for providing clear and comprehensive guidelines and standards for both reporting and assuring parties. They should clearly define the characteristics of a high-quality assurance statement and properly communicate it among organisations and assurers:

They [regulators and standard setters] actually play quite an active role in trying to lift the quality of the assurance report ... (AS4)

Although, currently, there are no regulatory requirements about reporting and assuring sustainability information, New Zealand's reporting and assurance markets are both in a growing stage. As MNA4 noted, so far that has been only a movement within members of SBC:

... there is a requirement through the membership of SBC to actually produce a sustainability report so there is a focus within NZ businesses generally to improve disclosure ... (MNA4)

Based on the insights gathered, a stronger level of requirements or support from the government or any regulatory organisations could increase the assurance statement quality, as has already happened in some countries like Australia, which mandated reporting sustainability-related risks and opportunities for listed companies:

Probably regulators, they have to make those overarching decisions for instance whenever we decide move to formalising sustainability reporting as a requirement ... (MNA3)

This idea was supported by previous studies conducted in New Zealand. Shum et al. (2009) noted a need for setting high-quality standards. They also identified the crucial role of the government in imposing those standards for achieving high-quality sustainability reports and assurance statements. Similarly, Wright et al. (2016) discovered that a lack of any coercive pressure from sustainability intermediaries or the government was a barrier in quality improvement, which emphasised the key role of those regulatory organisations in improving the assurance quality.

Apart from setting a level of requirement, both standards setters and regulators could help in another way by widely promoting sustainability reporting and its assurance through different channels, as supported by AS2:

... there is role for NZ Sustainable Business Council or those sorts of organisations to be advertising it to the senior level in organisations, the CEOs and board members ... (AS2)

Stakeholders

Stakeholder pressure has already been identified as a factor in enhancing the quantity or number of organisations engaged in sustainability reporting assurance (Eweje, 2011). Damen (2016) discovered that pressure from stakeholders was a leading factor for organisations in seeking for a high-quality assurance service. This research also recognised stakeholders (especially investors) as an important responsible party for improving the quality of assurance given they are the major users of assurance statements and their decisions could be affected by the quality of assurance statements. Hence, to achieve the stakeholders' support and approval that was explained under stakeholder theory, organisations need to prepare sustainability reports, to communicate to stakeholders, as well as engage in the sustainability assurance process to provide high-quality information.

MA3 added that 'users' [especially investors'] demands will push it forward,' as has already happened for DJSI and the FTSE4Good Index. Stakeholders' expectations determine the necessity, level and scope of assurance, and their engagement in the assurance process influences the quality of the assurance statement:

Stakeholders, they need to be clear, in terms of what their expectations are of that process and what they want to see as the result within both the statement and also the why and which undertaken and even how they are involved in that process ... (NAS4)

In that regard, NAS3 stated that 'assurance would generate more value if the stakeholder input was considered':

... an ideal sustainability report should be written with stakeholders throughout the year ... (NAS3)

Obviously, this kind of ongoing assurance is more complicated and, therefore, more time consuming, but it provides benefits for both organisations and stakeholders. In the case of stakeholder assurance, stakeholders interact with the organisations through two different channels. They are involved not only in making decisions – stakeholder management – but also in solving issues and taking action – stakeholder engagement (Manetti & Toccafondi, 2012).

In summary, to improve the quality of sustainability reporting assurance statements, a multi-party approach – involving reporting organisations, assurers, regulators and standard setters, and stakeholders – is needed. The main quality improvement solutions recognised by the key parties were classified and then explained in detail in the following section.

6.8.2 Key Solutions

The managers and assurers interviewed identified more stakeholder engagement, wider promotion, and more reporting and assurance requirements as key solutions in improving assurance quality.

More Stakeholder Engagement

Although higher levels of stakeholder involvement, both in the reporting and assurance processes, has already been identified as a factor increasing credibility (Park & Brorson, 2005), this research discovered that stakeholders also play an important role in both processes in terms of enhancing the quality – section 6.8.1. This finding was supported by other studies, which stated that the quality of sustainability reporting was highly associated with stakeholder engagement (Thomson & Bebbington, 2005). According to AA1000APS, inclusivity, materiality and responsiveness to stakeholders are the three main principles in taking an accountable approach toward sustainability, and assurers should report on them in their assurance statements (AccountAbility, 2008a). Meeting those principles is bound up with high level of stakeholder engagement which proves the important role of stakeholders at assurance process. O’Dwyer & Owen (2007) also discovered that use of AA1000AS as the assurance standard will increase stakeholder engagement and, consequently, enhance quality.

Most assurers and some of the managers interviewed, in this research, have found stakeholder engagement as a key quality factor not only in reporting but also in the assurance statement. Stakeholder engagement in the reporting and assurance processes was the only mechanism which can guarantee the materiality and relevance of information included in the report and its assurance statement (Manetti & Toccafondi, 2012; Thomson & Bebbington, 2005). The result of content analysis – conducted in Phase 2 of this research – did not reflect a high level of stakeholder engagement from reporting organisations in New Zealand. There was a large number of assurance statements examined in Phase 2 which did not mention about inclusivity (50 percent), materiality (26 percent) or responsiveness (66 percent) at all. In contrast, the disclosure related to assurer engagement with

stakeholders was higher since 84 percent of statements explained – either partially or fully – the extent of stakeholder participation in the assurance process. Stakeholders are the main users of sustainability reports and the assurance statements; hence, to be able to take advantage of this process, they need to be regularly communicated to by organisations and assurers.

One interviewee commented that the more involvement received from stakeholders, the more familiarity organisations and assurers will achieve in regard to their '*values and demands*' (AS1).

NAS3 noted that sustainability assurance should be an ongoing process undertaken actively throughout the year. This type of assurance was introduced as the '*ideal assurance*'. However, it was pointed out that there were some constraints around an active stakeholder engagement in the assurance process. This sort of assurance was costly and time consuming (in comparison to its traditional style); hence, considering the values received by stakeholders, this process needed to be funded and, also, a sufficient number of personnel should be allocated to obtain expected outcome.

Communication was already identified by assurers as a key factor in preparing high-quality assurance statements – section 6.7.2. According to stakeholder theory, a high level of communication is required in order to achieve legitimacy from stakeholders. Communication is not necessarily about the final outcome (i.e. the sustainability report or sustainability reporting assurance statements). Indeed, it should be an ongoing communication with stakeholders by organisations and assurers from the beginning, when organisations start developing sustainability systems, to the end, when they publish the final assurance statement.

Wider Promotion

Interviews revealed that there were generally two groups of organisations involved in sustainability activities. First group has already set the goals and valued sustainability performance and its reporting, but they were not sufficiently familiar with the possible options and best practice in regard to reporting and assurance. The second group, was behind the first one and had not yet found any value in sustainability reporting and the assurance engagement.

In order to enhance the quality in such an environment, AS1 stated that '*companies need to be bought into the [reporting and assurance] processes*' as the first step. Not only did organisations need to know their goals and purposes (MA4) for sustainability performance but also they should value communicating their achievements by reporting and engaging in the assurance process:

... assurance can't be separate from general sustainability... obviously your reporting is just an output from all of the other stuff that companies are doing so the companies need to see the value of doing all of the other things as well as sustainability reporting, it can't obviously happen in an isolation ... (AS2)

Wider promotion was suggested by MNA3 and AS2 in order to, first, increase the general sustainability knowledge and, secondly, introduce the available methods and options. It was recommended that the representatives of key parties (listed in section 6.8.1), should get together to share ideas and their demands and, at the end, publish the results of their discussions. Sustainability-related forums or gatherings (e.g. workshops, awards) help organisations learn from each other and indirectly improve the knowledge among organisations; however, they might not directly improve the quality of assurance statements (Wright et al., 2016). As also suggested by Park & Brorson (2005), establishing awards for best practice can be a good way of promoting sustainability reporting and its assurance as it is also driving organisations to engage. Besides, the award ceremonies could provide a friendly and informative environment for sustainability managers to exchange ideas.

