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Sustainability Assurance in Different Institutional Contexts: Evidence from the UK and China

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PhD Thesis

Submitted for the Degree of PhD in Accounting

Durham University Business School

Durham University

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Abstract

The literature on sustainability assurance calls for an extension of current theorising, more engagement in research exploring sustainability assurance practice within organisations, and a more nuanced understanding of sustainability assurance within different national contexts. This thesis contributes to this field and develops theoretical extensions of institutional theory by exploring the adoption, pattern, and quality of sustainability assurance in the UK and China. The principal objective of the thesis is to interpret how different institutional contexts influence sustainability assurance practice. A conceptual framework is formulated, built upon neo-institutional theory, a framework by Smith *et al.* (2011) and previous literature, to capture relevant factors explaining the institutionalisation of sustainability assurance within a certain organisational field.

Empirically, this thesis consists of three components. First is a qualitative content analysis of 118 UK and 40 Chinese sustainability assurance statements (158 in total) issued in the years 2008, 2012, and 2016; Second is survey research strategy with two questionnaires; third is 33 semi-structured interviews with CSR reporting directors/managers, CSR consultants, sustainability assurance providers, and sustainability/CSR experts in the UK and China. The key findings indicate that the development of CSR reporting influences the adoption of sustainability assurance at the country level. Increased reporting regulations and societal expectations cause coercive isomorphism in the CSR reporting field over time and further drive UK companies to seek sustainability assurance even though they are not required. In comparison, the limited adoption of sustainability assurance in China is related to the formative phase of CSR reporting. The Chinese government plays an essential role in promoting CSR reporting and awareness. Chinese companies publish CSR reports in response to relevant governmental and listing requirements (an element of coercive isomorphism). However, most Chinese companies are reluctant to adopt sustainability assurance due to the absence of relevant regulatory requirements. Notably, some Chinese companies adopt a Chinese CSR report rating service as a substitute for sustainability assurance, revealing how they ceremonially use a (so-called) credibility-enhancing mechanism of CSR reporting while decoupling themselves by a more economically efficient practice. The empirical evidence also highlights the role of CSR consultancy firms in educating reporting companies and influencing their decision to seek sustainability assurance.

The findings further reveal that the type of assurance provider influences the quality of sustainability assurance. Non-accounting assurance providers are associated with higher assurance quality. However, accounting assurance providers (Big-four firms) dominate the sustainability assurance market in both the UK and China contexts. Their assurance approach features considerable influence from financial auditing methodology, which tends to undermine the quality of sustainability assurance. Moreover, the findings indicate a significant degree of managerial capture during the assurance process in both the UK and Chinese contexts, which also undermines the assurance quality. Sustainability assurance largely remains an exercise of legitimation for CSR reporting companies and fails to enhance organisational transparency and stakeholder accountability.

The initial conceptual framework was revisited and applied to the Chinese context based on the empirical evidence. This ex-post revisit produced a novel framework conceptualising the institutionalisation of sustainability assurance practice in China, which is suitable for the formative phase of Chinese CSR reporting. Future research investigating sustainability assurance in China can apply and improve this conceptual framework. This thesis further contributes to the extant literature by providing evidence of the under-researched sustainability assurance practice in China, comparing the sustainability assurance practice within different institutional contexts, and responding to the call for engagement research. Moreover, this thesis expands neo-institutional theory framing of sustainability assurance. The proposed conceptual framework improves Smith *et al.* (2011)'s framework and adds "the qualities of completeness and thoroughness to theoretical work" (Whetten, 1989, p. 493). Elements adding little additional value to our understanding were deleted. Several elements were added to ensure that the proposed conceptual framework fully captures the relevant factors explaining the institutionalisation of sustainability assurance. Particularly, the addition of the CSR reporting process reorganised causal maps while investigating the dynamics of the interactions between the various field participants in the sustainability assurance field. The sustainability assurance engagement should not be viewed as a separate practice but as part of the reporting process. Further, unlike Smith *et al.* (2011)'s framework which is limited to the UK context, the proposed conceptual framework can be applied to the UK, Chinese, and other national contexts. The novel framework exemplifies the Chinese context by specifying field participants and isomorphic forces. Thus, this thesis offers the prospect of revealing insights into sustainability assurance in different institutional contexts.

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Dedication

This PhD thesis is dedicated to my role model:

Professor Carol Adams

CHAPTER ONE

INTRODUCTION

The recent decade has witnessed an ongoing debate on sustainable development¹ and the global challenges faced, including climate change, biodiversity, social inequality, and human rights (United Nations, 2021). Across the world, the private sector is increasingly seeking new opportunities to make a positive impact and meaningful contribution to sustainable development (United Nations Development Programme, 2021). Meanwhile, there is a growing awareness of corporate social responsibility (CSR). According to European Commission (2011), CSR is defined as the responsibility of corporations for their impacts on society, involving integrating social, environmental, ethical, human rights, and consumer concerns into their operations, business strategy, and stakeholder engagement. More recently, Johnston *et al.* (2021, p. 49) reframe CSR as “an obligated act of responsibility on corporations to identify and internalise their negative externalities”. Investors, shareholders, employees, customers, regulators, and other stakeholders are increasingly concerned about CSR, responsible business, organisational transparency, and stakeholder accountability (KPMG, 2020; Michelon *et al.*, 2015; Torelli *et al.*, 2020).