Lack of sustainability knowledge was identified not only as one of barriers for organisations' engagement (section 4.6) but also as one of the difficulties faced by assurers (section 4.9). Thus, it is important to promote a sustainability culture inside organisations. Gathering to discuss the importance of sustainability to the organisation by involving key and motivated managers would improve the sustainability knowledge of their personnel internally. While, registering personnel into sustainability workshops and formal gatherings outside the organisation would increase the level of knowledge since it provides a chance to hear from other organisations and their experiences around managing sustainability activities and engaging in reporting and assurance processes. Similar to this research, ACCSR's findings also indicated that building internal sustainability understanding was one of the priority actions recognised among New Zealand organisations (ACCSR, 2016). Besides, given that sustainability assurance was considered to be a signalling tool – according to signalling theory – for the signal to be effective, the receivers (users) needed to be familiar with the information sent towards them (Connelly et al., 2011).

More Reporting and Assurance Requirements

Lack of consistency and comparability in sustainability reporting and its assurance was found by several managers and assurers. Considering the quality discussion, most managers and assurers demanded to be provided with clear well-organised globally-accepted guidelines and standards to be used as benchmarks both in reporting and in assurance:

... if there is a way to have some overarching guidelines or standards around what the report has to contain to be consistent, so you would know that you would get a similar output and also would be comparable when you are looking at different sustainability reports and look across the different assurance statements ... (MNA3)

Besides, it was expected to have a level of standardisation across the quality and consistency of the assurance service provided by all assurers:

When a company comes to [assurer X, assurer Y and assurer Z], they know this is generally the process that we are going through and everyone has the same or similar approach... (NAS1)

It was also noted that having some rules and requirements, around 'who is eligible to be a sustainability assurer?' (NAS4) would help in achieving uniformity and, subsequently, quality.

There was a number of suggestions made by assurers and managers, mostly related to mandating and framing sustainability reporting as the first step, and then repeating the same process for assurance:

- Introducing a common sustainability reporting framework (MNA1)
- Regulating sustainability reporting while one internationally-accepted sustainability reporting standard introduced to reporting organisations (MA2, MA3 & MA4)
- Introducing some benchmarks and measurable metrics, i.e. sustainability-related key performance indicators (KPIs) (MNA2)
- Imposing some requirements on publishing sustainability reports and assurance statements by FMA, NZX or registered banks (NAS2)

Assurers mostly believed that reporting on sustainability should be mandated, not only because it will improve the quality of assurance statements, but also to achieve a level of growth in terms of the quantity of assured reports and public acceptance:

... it's not going to change from now until it becomes regulated, in other countries it happened when it started becoming regulated. Everybody does it [assurance] in South Africa for example since it is compulsory to have the assurance and sustainability reporting ... (AS5)

Similarly, a recent study of New Zealand organisations involved in sustainability activities discovered that reporting was a difficult practice to be achieved, let alone assurance as well. Sustainability reporting will not be embraced by organisations as long as there was no source of external force (Wright et al., 2016). Setting mandatory requirements related to both sustainability reporting and sustainability assurance was identified as the most effective method for generating more reports and assurance statements (CPA Australia, 2007). Shum et al. (2009) not only supported CPA's findings but also discovered that forcing requirements will increase the quality of sustainability reporting and assurance. However, there were still some managers who believed forcing mandatory requirements would not help towards quality improvement. Sustainability reporting and its assurance were not clear processes yet; hence, mandating them will result in the submission of a large number of low quality reports and statements since organisations subjected to those rules have to submit a report (MA5, MNA1, MNA2, NSA4). Thus, it will cause growth in terms of the quantity but not necessarily the quality of statements.

Considering the result of this research and earlier studies, in general, there was a definite need for organisations to start engaging in sustainability reporting assurance. However, the interviews and the results of the content analysis revealed that New Zealand was not fully ready for requiring that engagement in their practices. Therefore, New Zealand should gradually start with minimum requirements and sufficient time should be considered for both reporting organisations and assurers to adjust to the new assurance requirements.

6.9 Chapter Summary

This chapter highlighted some key points about quality of sustainability reporting assurance statements in order to answer the third and fourth research questions. The highest quality assurance statements were assured by consultants – who were also the dominant assurers – closely followed by the Big 4. However further analysis showed that the quality depended mostly on the assurers themselves – as individuals – not the assurer’s type (category).

Although there has been a quality growth trend since 2002 when the first assurance statement was published among companies listed on NZX in 2013, the quality of sustainability reporting assurance definitely needed some improvement. There was still a gap between the scores obtained by the published statements and the highest quality score calculated, based on the minimum criteria mentioned in the reporting guidelines and assurance standards (content analysis code book). Assurers should follow the elements listed in the sustainability reporting criteria and assurance standards – the elements formed the content analysis codebook – to be able to obtain a basic quality score. Besides, organisations believed that the assurance statements were technical letters; hence, clarity in writing will increase the quality of that statement. Although the assurance opinion was mostly considered as the key message of the assurance statement, organisations preferred a larger section that included recommendations for future improvements.

Considering content analysis, GRI and ISAE3000 were recognised as the most dominant reporting criteria and assurance standards, respectively. Reports assured against more than one reporting standard – specifically combination of GRI and AA1000APS – achieved the highest quality score. In terms of assurance standards, AA1000AS governed the assurance statements that obtained the highest quality score. However, neither the managers nor assurers interviewed mentioned any relationship between the use of any specific reporting criteria and assurance standards and the quality of assurance statements.

Given the perspective of agency theory, signalling theory and stakeholder theory, this chapter also explained the importance of quality to organisations and stakeholders, identified the key quality improvement factors, and the key parties involved in the assurance process to answer the fourth

research question. The managers and assurers interviewed believed the quality of sustainability reporting assurance statements was not a single responsibility, indeed, it was a shared responsibility among reporting organisations, assurers, regulators and standard setters, and stakeholders.

More stakeholder engagement (especially from organisations), wider sustainability reporting and assurance promotion, and more reporting and assurance requirements were recognised as the main solutions to improving the quality of sustainability reporting assurance statements. Although there were still difficulties associated with stakeholder engagement in the reporting and assurance processes, a higher level of ongoing communication with stakeholders was needed to improve assurance quality. Materiality was a fundamental concept both in sustainability reporting and sustainability assurance; hence, stakeholders – as the main users of such reports – should be involved in all stages of preparing sustainability reports and assurance statements by organisations and assurers. Moreover, an external force is needed in regard to sustainability reporting and assurance; either informally from stakeholders especially investors and shareholders (known as stakeholder pressure), or formally from sustainability related associations, forums or even the government. Meanwhile, active promotion of sustainability reporting and assurance – both internally among organisation’s personnel and externally among all groups of stakeholders – should be considered to keep all related parties informed about the recent rules and requirements.

A summary of all the research findings, from this chapter and chapters 3, 4 and 5, along with the research contributions and limitations, will be provided in the following chapter. Some recommendations are also suggested for future studies in the final section of Chapter 7.

Chapter 7

Contributions, Limitations and Future Research

7.1 Introduction

Sustainability reporting without an assurance statement is considered only as a marketing tool due to a lack of accuracy, reliability and credibility (Shum et al., 2009). Hence, the purpose of this research was to examine different aspects of sustainability assurance and inform involved parties by providing insights into the sustainability assurance market in terms of introducing some characteristics for best practice. The discussions in Chapters 4 to 6 outlined organisations' motivations for, and barriers to, sustainability reporting assurance; identified the preferred assurers; assessed the quality of current sustainability reporting assurance statements; and introduced the key factors that contributed to increasing the quality of these statements. In doing so, this research focused on the viewpoints of sustainability managers and assurers, as well as examining sustainability reporting assurance statements.

This chapter provides a summary of the findings and categorises them based on the research questions. Section 7.3 highlights the theoretical contributions and their practical implications, while the limitations of this research are indicated in section 7.4. Opportunities and suggestions for future studies are stated in section 7.5.

7.2 Findings

In answering the first research question about what the current status of sustainability reporting and sustainability reporting assurance was, an extensive internet search – explained in Chapter 3 as part of population identification phase – revealed that only 31 of the companies listed on NZX in 2013 published a sustainability report, either as a stand-alone sustainability (social responsibility/environmental) report, part of annual report, or a web-based sustainability report. Further, only ten of the NZX-listed companies in 2013 have reported sustainability information as well as engaged in sustainability assurance process.

A list of motivations for, and barriers to, sustainability reporting assurance engagement was generated as a result of answering the second research question about why organisations do or do not engage in sustainability reporting assurance – see Chapter 4. Figure 7.1 summarises the motivations for, and barriers to, sustainability assurance discovered in this research. Organisations have chosen to assure their sustainability reports as they believe assurance helps in meeting their responsibilities and commitments; sends positive signals to stakeholders (in line with signalling theory); improves internal

processes; increases scores in various accreditation schemes; provides a competitive advantage; and, most importantly, gives a level of internal confidence and external credibility to their performance and reporting (in line with agency theory and stakeholder theory). However, there are other organisations that are dealing with some difficulties in terms of starting an assurance engagement. A lack of resources – money, time and personnel; a lack of external drivers, either formally from authorities or from stakeholders; and a lack of general sustainability knowledge, skills, and instructions, were identified as barriers to sustainability assurance engagement.

Motivations	Barriers	Assurers' Issues
<ul style="list-style-type: none"> • Positive signals • Internal improvements • Scored by indices • Credibility (confidence) • Competitive edge • Responsibility 	<ul style="list-style-type: none"> • Lack of resources • Lack of external drivers • Lack of sustainability knowledge 	<ul style="list-style-type: none"> • Materiality measurements • Lack of knowledge within organisations • Immature standards • Assurers' competition

Figure 7.1 Motivations for and Barriers to Sustainability Reporting Assurance

Although developing internal systems and processes and providing external credibility were discovered as the most important benefits of sustainability assurance for organisations, the organisations, not engaged in assurance stated there were other approaches that could provide them with the same advantages, such as management integrity and setting sufficient internal checks. However, based on the findings, this research came to the general conclusion that to be able to create credibility, organisations needed to engage in the assurance process and publish sustainability reporting assurance statements. Setting some requirements around reporting appeared to be a realistic solution for motivating organisations to engage in sustainability assurance.

Apart from the difficulties that organisations were facing in terms of engaging in the sustainability assurance process, assurers also raised some concerns from the providers' points of view in relation to offering an appropriate assurance service – see Figure 7.1. Materiality evaluation and performance measurements, lack of sustainability knowledge within organisations, immature reporting and assurance standards were the most important issues identified from assurers. Competing among large well known assurers, such as Big 4 accounting firms, who have access to different resources was also considered challenging by some smaller non-accounting assurers.

The third research question, which asked about the current quality of sustainability reporting assurance statements, was discussed in Chapter 6. Following both agency and stakeholder theories, publishing sustainability reports *per se* did not provide legitimacy toward stakeholders since it cannot

fully solve information asymmetry problem. High-quality assurance should be attached along with the report to provide stakeholders with credible and transparent information. Content analysis of 85 sustainability assurance statements published by the ten companies listed on NZX, in 2013, revealed that the quality of assurance statements had increased since 2002. However, there was still a sufficient gap between what assurance statements had achieved so far and what was expected – based on the minimum quality criteria listed in sustainability reporting and assurance standards. Among the four types of external assurers examined in this research – no internal sustainability assurer was found; consultants, who were the dominant assurers, provided the highest quality assurance statements; however, there was not a significant gap between them and the Big 4 as the accounting specialist representatives. GRI was identified as the most used reporting criteria disclosed in assurance statements, while the combination of GRI and AA1000APS obtained the highest quality ranking among them all. Considering assurance standards governed the assurance process, ISAE3000 was identified as the most used standard while AA1000AS provided the highest quality sustainability reporting assurance statements. In addition to the result of content analysis, the interviews also revealed that GRI was the best benchmark for reporting criteria, from the viewpoints of both accounting and non-accounting specialists. While they have different opinions in terms of best assurance standard – AA1000AP was selected mostly by non-accounting specialists and ISAE3000 mainly governed the accounting specialists' assurance process.

In general, the factors affecting the quality of sustainability reporting assurance statements recognised by both managers and assurers were categorised as: following all the criteria and instructions included in reporting guidelines and assurance standards; writing a clear and simple statement and having ongoing communications; and including recommendations for future improvements. On the other hand, assurers believed that they needed to have quality review processes in place; communicate regularly with the reporting organisation and its stakeholders; and follow a risk approach to assurance that was designed specifically for each reporting organisation, in order to be able to perform a high-quality assurance service.

Chapter 6 also addressed the fourth research question of how the quality of sustainability reporting assurance statements could be improved. As pictured in Figure 7.2 below, four parties, including reporting organisations, assurers, regulators and standards setters, and stakeholders, were identified as the responsible parties and three main solutions were suggested for improving the quality of sustainability reporting assurance:

1. Stakeholders play an important role in determining materiality, which affected both sustainability reporting and assurance processes. Therefore, involving key stakeholders in both processes from the beginning to the end – in other words, moving towards a more

stakeholder-oriented reporting and assurance processes – will significantly increase the quality of assurance statements

2. As already explained in different sections of this research, the New Zealand sustainability market was suffering from a lack of sustainability knowledge. Wider educational activities around sustainability performance, sustainability reporting and its assurance that focused on their benefits and how they add value for the reporting organisations – and their stakeholders – could be considered as a basic solution and,
3. Current sustainability reporting and assurance processes need more settings and measurements to be able to provide more consistency and comparability. Setting some mandatory requirements, along with the global trends, will not only increase the quality of the published information, which improves the national use of those reports and statements, but will also provide a global advantage for New Zealand sustainability reports and assurance statements, since they will be more comparable to the ones published in other developed markets.

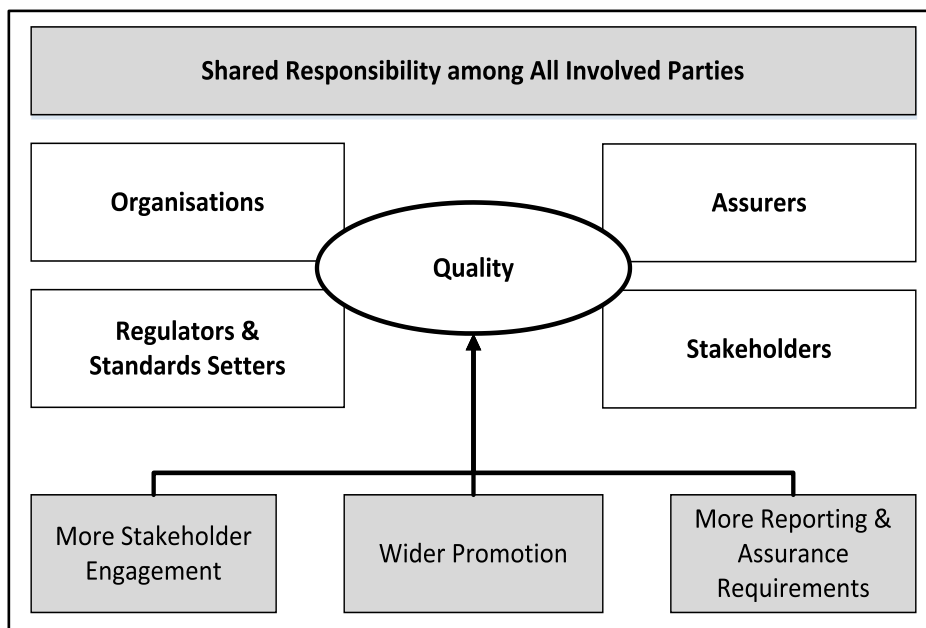


Figure 7.2 Quality Improvement

The fifth research question which asked about the preferred types of assurers, discussed in Chapter 5. Following the literature review, the assurers were originally divided into four groups: consultants and certification bodies as non-accounting specialists, and Big 4 firms and individuals as accounting specialists.