In response to the growing stakeholder information demand, the number of companies reporting on CSR has risen continuously in both developed and developing economies (KPMG, 2008; 2011; 2020). According to KPMG (2020), 80%

¹ Sustainable development is an organising principle applied in many ways by different organisations. The concept now widely used is derived mostly from *Our Common Future* (commonly known as the Brundtland Report) (The World Commission on Environment and Development, 1987): sustainable development is development meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development interlinks with the concept of sustainability. UNESCO (2022) explains that sustainability is generally viewed as a long-term goal (i.e., a more sustainable world), while sustainable development refers to the many pathways to achieve this goal.

of companies² worldwide now report on sustainability/CSR. Sustainability/CSR reporting³ contains information about an organisation's economic, environmental, and social impacts and their positive or negative contributions to sustainable development (GRI, 2016). Street *et al.* (2021) stress that sustainability/CSR reporting helps rebuild trust by providing various stakeholders with information on business-centric matters such as strategy, business model, corporate governance, and sustainability performance. Notably, it will not rebuild trust unless the information provided is credible and perceived to be credible (Street *et al.*, 2021).

The credibility of CSR reporting has long been criticised, highlighting the gap between what a reporting entity discloses and what it really does (Adams, 2004; Boiral, 2013; Moneva *et al.*, 2006). Companies tend to over-/mis- use optimistic rhetoric in CSR reporting and camouflage their real impacts on sustainable development (Boiral, 2013; Cho *et al.*, 2012a). They are accused of greenwashing, misleading the public to believe their products and services are environmentally friendly for marketing purposes. CSR reporting is thus viewed as a tool to maintain corporate reputation and maximise perceptions of legitimacy, rather than a mechanism to enhance stakeholder accountability (Boiral, 2013; Laufer, 2003; Lyon and Maxwell, 2011). Venter and van Eck (2021) further point out that CSR/sustainability reporting is at risk of lacking credibility and serving managers' own interests, given that it is largely unregulated, presented in various forms, and

² A worldwide sample comprising the top 100 companies (N100) by revenue in each of the 52 countries researched, 5200 companies in total (KPMG, 2020).

³ Throughout this thesis, the terms "sustainability reporting" and "CSR reporting" are used interchangeably to refer to organisations' publicly reporting practice on their economic, environmental, and social impacts and positive or negative contributions to sustainable development goals (GRI, 2016). In practice, the terms "sustainability reporting" "CSR reporting" "environmental, social, and governance (ESG) reporting" "sustainable development goals (SDGs) reporting" are sometimes used interchangeably. This reveals a misinterpretation of what sustainability means in the business context, pointing to emerging problems surrounding "the (ab)use of the language of 'sustainability' in the reporting practices" (O'Dwyer and Owen, 2005, p. 207). Within this thesis, the term "sustainability reporting" is used because this is the terminology commonly used by the reporting community. However, this use of the terminology does not presume that companies may make to reporting on true sustainability.

commonly includes diverse subject matters, narrative, and forward-looking information.

To enhance the credibility of CSR reporting, organisations increasingly adopt sustainability assurance (Cohen and Simnett, 2015; Perego, 2009; Perego and Kolk, 2012; Simnett *et al.*, 2009). Sustainability assurance⁴ is defined as assurance of CSR/sustainability reports (Canning *et al.*, 2019). From the perspective of the accountancy profession, assurance is defined as “an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information” (IAASB, 2013, p.7). O’Dwyer and Owen (2005, p. 206) define assurance on CSR/sustainability reports as “an evaluation, [ideally] against a specific set of principles and standards, of the [extent of the accountability to stakeholders provided by] specified public reports [however, ‘named’]. [It involves an] examination of the quality of the systems, processes and competencies that deliver the associated [stakeholder accountability] information and underpin the reporting organisation’s performance”⁵. Assurance plays a significant role in enhancing the credibility of CSR data disclosed and providing information users with confidence. Recently, with investors increasingly relying on CSR disclosures in decision-making, there is a need for that information to be high-quality and subject to the same external assurance typical for financial reporting (Krasodomska *et al.*, 2021). As a credibility-enhancing technique, assurance should be developed alongside sustainability reporting models,

⁴ Throughout this thesis, for consistency in terminology, the term “assurance” (not “verification” or “audit”) is used. Accordingly, the practitioners conduct assurance engagements are referred to as “assurance providers” (or sometimes “assurors”), not as “verifiers” or “auditors”. The term “assurance statements” describes the statements issued by assurance providers (whatever the name accorded to them). In practice, the terms “audit”, “verification” and “assurance” are sometimes used interchangeably in the context of sustainability assurance.

⁵ This definition is derived from AccountAbility (2003, p. 7). Wording in square brackets is that of O’Dwyer and Owen.

frameworks/standards, and regulatory initiatives (Street *et al.*, 2021).

Sustainability assurance is at an evolving stage (Canning *et al.*, 2019; Cohen and Simnett, 2015) and largely remains voluntary in most countries (Hassan *et al.*, 2020; Kend, 2015; Martínez-Ferrero and García-Sánchez, 2017a). At a global level, KPMG (2020) shows that the N100 assurance rate is 51%. That is, nearly half of the sustainability reports published by the N100 companies worldwide were not assured. Moreover, Krasodomska *et al.* (2021) indicate that between two-thirds and three-quarters of US companies do not seek assurance for their sustainability reports. Similarly, Investor Responsibility Research Center Institute (IRRCI, 2018) notes that only 38% of S&P 500 2018 sustainability reports included external assurance. KPMG (2020) shows that only one-third of Chinese G250 companies invest in sustainability assurance. The low assurance rates indicate that sustainability reports published generally receive limited external assurance/review. Meanwhile, there are a number of key challenges identified in performing sustainability assurance engagements, including (1) scoping assurance engagements, (2) suitability of criteria, (3) materiality, (4) building assertions in planning and performing the engagement, (5) maturity of governance and internal control processes, (6) narrative information, (7) future-oriented information, (8) professional scepticism and professional judgment, (9) competence of practitioners performing the engagement, and (10) form of the assurance report (IAASB, 2016; Krasodomska *et al.*, 2021). These practical challenges point to rich research opportunities in the sustainability assurance field (Venter and van Eck, 2021). Research in sustainability assurance is a burgeoning field (Tyson and Adams, 2020; Venter and van Eck, 2021). Research topics explored include determinants of sustainability assurance (see: Fernandez-Feijoo *et al.*, 2015; Kolk and Perego, 2010; Martínez-Ferrero and García-Sánchez, 2017a; Mock *et al.*, 2013; Perego and Kolk, 2012; Simnett *et al.*, 2009), differences between accounting and non-accounting assurance providers (see: Channuntapipat *et al.*, 2020; Deegan *et al.*, 2006; Farooq and De Villiers, 2017; 2019a; O'Dwyer and