Although this research extended that range by categorising all those types as external assurers and adding internal assurers as a new type of sustainability assurance provider, the result of content

analysis confirmed that, in New Zealand, external assurers have never shared this market with internal assurers. Consultants were identified as the dominant assurers, closely followed by the Big 4 firms; the other types of external assurers were not actively performing sustainability assurance services in New Zealand. The interviews revealed that although working concurrently with both internal and external assurers was selected as the ideal form of assurance by half of the managers interviewed, lack of independence and credibility, lack of experience and knowledge, lack of resources, and lack of strong drivers were identified as the key rationale against selecting internal assurers in practice.

For the sixth research question about why different types of sustainability reporting assurance were preferred, the organisations stated several factors in choosing their assurers – see Chapter 5. The influential factors were:

- Assurers' subject matter knowledge and experience
- Assurers' audit skills
- Assurance fees
- Assurers' reputation and,
- Pre-existing relationships with assurers

Organisations looked for assurers with sufficient knowledge and experience, particularly in 'sustainability assurance'. Assurers in this area should be able to cover both elements of sustainability assurance; be the subject matter expert, which meant having a reasonable knowledge and experience in environmental, social and sustainable activities and performance, and also be an experienced auditor to be able to lead the assurance process. The cost of sustainability assurance still played an important role in an organisation's decision making process, which mostly led them into a direction of working with smaller non-accounting specialists as they offered the service for a lower fee. However, there were organisations that considered the reputation of the assurer first as they believed the big names – e.g. Big 4 firms – will add more value to their sustainability performance. Another advantage for accounting specialists was based on the fact that, in most cases, they have already built a relationship with the reporting organisation while they provided the financial audit service. Those pre-existing relationships resulted in time savings for both the parties involved; assurers have already gathered fundamental information about the organisation, and so the organisation will not go through it again with a new assurance team. Besides, managers commented on expecting assurers to provide them with some sort of sustainability advisory and training service. Although none of the managers directly noted receiving those services as the factor that influenced their decisions in selecting the sustainability assurers, they explained it as part of a complete audit and might consider it to a certain extent.

Although the interviewees mostly believed having both internal and external assurers would provide them with the maximum benefits, they did not come to a single conclusion for the best assurer. It should be noted that they all have their own preferred assurer, which might be justified, given they

were in different stages of the sustainability journey; they were operating under different circumstances and had different priorities. However, the current level of freedom around choosing assurers might increase the agency problem – as managers selected the assurer who provided them with an assurance statement in line with their interests – and prove a need for some stronger requirements in sustainability reporting and assurance.

In some cases, already engaged-organisations either stopped assurance engagement or switched their assurer year to year since making decisions about sustainability assurance was an annual process. Achieving efficiency, especially through cost cutting, gaining more value, and taking advantage of a new fresh perspective, are the main reasons for switching to a new assurer, while not having a strong driver – such as some mandatory requirements or stakeholder’s demand – was the key incentive to stopping assurance engagement.

7.3 Contributions and Implications

Given these key findings, this research contributed new knowledge and insights by going beyond what was obtained in earlier studies in terms of theory and literature, and practice and policy.

7.3.1 Theory and Literature

This research extended agency theory, signalling theory and stakeholder theory to explain the function of sustainability reporting assurance.

Considering agency theory (see section 2.2.1) findings of this research emphasised that organisations and their stakeholders (especially shareholders and future investors) demand sustainability reporting assurance since they are seeking a higher level of transparency and credibility, which can be provided through an independent assurance service. A sustainability reporting assurance statement is a professional report provided by an independent party which presents a true and fair picture of the organisation (not necessarily the picture managers plan to demonstrate); therefore, reducing the level of information asymmetry among stakeholders.

Given the concept of signalling theory (see section 2.2.2), the results of this research demonstrated that the sustainability reporting assurance statement is considered a signalling tool. This statement sends a positive signal – from the organisation to the stakeholders – emphasising that the organisation has already undertaken sustainability activities and publicly reported on sustainability performance. This also signals that they have engaged in a sustainability assurance process and published the resulting sustainability reporting assurance statement. Assurance statements provide the organisation with a confidence to distinguish themselves from other organisations in terms of high quality sustainability performance and sustainability reporting.

In terms of stakeholder theory (see section 2.2.3), key findings of this research posited – although more stakeholder engagement is needed to improve the quality of assurance statements – stakeholders are highly considered, listened to, and involved in the assurance process. Organisations need to obtain legitimacy for stakeholders and receive their approval to be able to continue operating. Organisations should contact stakeholders to gather their ideas and concerns (especially in terms of materiality), and should consider the opinions of the key stakeholder groups in forming their sustainability reports. Further, in the assurance process stakeholders need to be contacted by assurers to provide the appropriate sufficient evidence for forming the assurance opinion.

Besides, this research was conducted using both mono and multiple methods in its research design to achieve a broader insight into sustainability reporting assurance by providing a holistic understanding through applying both quantitative and qualitative data gathering and data analysis techniques. This research aggregated the results of an extensive internet search of reporting organisations, content analysis of sustainability reporting assurance statements, and two sets of interviews with managers and assurers. That aggregation empowered this research with the ability to examine multiple aspects of sustainability reporting assurance at the same time, and to extend the current knowledge of this emerging service in a voluntary environment by demonstrating characteristics of best practice.

In terms of assessing managers' perspectives, this research added to the body of knowledge by examining two groups of organisations: 1) NZX companies which reported sustainability information but did not provide assurance for their sustainability reports; and 2) NZX companies which have published sustainability reports and already engaged in the assurance process. Although previous studies had already started exploring assurance engagements' drivers, based on Bepari & Mollik (2016), the literature was still silent on the barriers or difficulties facing reporting organisations. Thus, considering both groups of managers together provided this research with the advantage of exploring the motivations for, as well as the barriers to, assurance through assessing both 'why engage' and 'why not engage' in the assurance process.

In terms of assurers, this research contributed to the current knowledge by involving all types of assurers: external and internal assurers, and accounting and non-accounting specialists. Although the findings revealed that the use of internal sustainability assurers was not yet common in New Zealand, this research introduced a broader understanding of assurers to the interviewees to add to the literature by discovering 'combined assurance' as the preferred form of assurance and views about internal assurance.

7.3.2 Practice and Policy

Practically, the findings benefitted both the reporting organisations and assurers as they will be able to assess their performance and compare it to the characteristics of best practice identified in this research.

This research introduced new motivations for engaging in the assurance process and highlighted the benefits and values of such an engagement, and revealed the barriers that some organisations were facing about sustainability reporting assurance, in order to provide a comprehensive picture of this service to help organisations (managers) in decision-making. The findings explain differences among the various types of assurers and provide organisations (managers) with the understanding that an ideal sustainability assurer should have both subject matter knowledge and the auditing experience. Besides, the results of this research inform organisations about their responsibilities through achieving high-quality assurance statements at the end. They should follow both GRI and AA1000APS as reporting criteria, and also communicate with stakeholders from the beginning to the end of the reporting process.

Assurers should also be interested in the results of this research. This research discovered organisation's drivers for, and barriers to, engaging in the assurance process, and also organisations' expectations of the assurance service – or assurers – who provided assurers with good ideas in terms of the different methods that should be used in promoting and performing their sustainability assurance service to be in line with best practice. For example, it was best for assurers to choose and carefully follow AA1000AS as the standard governing their assurance; communicate with the organisations and its stakeholders through the assurance process; and prepare a comprehensive but clear assurance statement. Moreover, these findings reflected the characteristics of the preferred assurers and some positive and negative aspects of each type of assurer approach which could help in improving their performance; such as obtaining both assurance and sustainability skills.