Owen, 2005; Perego, 2009; Perego and Kolk, 2012), sustainability assurance quality (see: Fernández-Feijóo-Souto *et al.*, 2012; Martínez-Ferrero and García-Sánchez, 2017; Perego and Kolk, 2012; Seguí-Mas *et al.*, 2015; Zorio *et al.*, 2013), and managerial capture (see: Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Gürtürk and Hahn, 2016; Manetti and Toccafondi, 2012; O'Dwyer and Owen, 2005; 2007). These studies are either from an international/regional perspective or focusing on a single national context.

Specifically, the previous literature finds that the determinants of sustainability assurance include (1) country-level factors: economic, political, legal, social and cultural contexts (Fernandez-Feijoo *et al.*, 2015; Kolk and Perego, 2010; Mock *et al.*, 2013; Perego and Kolk, 2012; Simnett *et al.*, 2009), (2) industry-level factors (Fernandez-Feijoo *et al.*, 2015; Mock *et al.*, 2013; Perego and Kolk, 2012; Sierra *et al.*, 2013; Simnett *et al.*, 2009; Zorio *et al.*, 2013), and (3) firm-level factors: firm size (Fernandez-Feijoo *et al.*, 2015; Ruhuke and Gabriel, 2013; Sierra *et al.*, 2013; Simnett *et al.*, 2009), profitability (Kend, 2015), and corporate governance structure (Kend, 2015; Peters and Romi, 2015; Ruhuke and Gabriel, 2013). Drawing on DiMaggio and Powell (1983), pressures from country-level factors lead to coercive isomorphism in sustainability assurance. Industry-level factors lead to mimetic isomorphism because companies operating under intense industry pressure from sustainability tend to imitate their competitors (DiMaggio and Powell, 1983; Martínez-Ferrero and García-Sánchez, 2017a; Peters and Romi, 2015; Simnett *et al.*, 2009). Moreover, firm-level factors explain why CSR reporting companies adopt heterogeneous practices while facing isomorphic institutional pressures.

The most widely used sustainability assurance standards are *International Standard on Assurance Engagements 3000* (ISAE 3000) and *AA1000 Assurance Standard* (AA1000AS) (Boiral *et al.*, 2019a; Farooq and De Villiers, 2019b; Gürtürk and Hahn, 2016; Junior *et al.*, 2014; Manetti and Toccafondi, 2012). Previous research reveals

that the adoption of ISAE 3000 has increased in recent years, with AA1000AS losing ground (Boiral and Heras-Saizarbitoria, 2020; Channuntapipat *et al.*, 2020; Gürtürk and Hahn, 2016). Moreover, there are different types of sustainability assurance providers competing in the assurance market, including major accountancy organisations, engineering consultancies, and sustainability services firms. Previous literature typically classifies the providers into two categories: accounting assurance providers (Big-four firms) and non-accounting assurance providers. Accounting assurance providers have recently dominated the assurance market (Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Gürtürk and Hahn, 2016; KPMG, 2015; Rossi and Tarquinio, 2017). Moreover, they perform sustainability assurance as an extension of financial audits and promote ISAE 3000 (Farooq and De Villiers, 2019b). In comparison, non-accounting assurance providers have more subject matter expertise on specific sustainability issues (Huggins *et al.*, 2011; Martínez-Ferrero and García-Sánchez, 2017b) and tend to assure more qualitative disclosures (Farooq and De Villiers, 2017; Moroney *et al.*, 2012). They adopt flexible assurance methods and provide informative assurance statements (Deegan *et al.*, 2006; Farooq and De Villiers, 2019b; O'Dwyer and Owen, 2005; Perego, 2009; Perego and Kolk, 2012).

Previous literature further reveals the determinants of sustainability assurance quality. Reporting companies in stakeholder-oriented countries⁶ are more likely to appoint assurers who provide high-quality sustainability assurance (Seguí-Mas *et al.*, 2015; Simnett *et al.*, 2009). Firm-level factors including company size, industry, and corporate governance structure are also associated with the quality of sustainability assurance statements (Fernández-Feijóo-Souto *et al.*, 2012; Martínez-Ferrero and García-Sánchez, 2017; Seguí-Mas *et al.*, 2015; Zorio *et al.*, 2013). Moreover, the

⁶ According to previous studies (see: Kolk and Perego, 2010; Martínez-Ferrero *et al.*, 2017b; Seguí-Mas *et al.*, 2015; Romero *et al.*, 2019; Simnett *et al.*, 2009), stakeholder-oriented countries refer to countries having a common law system. In comparison, shareholder-oriented countries refer to countries having a code law system.

quality of sustainability assurance depends on the assurance provider type (Perego and Kolk, 2012). Some prior studies indicate that accounting assurance providers provide higher quality sustainability assurance services (Fernández-Feijóo-Souto *et al.*, 2012; Martínez-Ferrero and García-Sánchez, 2017b; Martínez-Ferrero *et al.*, 2018; Peters and Romi, 2015; Simnett *et al.*, 2009; Zorio *et al.*, 2013) Simnett *et al.*, 2009). Others argue that non-accounting assurance providers provide higher quality assurance (Farooq and De Villiers, 2019b; Gürtürk and Hahn, 2016; Huggins *et al.*, 2011; O'Dwyer and Owen, 2005; Perego, 2009; Perego and Kolk, 2012; Seguí-Mas *et al.*, 2015).

Sustainability assurance practice is still emerging. CSR reporting companies are left with various choices (for example, the choices of assurance provider, assurance level, and assurance scope), outcomes, and determinants (Tyson and Adams, 2020). Previous literature critiques that sustainability assurance engagements are narrow-scoped and detached from key sustainability issues, pointing to a large degree of managerial capture in the assurance process. Assurance statements mainly add value to corporate management and are “an internal assurance exercise being published externally” (O'Dwyer and Owen, 2005, p.225). Assurance providers are effectively accountable to corporate management who appoint them and easily place restrictions on the assurance process. Stakeholder accountability is a low priority in sustainability assurance engagements (Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Gürtürk and Hahn, 2016; Manetti and Toccafondi, 2012; O'Dwyer and Owen, 2007). Therefore, sustainability assurance is symbolic and fails to enhance organisational transparency and stakeholder accountability (Bepari and Mollik, 2016; Boiral *et al.*, 2019a).

A number of research gaps can be identified in extant literature on sustainability assurance. First, there are gaps in current theorising in sustainability assurance research and theoretical frameworks (Tyson and Adams, 2020). Particularly, there is

a lack of theorising to explain CSR reporting companies' sustainability assurance decisions (Farooq and de Villiers, 2017). Tyson and Adams (2020) highlight that sustainability assurance practice would benefit from a better theoretical understanding of the assurance decision. Researchers are encouraged to expand sustainability assurance research agendas (Tyson and Adams, 2020) and "to consider alternative theoretical perspectives which can provide new and revealing insights to the field" (Farooq and de Villiers, 2017, p. 89). Second, most previous studies critiquing the nature and quality of sustainability assurance are based on content analysis of assurance statements. There is a call for engagement research to explore the assurance practice within organisations (Adams and Larrinaga, 2019). Third, it remains inconclusive regarding the relative importance of country-level factors, firm-level factors, and the type of assurance provider in determining sustainability assurance quality. Moreover, previous literature largely ignores the potential isomorphism among different types of assurance providers and focuses on their differences only (Canning *et al.*, 2019). Furthermore, previous literature critiquing limitations of sustainability assurance primarily focuses on CSR reporting companies based in developed countries. It remains unclear whether the limitations also exist in developing countries. Meanwhile, only a few previous studies investigate sustainability assurance in China, and no previous research focuses on comparing China with a developed country. Broadly, there is a call for cross-national studies (Lo *et al.*, 2008; Perego, 2009; Perego and Kolk, 2012; Simnett *et al.*, 2009) to explore the influence of different institutional contexts on sustainability assurance practice.

This thesis bridges the identified research gaps through a comparative study between the UK (a developed country) and China (a developing country), two large economies with fundamentally different institutional contexts. The selection of countries considers representativeness and feasibility. Representativeness means that the two countries should represent different economic development levels and some,

if not all, characteristics of developed and developing countries. These characteristics will help illustrate institutional contextual variations (Lo *et al.*, 2008; Robertson, 2009). Feasibility refers to data accessibility. The UK is one of the developed countries leading CSR reporting and assurance in theory and practice (Adams and Harte, 1998; Adams and Kuasirikun, 2000; Gray *et al.*, 1995; KPMG, 2020). China is a fast-growing economy where companies gradually develop their CSR reporting (KPMG, 2020; Yin *et al.*, 2019). It is worth exploring and comparing sustainability assurance in the UK and China to shed light on how the practice originated from Western business concepts are transferred to a different national context.

This research explores how different institutional contexts influence companies' sustainability assurance decisions and the quality of sustainability assurance. It is informed by a conceptual framework (see Figure 2.5 later) built upon the seminal articles formulating neo-institutional arguments (see DiMaggio and Powell, 1983; Meyer and Rowan, 1977), the four basic neo-institutional tenets in terms of organisational field, isomorphism, decoupling, and legitimacy (see Kostova *et al.*, 2008), the work of Smith *et al.* (2011) conceptualising capture as an institutional process across the organisational field, and other relevant previous literature on sustainability assurance. The conceptual framework illustrates the influence of field participants at macro-, meso-, and micro-levels on a company's CSR reporting and assurance process, reflecting the dynamics of interactions between CSR reporting organisations, assurance providers, other participants, and the broader social context they operate in (Smith *et al.*, 2011).

Informed by the conceptual framework, this research addresses the following research questions:

RQ1 What are the institutional factors that influence companies'

sustainability assurance decisions in the UK and China?

RQ2 What are the institutional factors that influence the quality of sustainability assurance?

RQ3 What are the similarities and differences between the UK and China in terms of sustainability assurance practice?

This research follows a qualitative research design consisting of three correlated components. Study One is a qualitative content analysis of 118 UK and 40 Chinese sustainability assurance statements (158 in total) issued in 2008, 2012, and 2016. It addresses RQ2 and RQ3 and provides preliminary findings informing the design of Studies Two and Three. Study Two uses a survey research strategy, with two questionnaires (Survey One and Survey Two) designed and distributed to collect primary data. Survey One contains questions about CSR reporting and assurance practice and is sent to companies. Survey Two focuses on sustainability assurance practice and targets sustainability assurance providers. The findings of Study Two shed light on RQ1 and RQ2, complement the findings of Study One, and inform the design of interview questions (in Study Three). Study Three aims at addressing RQ1 and RQ3. Thirty-three semi-structured interviews are conducted with CSR reporting directors/managers, CSR consultants, sustainability assurance providers, and sustainability/CSR experts in the UK and China. The interviews generate rich data set for further interpretation and analysis.

The findings from the three studies indicate that the development of CSR reporting influences the adoption of sustainability assurance at the country level. The UK features a maturing (not mature yet) phase of CSR reporting, where the elements of normative and coercive isomorphism coexist. The adoption of CSR reporting is driven by increasing legislation, the internalisation of norms (for example, a well-established CSR team and an internalised CSR reporting process), and the internalisation of values (for example, top managers' positive attitudes towards sustainable development and CSR, a strong belief that corporation should be

responsible, and an internal desire to address material CSR issues). Particularly, increased reporting regulations and societal expectations cause coercive isomorphism in the CSR reporting field over time and further drive UK companies to seek sustainability assurance even though they are not required.