The results are beneficial to New Zealand legislators and the authorities involved in organising, framing and standardising sustainability reporting and its assurance, such as the government, SBC, XRB and NZX, since this research emphasised the key parties' requests in terms of a level of, or mandatory, requirements by reflecting the viewpoints of key parties involved in the assurance service. Hence, the research outcomes will help in planning to meet the sustainability-related targets listed in Vision 2050 published by SBC (p.40):

... all listed companies in New Zealand are required to report on an established set of environmental and social factors by 2020...

Other groups of stakeholders – especially shareholders and investors – could also gain some benefits from this research, since stakeholders were introduced as the main users of assurance statements, following stakeholder theory. This research concluded a high-quality sustainability reporting assurance statement will be prepared if stakeholders demand more transparency, and become informed about, and involved in, the sustainability reporting and assurance processes.

Furthermore, the findings of this research provided useful information for all parties working to improve <IR> reports. Given the <IR> framework has been widely accepted for integrating financial and non-financial reporting, although there were no assurance requirements under the <IR> framework, providing assurance seemed to be important for enhancing the credibility of IR reports (Bepari & Mollik, 2016). Hence, lessons should be learned from the sustainability reporting assurance journey in order to define the appropriate standards and set an organised and consistent assurance process for <IR> reporting.

In general, the findings of this research are applicable not only to companies in New Zealand, but also to all organisations and countries with similar voluntary sustainability reporting and assurance environments.

7.4 Limitations

First, although this research focused on listed companies and examined the whole population, it was conducted in the small economy of New Zealand, so only covered a small number of eligible managers and assurers since sustainability reporting assurance has not yet been fully accepted in the New Zealand market. It should be noted that both sustainability reporting and its assurance were voluntary activities in New Zealand.

Secondly, this research investigated a population of the companies listed on NZX in 2013, since 2013 was the most recent year when the research commenced. As explained in Chapter 3, all the companies listed on NZX in 2013 were tracked back to identify the first year they started reporting on sustainability and all the ‘published’ sustainability assurance statements were gathered and analysed. However, sustainability reporting and sustainability reporting assurance were developing areas of practice and research; therefore, these conclusions may not necessarily be projected into the future.

Thirdly, although this research used several data gathering techniques and combined them all for analysis, there was still a level of subjectivity involved with content analysis and the interviews. In the case of content analysis, this research used a code book with a set of instructions to enhance consistency and ran a pre-test involving several coders to increase the objectivity, validity and reliability of the results. Interview questions were also pre-tested on real managers and assurers, with similar characteristics to the research populations, to minimise the inherent subjectivity associated

with the interview method. In addition, the researcher was the only person involved in conducting all the interviews and analysing all the interview transcripts to ensure a consistent standard was achieved. Finally, interviews reflected the opinions of interviewees from their personal perspectives.

Despite these limitations, this research still provided some valid insights about sustainability reporting assurance in a voluntary environment and introduced some characteristics of best practice for such an assurance.

7.5 Future Research

This research provided a good understanding of sustainability reporting assurance, while it also raised some questions that could be answered in future studies.

Apart from the assurers and managers who were examined in this research, other key internal and external stakeholders could be interviewed about different aspects of sustainability reporting assurance since stakeholders played important roles both in sustainability reporting and its assurance. Future studies could also concentrate on investigating the same topics but from the perspective of smaller non-listed organisations.

The small and emerging market of New Zealand did not allow the researcher to consider the industry sector as an influencing factor. However, industry characteristics might affect organisations' decisions about assurance engagement and assurer selection. Conducting similar research in other countries with a similar sustainability reporting and assurance environment could be of interest and useful globally since it will provide a foundation for comparative studies.

Although there were still different types of assurers performing sustainability assurance services in New Zealand, as explained in this research, two of the most successful and largest non-accounting assurers were acquired by the Big 4 accounting firms. Therefore, it would be interesting to discover the main reasons for, and the outcomes of, those acquisitions. Given that internal assurers were not yet considered as a common sustainability assurer type among New Zealand organisations, while they were mostly accepted in other markets, future studies should target internal assurers in terms of their engagements in sustainability assurance process.

Moreover, as this research noticed a need for some reporting and assurance requirements, future studies could focus solely on the process of setting those requirements, and the consequences of mandatory sustainability reporting and assurance.

The above is just a selection of suggestions for future studies, given the growth in sustainability reporting and its assurance, repeating the same research in five-year time might result in different

findings, contributing further to knowledge by describing the sustainability reporting assurance development journey.

Appendices

Content Analysis Package

A.1 Pre-Test Coding Invitation

I greatly appreciate your participation in my PhD research content analysis pre-test.

As part of my PhD research “Sustainability Reporting Assurance: Exploratory Evidence in New Zealand”, I am using content analysis to evaluate the quality of sustainability reporting assurance statements.

The aim of this pre-test is to measure the reliability level of my self-designed content analysis instrument before completing the final content analysis.

You have been chosen as one of my research pre-test coders, to code the assigned sustainability reporting assurance statements. Hence, I have provided you with:

- Instructions (*Appendix A*) – ***Included as A.2***
- Pre-test codebook (*Appendix B*) – ***Included as is A.3***
- Two sustainability reporting assurance statements (*Appendix C*) – ***not attached***

Please follow the instructions step by step to complete the pre-test and return it to me by **Friday 13th December 2013**.

Thank you for your assistance.

Azadeh Nilipour

PhD Candidate

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A.2 Pre- Test Instructions

Please read the following steps before starting the coding process in order to ensure consistency of the pre-test. Discuss the criteria, definitions and scores with me, either in writing or in person, **after completing the pre-test for both sustainability reporting assurance statements**. Your comments will certainly improve the reliability of the final content analysis.

1. Do not discuss the criteria, definitions or scores with anyone else before or while completing the pre-test since it is important to avoid bias and prejudice in the coding process.
2. Familiarise yourself with the definition of each criterion in *Appendix B – **here is A.3** – (Pre-test code book)* before commencing.
3. Go through the first criterion, read the definition again and search the content of *Appendix C – Statement 1 (the first sustainability reporting assurance statement)* for paragraphs, sentences, phrases or, even words related to the criterion's title and definition:

Note: *Each paragraph, sentence, phrase or word can be coded as more than one criterion.*

➤ If the criterion is not present in the assurance statement:

- 1) Select the first option under the scale column, which shows “No Reference”, as your choice.
- 2) Write 0 under the column labelled “Your score – Statement 1”.

➤ If the criterion is present in the assurance statement:

- 1) Look at the options under the Scale column.
- 2) Select the most related description of the information you have found in the statement.
- 3) Write the related score under the column labelled “Your score – Statement 1”.

Note: *Code all related sections to each criterion but only write the maximum score assigned to the criterion.*

- 4) Highlight the paragraphs, sentences, phrases or words that you identified as belonging to this criterion.
- 5) Label the highlighted section with the related criterion number.

4. Repeat Step 3 until you have looked for all 26 criteria for *Appendix C – Statement 1*.
5. Leave no place blank under the column labelled “Your score – Statement 1”.
6. Follow the above instructions for *Appendix C – Statement 2 (the second sustainability reporting assurance statement)* and write your scores under the column labelled “Your score – Statement 2”.