In comparison, the limited adoption of sustainability assurance in China is related to the formative phase of CSR reporting (where the elements of coercive isomorphism dominate). The Chinese government plays an essential role in promoting CSR reporting and awareness. Chinese companies publish CSR reports in response to relevant governmental and listing reporting requirements. However, most Chinese companies are reluctant to adopt sustainability assurance due to the absence of relevant assurance requirements. Notably, some Chinese companies adopt a Chinese CSR report rating service as a substitute for sustainability assurance, revealing how they ceremonially use a (so-called) credibility-enhancing mechanism of CSR reporting while decoupling themselves by a more economically efficient practice.

The findings further reveal that the type of assurance provider influences the quality of sustainability assurance. Non-accounting assurance providers are associated with higher assurance quality. However, in both the UK and Chinese contexts, accounting assurance providers (Big-four firms) dominate the sustainability assurance market. Their assurance approach features considerable influence from financial auditing methodology. The predominance of accounting assurance providers and the paradigm of the financial audit have shaped the process of assuring sustainability reporting. The narrow-scoped data-checking process reduces the possibility for the assurance provider to discover and report problematic issues and thus undermines the quality of sustainability assurance. Moreover, the findings indicate a significant degree of managerial capture during the assurance process, which also undermines the assurance quality. Observed in both the UK and Chinese contexts, the managerial capture is mainly reflected in four aspects: (1) areas assured (and not assured) are

determined by corporate managers/directors, (2) the addressee of assurance statements remains unspecified or restricted to internal users, (3) assurance providers lack independence, and (4) the level of stakeholder engagement is kept minimal. Therefore, sustainability assurance largely remains an exercise of legitimation for CSR reporting companies and fails to enhance organisational transparency and stakeholder accountability.

This research contributes to our knowledge of sustainability assurance and has theoretical, practical, and political implications. It has developed some theoretical extensions of institutional theory by suggesting a conceptual framework for analysing organisational sustainability reporting and assurance practice within a broader social context. This conceptual framework could be applied to future sustainability reporting and assurance research studying different national contexts (see Figure 7.1 for an example of applying the proposed conceptual framework to the Chinese context). Moreover, this research provides evidence of sustainability assurance practice in China, an area generally under-researched. It also contributes to the literature on sustainability assurance practice within different institutional contexts. The research findings shed new light on the extant literature where the importance of different factors influencing the extent and nature of sustainability assurance is inconclusive. Furthermore, this research responds to the call for engagement research in this area (Adams and Larrinaga, 2019) through semi-structured interviews and surveys.

This research sheds light on the development of sustainability assurance practice. The findings suggest that accounting assurance providers should consider a more flexible approach embracing various assurance standards and methodologies (Farooq and De Villiers, 2019b). Also, the accounting profession may consider developing specialist standards to support ISAE3000. The *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER)*

Assurance Engagements (IAASB, 2021a) represents an effort the IAASB has made to enable more consistent and appropriate application of ISAE 3000 (IAASB, 2021b). The findings further imply the potential for collaboration in developing sustainability assurance approaches. The researcher encourages the synergy between accounting and non-accounting assurance providers. These insights may be helpful to sustainability assurance providers worldwide. This research also has implications for policymakers. With the growing momentum towards mandatory disclosures of certain types of sustainability information, more attention should be paid to sustainability assurance. Given that the pressures from coercive isomorphism (particularly from governmental and listing requirements) effectively drive companies' adoption of sustainability assurance, policymakers may consider mandate sustainability assurance to enhance the credibility of sustainability reporting and reduce the possibility of green/colour washing. Meanwhile, this research cautions policymakers against introducing generic sustainability assurance regulations to all companies. Institutional factors at different levels need to be considered so that the regulations can be well adopted by companies in different countries/regions and sectors.

The remainder of this thesis is organised as follows. Chapter Two provides a comprehensive review of the previous literature on CSR reporting and sustainability assurance. It then discusses current theorising in sustainability assurance research and justifies why institutional theory provides an appropriate theoretical foundation for this research, followed by an introduction of research contexts. The review of the extant literature and theoretical perspectives informs the formulation of the proposed conceptual framework, the identification of research gaps, and the derivation of research questions. Chapter Three presents the research methodology of this thesis. It first discusses philosophical considerations and then elaborates on the research design of Studies One, Two, and Three. Chapters Four, Five, and Six are the three empirical parts of the thesis, discussing the key findings from Studies One, Two, and

Three, respectively. Finally, Chapter Seven concludes this thesis by addressing the three research questions, discussing research contributions, elaborating on research limitations, and suggesting future research directions.

CHAPTER TWO

LITERATURE REVIEW, THEORETICAL PERSPECTIVE, AND CONCEPTUAL FRAMEWORK

2.1 Introduction

Currently, CSR/sustainability reporting is largely unregulated, presented in various forms, and commonly includes diverse subject matters, narrative, and forward-looking information, thus at risk of lacking credibility and serving managers' own interests (Venter and van Eck, 2021). This situation points to the demand for sustainability assurance, a practice having far-reaching consequences for businesses, investors, other stakeholders, and society (Venter and van Eck, 2021). It is essential to understand the nature, purpose, and process of the sustainability assurance practice. Previous studies indicate the pattern, determinants, and limitations of sustainability assurance in different research contexts.