A.3 Pre-Test Codebook

No.	Criteria	Definition	Scale		Your score	
					Statement 1	Statement 2
1	Title	Title of the assurance statement	0	No reference		
			1	Reference - "Assurance statement"		
			2	Complete reference - "Independent assurance statement on ..."		
2	Addressee	Party to whom the assurance statement is formally addressed (either in title separate addressee line or within text)	0	No reference or "the readers" or "the users"		
			1	Reference - Internal stakeholders e.g. board or directors		
			2	Complete reference - Stakeholders (in general)		
3	Name of assurer	Name of the firm or the practitioner that conducts the assurance engagement	0	No reference		
			1	Reference		
4	Report date	Reference to the date at which the assurance exercise was finished	0	No reference		
			1	Reference		
5	Location of assurer	Location of the office of the assurance provider (e.g. the city name)	0	No reference		
			1	Reference		
6	Responsibilities of assurer	Explicit statement that the assurer is responsible to express an (independent) opinion on the subject matter (the sustainability/environmental/social report)	0	No reference		
			1	Reference		
7	Responsibilities of reporter	Explicit statement that reporter is responsible for preparation of report (kw: responsible, responsibility)	0	No reference		
			1	Reference		
8	Independence of assurer from reporting organization	Statement expressing the independence of the two parties involved (organisation and assurer)	0	No reference		
			1	Reference - Assigned as soon as the word(s) independent or independence appear anywhere in the assurance statement or its title		
			2	Complete reference - Extra details (not just one word)		
9	Impartiality of assurer towards stakeholders	assurer's declaration of impartiality with respect to stakeholder interests	0	No reference		
			1	Reference - Statement claiming impartiality or a remark that such a declaration can be made available on request or reference to an internet site		
10	Competencies of assurer	Description of the professional skills that enable the engagement team to conduct the assurance exercise	0	No reference		
			1	Reference - Statement claiming competency (but no explanatory note) or mere reference to an internet site		
			2	Complete reference - Explanatory statement of competencies based on prior experience/engagements or using titles e.g. Certified Sustainability Assurance Practitioner (CSAP), Certified Accountant (CA), Sustainability auditor or Sustainability consultant		
11	Criteria used to assess evidence and reach	A statement that makes reference to particular criteria against which the sustainability report has been prepared (e.g. GRI and often internally developed standards)	0	No reference		
			1	Reference - Publicly unavailable criteria		
			2	Complete reference - Publicly available criteria (e.g., internally developed criteria that are published anywhere in the report or GRI)		

12	Assurance standard used	Standards used which govern the work of the assurer (e.g. AA1000/ ISAE3000/ FEE)	0 1 2	No reference Reference - Publicly unavailable standard Complete reference - Publicly available standard	
13	Scope of the assurance engagement	Assurance statement coverage : Time/ Period Name of organisation subject matter (which part of report was covered for assurance)	0 1 0 1 0 1	No reference Reference No reference Reference No reference Reference	
14	Objective of the assurance engagement	The level of assurance which is related to depth of investigation	0 1 2	No reference Reference - Low assurance (Kw; limited assurance/ limited opinion/ limited audit /moderate assurance/moderate varification /low assurance) Complete reference - High assurance (Kw ; Reasonable Assurance/ reasonable and limited assurance - i.e. two different levels of assurance for different parts of the report/ High assurance/ high and moderate assurance)	
15	Summary of work performed / Methodology	Statement explaining the acronyms taken to arrive at a conclusion / measurement methods	0 1	No reference Reference - e.g. interview relevant people / review documents / visit sites)	
16	Materiality (from a stakeholder perspective)	Degree of information provision on materiality level	0 1	No reference Reference limited to a broad statement (e.g. "covers all material aspects" or "...in all material respects...") but also negative statements claiming that assurer has not undertaken any work to confirm that all relevant/ material issues are included or if the conclusion states that the report is in conformance with the AA1000 principles (Materiality, completeness, and responsiveness) Reference and explanation of materiality setting or reference limited to a broad statement and stakeholder perspective introduced (e.g. "issues material to stakeholders have been considered") Reference, explanation of materiality setting and stakeholder perspective introduced	
17	Completeness	Statement expressing that all material aspects are covered by the report.	0 1 2	No reference Reference - The conclusion states that the report is in conformance with the AA1000 principles (Materiality, completeness, and responsiveness) Complete reference - Explain in separate section or separate sentences	
18	Responsiveness to stakeholders	Statement referring to the organization's procedures (or lack of them) for identifying stakeholder interests and concerns.	0 1 2	No reference Reference - If the conclusion states that the report is in conformance with the AA1000 principles (Materiality, completeness, and responsiveness) Complete reference - Explain in separate section or separate sentences	

19	Conclusion/Opinion	Statement expressing the result of the assurance exercise.	0	AA1000	No reference or just the conclusion solely refers to the 3 principles of Reference - Mere statement expressing the opinion of the assurer or the conclusion consists only of one sentence (e.g., 'XY's report is a fair presentation of XY's CSR performance'). Complete reference - Explanatory statement (more than one sentence, but recommendations for improvement are not considered part of the conclusion)			
				1				
				2				
20	Reservation / Limitation	Statement referring to any reservation or denial of conclusion or any limitation (in sustainability report, engagement scope, evidence gathering or evaluation and measurement process)	0	No reference				
			1	Reference - Express reservation / limitation with out description of the reasons				
			2	Express reservation / limitation with a clear description of all the reasons				
21	Stakeholder participation in the assurance process	Statement explaining the extent of stakeholder participation in the assurance process (e.g. in planning and execution of assurance process, wording for the process)	0	No reference				
			1	Reference - Internal stakeholders participation				
			2	Complete reference - Both internal and external stakeholders participation				
22	Additional commentary/ observation and recommendation	Separate statement from conclusion including significant information which is not affect the conclusion (e.g. highlighting system robustness/ highlighting reporting and assurance progress since the last report (observation) / suggestion for improvements in sustainability reporting and its underlying processes and	0	No reference				
			1	Reference - Express just one of observation (looking backward) <u>or</u> recommendation (looking forward)				
			2	Reference - Express both observation <u>and</u> recommendation				
Total								

A.4 Final Test codebook

No.	Criteria	Definition	Scale	Max Score
1	Title	Title of the assurance statement	0 No reference	2
			1 Reference - "Assurance statement"	
			2 Complete reference - "Independent assurance statement ..."	
2	Addressee	Party to whom the assurance statement is formally addressed (either in title separate addressee line or within text)	0 No reference	2
			1 Internal addressee or "the readers" or "the users"	
			2 Stakeholders mentioned in the addressee	
3	Name of assurer	Name of the firm or the practitioner that conducts the assurance engagement	0 No reference	1
			1 Reference	
4	Statement date	Reference to the date at which the assurance exercise was finished	0 No reference	1
			1 Reference	
5	Location of assurer	Location of the office of the assurer (e.g. the city name)	0 No reference	1
			1 Reference	
6	Responsibilities of assurer	Explicit statement that the assurer is responsible to express an (independent) opinion on the subject matter (the sustainability/environmental/social report)	0 No reference	1
			1 Reference	
7	Responsibilities of reporter	Explicit statement that reporter is responsible for preparation of report (kw: responsible, responsibility)	0 No reference	1
			1 Reference	
8	Independence of assurer from reporting organisation	Statement expressing the independence of the two parties involved (reporting organisation and assurer)	0 No reference	2
			1 Reference - The word(s) independent or independence appear anywhere in the assurance statement	
			2 Complete reference - Extra details of level of independence or how independence achieved i.e. adherence to an appropriate code of ethics or adherence to appropriate independence policies (e.g. "The assurer has no other relationship with, or interests in, X")	
9	Impartiality of assurer towards stakeholders	Assurer's declaration of impartiality with respect to stakeholder interests	0 No reference	1
			1 Reference - Statement claiming impartiality towards stakeholders or a remark that such a declaration can be made available on request or reference to an internet site	
10	Competencies of assurer	Description of the professional skills that enable the engagement team to conduct the assurance exercise	0 No reference	2
			1 Reference - Statement claiming competency (but no explanatory note) or mere reference to an internet site	
			2 Complete reference - Explanatory statement of competencies based on prior experience/engagements or using professional titles (e.g. Certified Sustainability Assurance Practitioner (CSAP), Certified Accountant (CA), Sustainability/ Environmental auditor or Sustainability/ Environmental consultant)	