This chapter critically reviews prior literature to elaborate on an understanding of sustainability assurance as a mechanism enhancing the credibility of CSR reporting. Specifically, it summarises the determinants of both CSR reporting and sustainability assurance (in Table 2.1, Section 2.2.2.2), with an expectation that factors influencing the adoption, extent, and nature of CSR reporting would also be relevant to the sustainability assurance practice. This chapter also discusses two sustainability assurance standards and two types of sustainability assurance

providers. It then evaluates the previous studies examining the quality and limitations of sustainability assurance. These limitations undermine the effectiveness of sustainability assurance in enhancing the credibility of CSR reporting. By reviewing the existing literature on sustainability reporting and assurance, the understanding of the nature, purpose, and process of the sustainability assurance practice is gained which, in turn, provides context for the empirical studies presented in Chapters Four, Five, and Six.

Following the literature review, there is a description of the theoretical perspective of this thesis. It begins with an overview of five theoretical perspectives (legitimacy theory, stakeholder theory, contingency theory, transformational leadership theory, and (neo-) institutional theory) commonly invoked to inform sustainability assurance research, and then identifies the lack of current theorising and the potential of each theoretical perspective to augment research avenues in this field. Particularly, institutional theory can provide new and revealing insights into the sustainability assurance field and is considered appropriate as a theoretical foundation for this thesis.

This chapter then introduces the research contexts, summarises the key institutional features (see Table 2.4, in Section 2.4), and shows the contrasting situation about the sustainability reporting and assurance practices in the UK and China. Section 2.5 describes the formulation of a conceptual framework informing this research. This conceptual framework, building upon the previous literature, institutional theory, and Smith *et al.* (2011)'s framework, captures all relevant factors explaining the

institutionalisation of sustainability assurance within a certain organisational field. It comprehensively illustrates the process of institutionalisation in a way that is potentially more suited to the unregulated and diverse nature of sustainability assurance. The proposed conceptual framework informs the analysis of the later empirical work and in turn, the empirical evidence induces some further development of the existing theory (specifically discussed in Chapter Seven). Based on the review of the existing literature and current theorising in sustainability assurance research, Section 2.6 summarises identified research gaps which prompt the derivation of research questions. It then explains how previous studies and existing theory inform each research question and the research methodology (see Chapter Three).

2.2 CSR Reporting and Sustainability Assurance

2.2.1 CSR Reporting

2.2.1.1 CSR Reporting: Definition and Motivation

CSR reporting, also commonly known as sustainability reporting, is an organisation's publicly reporting practice on its economic, environmental, and social impacts and its positive or negative contributions to sustainable development goals (GRI, 2016). Recently, CSR reporting has become mainstream globally for large

companies (Abernathy *et al.*, 2017). KPMG (2020) shows that 80% of the 5,200 companies⁷ surveyed are involved in CSR reporting.

Previous literature indicates that companies adopt the CSR reporting practice for several reasons. First, increasing governmental regulations and stock exchange requirements on CSR disclosures drive up CSR reporting rates worldwide (Abernathy *et al.*, 2017; KPMG; 2017). Second, stakeholders, including investors, shareholders, customers and suppliers, demand more CSR disclosures (Abernathy *et al.*, 2017; KPMG; 2017; Moser and Martin, 2012) due to a shared concern that traditional financial reporting conveys limited dimensions of corporate value today (Simnett *et al.*, 2009). This stakeholder demand reflects an increasing awareness of sustainable or social welfare issues from a more altruistic perspective (Abernathy *et al.*, 2017; Freeman, 2010). Third, companies adopt CSR reporting because it increases customer loyalty and favourable publicity, thus enhancing corporate reputation and bringing in economic benefits (Abernathy *et al.*, 2017; Carroll and Shabana, 2010; Dienes *et al.*, 2016). Fourth, with CSR reporting becoming institutionalised for large organisations, more companies imitate their competitors to deal with the peer pressure and uncertainty within the evolving CSR reporting field (Archel *et al.*, 2011; De Villiers and Alexander, 2014).

⁷ A worldwide sample comprising the top 100 companies (N100) by revenue in each of the 52 countries researched (KPMG, 2020).

2.2.1.2 Determinants of CSR Reporting

Previous literature identifies determinants of the adoption, extent, and nature of CSR reporting, typically classified into three categories: (1) general contextual factors, (2) corporate characteristics, and (3) internal contextual factors, following Adams (2002).

2.2.1.2.1 General Contextual Factors

General contextual factors include country of origin; political, economic, social, and cultural contexts; pressure groups (Adams, 2002). Previous studies, particularly cross-national studies, find that differences in national contextual factors lead to variations in CSR reporting across different countries (Chapple and Moon, 2005; Chen and Bouvain, 2009; Gallén and Peraita, 2018; Jackson and Apostolakou, 2010; Laan Smith *et al.*, 2005; Matten and Moon, 2008; Wanderley *et al.*, 2008). Moreover, pressures from specific stakeholder groups, including regulators (Chih *et al.*, 2010; Shi *et al.*, 2012), shareholders (Neu *et al.*, 1998; Toms, 2002; Thorne *et al.*, 2014), investors (Wilmschurst and Frost, 2000), and the media (Deegan *et al.*, 2002; Reverte, 2009; Nikolaeva and Bicho, 2011) in a given country also influence the CSR reporting practice. However, Fortanier *et al.* (2011) argue that the development, dissemination, and adoption of global sustainability reporting standards such as GRI lead to fewer country-of-origin effects and differences in CSR reporting, pointing to the global harmonisation of CSR reporting practice.

Previous literature further reveals significant differences between developed and

developing countries regarding the determinants of CSR reporting. In developed countries, the concerns of specific stakeholder groups are essential in increasing CSR disclosures. For example, Dobbs and Van Staden (2016) find that community concerns and shareholder rights are the most important factors that influence New Zealand companies' decision to disclose social and environmental information voluntarily. Haddock-Fraser and Tourelle (2010) find that FTSE 100 companies react to consumer expectations in their environmental disclosures. Based on a sample of 40 UK companies, Idowu (2009) finds that sustainability reporting primarily aims to inform stakeholders of the companies' contributions to the betterment of society. Ali *et al.* (2017) review 76 empirical research articles on factors driving CSR disclosures and summarise that the role of specific stakeholders (such as regulators, shareholders, creditors, investors, and the media) is considered very important in developed countries.