11	Criteria used to assess evidence and reach conclusion	A statement that makes reference to particular criteria against which the sustainability report has been prepared and has been evaluated (e.g. GRI and often internally developed standards)	0	No reference	2
			1	Reference - Publicly unavailable criteria	
			2	Complete reference - Publicly available criteria (e.g. internally developed criteria that are published anywhere in the report or GRI)	
12	Assurance standard used	Standards used which govern the work of the assurer (e.g. AA1000AS/ ISAE3000/ FEE)	0	No reference	2
			1	Reference - Publicly unavailable standard	
13	Assurance statement coverage - Time	The time period to which the assurance relates	0	Complete reference - Publicly available standard (e.g. AA1000AS/ ISAE3000)	1
			1	Reference	
14	Assurance statement coverage - Name of reporting organisation	The name of the reporting organisation to which the assurance relates	0	No reference	1
			1	Reference	
15	Assurance statement coverage - Subject matter	The part of sustainability/ social/ environmental report to which the assurance relates	0	No reference	1
			1	Reference	
16	Assurance statement coverage - Assurance type	The type of evaluation to which the assurance relates (i.e. Type 1: evaluation of adherence to the AA1000 principles - Type 2: evaluation of adherence to the AA1000 principles plus the reliability of specified disclosed sustainability information and the underlying systems)	0	No reference	1
			1	Reference - Type 1 or Type 2	
17	Objective of the assurance engagement	The level of assurance which is related to depth of investigation	0	No reference	2
			1	Review, verification, limited assurance, moderate assurance	
			2	Audit, reasonable assurance, high assurance OR two different levels of assurance for two different parts	
18	Summary of work performed / Methodology	Statement explaining the actions taken to arrive at a conclusion / measurement methods	0	No reference	1
			1	Reference - (e.g. interview relevant people / review documents / visit sites)	
19	Materiality (from a stakeholder perspective)	Degree of information provision on materiality level	0	No reference	3
			1	Reference limited to a broad statement (e.g. "covers all material aspects" or "...in all material respects...") but also negative statements claiming that assurer has not undertaken any work to confirm that all relevant/ material issues are included or if the conclusion states that the report is in conformance with the AA1000 principles (Materiality, completeness/inclusivity and responsiveness)	
			2	Reference and explanation of materiality setting <u>or</u> reference limited to a broad statement and stakeholder perspective introduced (e.g. "issues material to stakeholders have been considered")	
			3	Reference, explanation of materiality setting <u>and</u> stakeholder perspective introduced	

20 a	Completeness (Before 2008)	Statement expressing that all material aspects are covered by the sustainability report.	0	No reference	2
			1	Reference - The conclusion states that the report is in conformance with the AA1000 principles (Materiality, completeness and responsiveness)	
			2	Complete reference - Explain in separate section or separate sentences	
20 b	Inclusivity (After 2008)	Statement explaining that the reporting organisation engages with stakeholders and involves them in organisational decision making	0	No reference	2
			1	Reference - The conclusion states that the report is in conformance with the AA1000 principles (Materiality, inclusivity and responsiveness)	
			2	Complete reference - Explain in separate section or separate sentences	
21	Responsiveness to stakeholders	Statement referring to the reporting organisation's procedures (or lack of them) for identifying stakeholder interests and concerns.	0	No reference	2
			1	Reference - If the conclusion states that the report is in conformance with the AA1000 principles (Materiality, completeness/inclusivity and responsiveness)	
			2	Complete reference - Explain in separate section or separate sentences	
22	Conclusion/Opinion	Statement expressing the result of the assurance process in form of an opinion about assurance objective and the subject matter evaluated against the criteria	0	No reference or just the conclusion solely refers to the three AA1000 principles	2
			1	Reference - Brief statement expressing the opinion of the assurer (e.g. "X's report is a fair presentation of X's sustainability performance").	
			2	Complete reference - Explanatory statement explaining the opinion of assurer (Note: Recommendations for improvement are <u>not</u> considered part of the conclusion)	
23	Limitation	Statement referring to any limitations in the sustainability report, engagement scope, evidence gathering (e.g. unavailability of important evidence, lack of willingness to answer questions) or evaluation and measurement process	0	No reference	2
			1	Reference - Brief statement expressing limitations with out description of the reasons	
			2	Complete reference - Explanatory statement explaining limitations with a clear description of all the reasons	
24	Stakeholder participation in the assurance process	Statement explaining the extent of stakeholder participation in the assurance process (e.g. in planning and execution of assurance process, wording for the report)	0	No reference	2
			1	Reference - Brief statement expressing stakeholder participation	
			2	Complete reference - Explanatory statement explaining how stakeholders participated in assurance process	
25	Additional commentary/ observation and recommendation	Separate statement from conclusion including significant information which is not affect the conclusion (e.g. highlighting system robustness/ highlighting reporting and assurance progress since the last report (observation) / suggestion for improvements in sustainability reporting and its underlying processes and systems in the next year	0	No reference	2
			1	Reference - Express just one of observation (looking backward) <u>or</u> recommendation (looking forward)	
			2	Reference - Express both observation <u>and</u> recommendation	
Total					40

Managers' Interview Package

A.5 Interview Guide for Managers – with Only Sustainability Reports

Name of contact: Position:
Company: Department:
Date: Time:

Please take a few minutes to read the consent form and sign it. *(A consent form is given)*

Do you mind if I record our conversation? *(Turn recorder on)*

A. Brief Introduction

- I. Thank you for your time and participation. I would like to begin our conversation with a brief explanation of the research project.
 - a) This research is intended first to develop an understanding of sustainability reporting and sustainability reporting assurance in New Zealand, focusing on managers' and assurers' perspectives; and secondly, to develop best practice for sustainability reporting assurance.
 - b) In this research, 'managers' are defined as the most relevant person to sustainability reporting and its assurance process in each company.
- II. The information obtained from you and your company will be kept confidential. Access to information will only be given to my supervisors and me.
- III. The interview is organised into three sections: motivations, benefits or barriers, preferred assurers and assurance statement's quality.

Do you have any questions before we begin?

Let us begin the interview

1. What is your experience in relation to sustainability reporting and sustainability reporting assurance?
 - *What is your role in business and its relation to the topic?*

B. Motivations, Benefits or Barriers

Are you able to confirm that the ...

Date of the first sustainability report (year):

Date of the first sustainability assurance
statement (year): -----

2. Why have you started sustainability reporting?
3. Why have you not chosen to engage in sustainability reporting assurance?
 - *What kind of barriers prevented you engaging in, e.g. Long and complicated assurance process, time consuming, high expense, valueless*
4. What would be the benefits of sustainability reporting assurance for your company?
 - *Who is the audience? Benefits for reports, stakeholders, etc.*
 - *Are they satisfied? Or they have demanded for assurance?*
5. How do you ensure the credibility and accuracy of the sustainability report without assurance?

C. Preferred Assurers

6. Suppose your company has to select assurer/s for the sustainability report, who will you prefer as your assurer/s?
 - *Externals: Accounting specialists; Big 4, non-big 4, individual OR Non accounting specialists; consultants, certification bodies – Internals*
7. Why did you nominate that/them as the company's sustainability assurer/s?
 - *The assurer's characteristics, cons and pros*
8. Does your company have a sustainability reporting internal assurer? *(only if they have the internal go to this one)* To what extent is your company's internal assurer involved in providing the sustainability reporting assurance statement?
9. Why do you not use your internal assurer for sustainability reporting assurance? *(only if he hasn't answered this question by answering the last one)*
 - *Remind them that both external and internal are eligible to do the assurance*
10. How different/similar would the assurance statement provided by an external assurer be from the statement provided by an internal assurer?

D. Quality of the Assurance Statements

11. What would be the quality factors of assurance statements? What would you look for to ensure you have an assurance statement of high quality?

- *Quality criteria based on guidelines or some other factors?*

Note: Quality criteria are the factors which enhance the comparability, accountability, transparency and credibility of assurance statements

- To compare statements provided by different assurers for different companies
- To take responsibility for information, decisions, policies
- To disclose clear and accurate information
- To prove the reliable source of information

12. How could the quality of current sustainability reporting assurance statements be improved?

- *Who is responsible? (e.g. companies, assurers , regulators)*

E. Future of Assurance and Summing Up

13. What is the future of sustainability reporting assurance in your company? And also in New Zealand?

- *Any plan for engaging in assurance process?*
- *Will it be a common practice?*
- *Will regulators require a mandatory one?*

14. Is there anything else you believe would be useful to my research on sustainability reporting and sustainability reporting assurance? *(Finish recording)*

Thank you again for your participation.