In developing countries, CSR reporting is more influenced by external forces or powerful stakeholders but less by public pressure (Ali *et al.*, 2017). For example, Thoradeniya *et al.* (2021) find that institutional factors, including GRI Standards, sustainability reporting award schemes, and government encouragement, influence companies' sustainability reporting decisions in Sri Lanka. Dissanayake *et al.* (2019) also indicate the influence of standards-setting bodies in Sri Lanka, as large companies following the GRI guidelines are more likely to report in an elaborate manner. Amran and Haniffa (2011) find that governmental requirements and sustainability reporting awards are strong drivers of sustainability reporting in

Malaysia.

In the sub-Saharan African context (comprising emerging markets with weak institutional environments), companies experience little pressure from broader stakeholders as seen in developed countries, but more pressure from (potential) investors (namely, funding bodies and foreign investors) (Tilt *et al.*, 2021). For example, Areneke *et al.* (2022) find that in Nigeria, foreign institutional investors transfer good corporate governance standards to improve companies' practices and bypass the weak regulatory environment. Moreover, foreign institutional investors from countries with robust legal enforcement have a stronger ability to improve practices of companies in weak institutional environments (Areneke *et al.*, 2022). Thoradeniya *et al.* (2021) notes a general absence of stakeholder pressure in developing countries, which inhibits sustainability reporting. This finding indicates the lack of CSR awareness in the broader stakeholders and explains why CSR reporting is less influenced by the public pressure in developing countries. This situation could be improved by spreading CSR awareness, cultivating knowledge of sustainability reporting in the public, and improving managing systems in companies to facilitate better sustainability reporting (Tilt *et al.*, 2021).

In summary, the CSR reporting practice is shaped by specific institutional configurations including the political environment, economic status, culture, social networks, and so on. The peculiarities of some countries (especially developing countries) may not yet promote good CSR reporting practice. The problems of CSR reporting are indeed part of a larger problem of the society characterised by certain

political, economic, cultural, and social factors. Notably, while countries may share similar challenges in CSR reporting, the translation of these challenges and the ways of addressing them differ according to certain contingencies. Drawing on Adegbite and Nakajima (2011), the contingencies include companies' ownership structure, orientations towards CSR, ethical climate of business conduct, attitudes towards stakeholder activism, and so on. These are further discussed in the following sections.

2.2.1.2.2 Corporate Characteristics

Corporate characteristics include firm size, financial/economic performance, industry, and ownership structure (Adams, 2002). Generally, previous literature suggests that organisations are more likely to adopt CSR reporting if they have a larger size, operate in environmentally sensitive sectors, have better financial performance, or have a more dispersed shareholder ownership structure (Brammer and Pavelin, 2006; Gamerschlag *et al.*, 2011; Hahn and Kühnen, 2013; Herremans and Nazari, 2016).

Larger companies tend to perform better in CSR reporting because they are more visible with a larger social footprint and are under more pressures to meet various stakeholder groups' demands (Dienes *et al.*, 2016; Simnett *et al.*, 2009). In addition, they have more resources to support the cost of the CSR reporting process (Brammer and Pavelin, 2006; Dienes *et al.*, 2016). In comparison, smaller companies are less likely to adopt CSR reporting due to a lack of capacity to establish and maintain sustainability departments (Dienes *et al.*, 2016). Moreover, CSR in small and

medium companies is generally characterised in the previous literature as unstructured, informal, and ad-hoc discretionary philanthropic activities (Amaesh *et al.*, 2016). However, Parsa and Kouhy (2008) argue that small and medium companies also report on CSR as what large companies do, regardless of their limited resources, and use CSR reporting to build and maintain a reputation. Amaesh *et al.* (2016) find that in Nigeria and Tanzania, CSR practices in small and medium companies go beyond philanthropy, sometimes involve institutional works, occur in multiple spaces (including the workplace, marketplace, community, and the ecological environment), and thus are much more nuanced than previously presented. Prior studies also indicate a strong relationship between industry membership and CSR reporting practice. Companies belonging to industries with high environmental and social impacts are more likely to report CSR to deal with sector-specific stakeholder pressures (Al Farooque and Ahulu, 2017; Brammer and Pavelin, 2006; Gamerschlag *et al.*, 2011; Hahn and Kühnen, 2013). For example, Osemeke *et al.* (2016, p. 357) argue that in Nigeria, CSR initiatives originated from the practices of multinational companies in the extraction sectors (typically the oil sector), whose operations had led to “CSR breaches such as oil spillages, gas flaring ... dumping of toxic waste materials in rivers”, “widespread poverty and agitation from the communities”. With cumulative concerns about the role of businesses in the society. Nigerian companies and financial institutions started to take CSR initiatives seriously, set up CSR departments, and publish CSR reports. Moreover, CSR reporting is driven by intra-industry imitation where a company imitates others’ behaviour within the same sector (Aerts *et al.*, 2006; Hahn and Kühnen, 2013;

Husillos *et al.*, 2011). Notably, Wanderley *et al.* (2008) compare different external determinants and argue that country-level factors are more influential than industry-level factors in CSR reporting.

In terms of ownership structure, some studies find that a more dispersed shareholder ownership structure is positively associated with the adoption (Brammer and Pavelin, 2006; Gamerschlag *et al.*, 2011) and transparency (Garcia-Torea *et al.*, 2017) of CSR reporting. Conversely, Ghazali (2007) does not find any influence of ownership concentration on CSR reporting. Some studies specifically focus on the influence of government/state ownership. Said *et al.* (2009) and Ghazali (2007) indicate a positive association between government ownership and CSR reporting, whereas Li *et al.* (2013a, 2013b) and Khasharmeh and Suwaidan (2010) find no such influence. Although the relationship between ownership structure and CSR reporting is inconclusive, Dienes *et al.* (2016) argue that it has a positive tendency since they do not find any prior research showing a negative influence.