A.6 Interview Guide for Managers – with Sustainability Reporting Assurance Statements

Name of contact: ----- Position: -----

Company: ----- Department: -----

Date: ----- Time: -----

Please take a few minutes to read the consent form and sign it. *(A consent form is given)*

Do you mind if I record our conversation? *(Turn recorder on)*

A. Brief Introduction

- I. Thank you for your time and participation. I would like to begin our conversation with a brief explanation of the research project.
 - a) This research is intended first, to develop an understanding of sustainability reporting and sustainability reporting assurance in New Zealand, focusing on managers' and assurers' perspectives; and secondly, to develop best practice for sustainability reporting assurance.
 - b) In this research, 'managers' are defined as the most relevant person for sustainability reporting and its assurance process in each company.
- II. The information obtained from you and your company will be kept confidential. Access to information will only be given to my supervisors and me.
- III. The interview is organised into three sections: motivations, benefits or barriers, preferred assurers and assurance statement's quality.

Do you have any questions before we begin?

Let us begin the interview

1. What is your experience in relation to sustainability reporting and sustainability reporting assurance?
 - *What is your role in business and its relation to the topic?*

B. Motivations, Benefits or Barriers

Are you able to confirm that the ...

Date of the first sustainability report (year): Date of the first sustainability assurance statement (year):

2. Why have you started sustainability reporting?
3. Why have you engaged in sustainability reporting assurance?
 - *What kind of barriers did you overcome, e.g. Long and complicated assurance process, time consuming, high expense, valueless*
4. What are the benefits of sustainability reporting assurance for your company?
 - *Who is the audience? Benefits for reports, stakeholders, etc.*
 - *Are they satisfied?*

C. Preferred Assurers

The first assurer: The second assurer:

The third assurer: The fourth assurer:

5. You are currently using [*name of the last assurer*] to assure your sustainability report. Have you used anyone else?
 - *Externals: Accounting specialists; Big 4, non-big 4, individual OR Non accounting specialists; consultants, certification bodies – Internals*
6. Why did you choose to use [*name of the last assurer/s*]?
 - *The assurer's characteristics, cons and pros*
7. Why did your company change to them? (*only if there is more than one assurer*)
8. Has your assurer provided you with any other services beyond assurance statement?
9. Does your company have a sustainability reporting internal assurer? To what extent is your company's internal assurer involved in providing the sustainability reporting assurance statement?
10. Why do you not use your internal assurer for sustainability reporting assurance? (*instead of external one*) (*only if he hasn't answered this question by answering the last one*)
 - *Remind them that both external and internal are eligible to do the assurance*
11. How different/similar are their statements?

D. Quality of the Assurance Statements

12. What are the quality criteria of assurance statements? What do you look for to ensure you have an assurance statement of high quality? Are you satisfied with the quality of the assurance statements?

- *Quality criteria based on guidelines or some other factors?*

Note: Quality criteria are the *factors* that enhance the comparability, accountability, transparency and credibility of assurance statements

- To compare statements provided by different assurers for different companies
- To take responsibility for information, decisions, policies
- To disclose clear and accurate information
- To prove the reliable source of information

13. How could the quality of current sustainability reporting assurance statements be improved?

- *Who is responsible (e.g. companies, assurers , regulators)*

E. Future of Assurance and Summing up

14. What is the future of sustainability reporting assurance in New Zealand?

- *Will it be a common practice?*
- *Will regulators require a mandatory one?*

15. Is there anything else you believe would be useful to my research on sustainability reporting and sustainability reporting assurance? *(Finish recording)*

Thank you again for your participation.

Assurer's Interview Package

A.7 Interview Guide for Assurers

Participant: ----- Position/title: -----
Assurer (organisation): ----- Department: -----
Date: ----- Time: -----

Do you mind if I record our conversation? (*Turn recorder on*)

A. Brief Introduction

- I. Thank you for your time and participation. I would like to begin our conversation with a brief explanation of the research project.
 - a) This research is intended first, to develop an understanding of sustainability reporting and sustainability reporting assurance in New Zealand, focusing on managers' and assurers' perspectives; and secondly, to develop best practice for the sustainability reporting assurance.
 - b) In this research, 'assurer' is defined as the person with the extensive involvement in the sustainability reporting assurance process and specially the preparation of the assurance statement in an accounting or non-accounting assurance provider.
- II. The information obtained from you and your organisation will be kept confidential. Access to information will only be given to my supervisors and me.
- III. The interview is organised into four sections: Individual background, motivations, benefits or barriers, preferred assurers and assurance statement's quality.

Do you have any questions before we begin?

Let us begin the interview with ...

Individual Background

1. What is your educational background? (*discipline & degree*) current position?
2. How many years have you been involved in sustainability reporting assurance? Which organisations?
3. How much times, on average, do you spend completing a sustainability assurance case? How many team members?

B. Motivations, Benefits or Barriers

4. In your experience, why do companies engage in sustainability reporting assurance? (*drivers/motivations*)
5. In your experience, why do other companies choose not to engage in sustainability reporting assurance?
 - *What kind of barriers; for example long and complicated assurance process, time consuming, high expense, valueless*
6. In your experience, what are the benefits of sustainability reporting assurance for companies?
 - *Who is the audience?*
 - *Benefits for reports, stakeholders, etc.*
 - *Are they satisfied?*
7. What are the most problematic/complicated issues of carrying assurance?

C. Preferred Assurers

8. Why do your clients choose you as their sustainability assurer?
9. How do you encourage companies to select you? (*advantage*)
10. What kind of knowledge do you think an assurer should have?
 - *Auditing experience or sustainability expertise?*
 - *How do you meet them?*
11. Have any of your clients ever stopped engaging in assurance process? Why?
 - *Ever replaced you with another assurer? Why?*
12. As a result of sustainability reporting assurance, what do you provide your clients with? (*just statement or any other detailed report*)
13. For your client that you provide sustainability assurance, do you provide any other services beyond sustainability assurance in those clients?
 - *Do those services affect your client's decision to pick you up as the sustainability assurer?*
14. Do your clients have a sustainability reporting internal assurer?
 - IF YES → To what extent is the internal assurer involved in providing the sustainability reporting assurance statement?
 - IF NO → Why do they not use their internal assurer for sustainability reporting assurance? (*Instead of external one*)
 - *Remind them that both external and internal are eligible to do the assurance*
15. How different/similar is your statement to the internal assurer statement?
16. How different/similar is your statement to other assurance providers, e.g. consultants?

D. Quality of the Assurance Statements

17. What reporting guideline do your clients mostly use? What do you suggest them?
18. What assurance standard do you mostly use? Why?
 - *Are you satisfied with current standards?*
19. Do your clients care about the quality of assurance statements? Or do they want ONLY that one page statement?
20. What are the quality criteria of assurance statements?
 - *Do the reporting and assuring standards matter?*

Note: Quality criteria are the factors which enhance the comparability, accountability, transparency and credibility of assurance statements

- To compare statements provided by different assurers for different companies
- To take responsibility for information, decisions, policies
- To disclose clear and accurate information
- To prove the reliable source of information

21. What do you do to ensure you are preparing a high-quality assurance statement? (*Guidelines*)
22. How could the quality of current sustainability reporting assurance statements be improved?
Who is responsible for these improvements (*e.g. companies, assurers, regulators/standard setters*)?

E. Future of Assurance and Summing up

23. What is the future of sustainability reporting assurance in New Zealand?
 - *Will it be a common practice?*
 - *Will regulators require a mandatory one?*
24. Is there anything else you believe would be useful to my research on sustainability reporting and sustainability reporting assurance? (*Finish recording*)

Thank you again for your participation.

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