2.2.1.2.3 Internal Contextual Factors

The internal context consists of “process” (including corporate structure and governance procedures, company chair and board of directors, and CSR reporting committee) and “attitudes” (including corporate culture, perceived cost and benefits of reporting, and views on CSR reporting) (Adams, 2002, p.246).

Some prior studies consider various determinants with regard to corporate governance structures, such as independent board members (Amran *et al.*, 2014; Jizi

et al., 2014; Shamil *et al.*, 2014; Herda *et al.*, 2013; Faisal *et al.*, 2012; Sharif and Rashid, 2014; Li *et al.*, 2013b; Rouf, 2011), size of the board (Amran *et al.*, 2014; Shamil *et al.*, 2014; Jizi *et al.*, 2014; Kent and Monem, 2008), and gender diversity of the board (Amran *et al.*, 2014; Fernandez-Feijoo *et al.*, 2014; Shamil *et al.*, 2014; Khan, 2010). Moreover, some prior studies investigate the association between the existence of a CSR/sustainability committee and CSR reporting (Amran *et al.*, 2014; Michelon and Parbonetti, 2012; Dilling, 2010; Kent and Monem, 2008). Some of them indicate a positive and significant association (Amran *et al.*, 2014; Kent and Monem, 2008), while others indicate only a positive association (Michelon and Parbonetti, 2012) or no association (Dilling, 2010). Therefore, previous literature has not reached conclusive results regarding the relationship between board structure and CSR reporting (Dienes *et al.*, 2016).

In terms of “attitudes”, previous research indicates that internal motivations such as corporate culture, the proactive attitude of executives, and the ethical values of managers influence the adoption and process of CSR reporting (Adams, 2002; Herremans and Nazari, 2016; Husillos *et al.*, 2011; Lozano *et al.*, 2016). For example, Lozano *et al.* (2016) argue that a company’s internal motivations primarily drive the development and publication of the first CSR report. Subsequent reports are usually driven by a combination of internal and external motivations. They further suggest that CSR reporting leads to organisational changes for sustainability within the company, and these changes, in turn, improve the reporting process. Herremans *et al.* (2016) suggest that a company’s managerial motivations and attitudes towards

CSR reporting determine its information control system, CSR reporting structure, and sustainability assurance adoption. Adegbite *et al.* (2020) propose a thematic model effectively combining governance of externalities in the economy, environment, and society. It triggers a robust CSR corporate culture and thus will enable managers to focus on their overarching objective of shareholder value without negatively impacting non-shareholding stakeholders.

Overall, previous research shows that the adoption, extent, and nature of CSR reporting are influenced by various determinants classified into general contextual factors, corporate characteristics, or internal contextual factors (Adams, 2002). However, previous literature remains limited with regard to the relative importance of the three categories of determinants. It remains inconclusive which category of determinants is more influential in CSR reporting practice than other categories.

2.2.1.3 Credibility of CSR Reporting

Previous research uncovers the gap between what a reporting entity discloses and what it really does and critiques the credibility of CSR reporting (Adams, 2004; Boiral, 2013; Moneva *et al.*, 2006). For example, Moneva *et al.* (2006) argue that some so-called GRI reporters fail to behave responsibly in greenhouse gas emissions, social equity, and human rights. Adams (2004) identifies the reporting – performance portrayal gap in corporate ethical, social, and environmental reporting. The reporting fails to convey a high level of accountability due to a lack of completeness and credibility. Moreover, previous literature indicates that CSR reporters tend to over-

/mis- use optimistic rhetoric in CSR reporting. Cho *et al.* (2012a) argue that organisations tend to report CSR information that conveys favourable performance trends only. Boiral (2013) finds that companies generally overemphasise positive achievements in CSR reporting to build an ideal corporate image and camouflage negative impacts.

CSR reporting is regarded as a managerial/marketing/greenwash tool to gain and maintain corporate reputation, rather than a mechanism to enhance stakeholder accountability (Boiral, 2013; Cho and Pattern, 2007; Laufer, 2003; Lyon and Maxwell, 2011). Companies structure and disclose CSR information to maximise perceptions of legitimacy (Laufer, 2003; Cho and Pattern, 2007). For example, through interviews with preparers from ten companies whose stand-alone sustainability reports have achieved GRI G3.1 A+ application levels in 2014, Usmani *et al.* (2020) find that the preparation of the reports is constrained by CEO's reporting strategy involving symbolic manipulation and visual impression management. Farooq and De Villiers (2019a) find that Australian and New Zealand companies not always (adequately) disclose material sustainability issues mainly because senior managers and board members are reluctant to reveal material bad news.

The critiques indicate that CSR reporting is symbolic, misleading, and mainly used for impression management (Michelon *et al.*, 2015; Cho *et al.*, 2012a; 2012b), pointing to a demand for improving the credibility of CSR reporting. Drawing on previous literature (Abernathy *et al.*, 2017; Cohen and Simnett, 2015; De Villiers *et*

al. 2014; Huang and Watson, 2015; Lock and Seele, 2016), there are four emerging mechanisms to enhance the credibility of CSR reporting: mandatory reporting requirements, standardised reporting frameworks, integrated reporting, and sustainability assurance. Notably, the importance of sustainability assurance is highlighted. Sustainability assurance is expected to effectively enhance CSR report users' confidence and stakeholder accountability (Cohen and Simnett, 2015; Perego, 2009; Perego and Kolk, 2012; Simnett *et al.*, 2009). In addition, CSR reporting organisations can benefit from sustainability assurance since it helps identify deficiencies in the reporting process and improve the CSR management system (Perego and Kolk, 2012). The following section reviews the literature on sustainability assurance.

2.2.2 Sustainability Assurance

2.2.2.1 Sustainability Assurance: Definition and Motivation

Sustainability assurance is defined as assurance on CSR/sustainability reports (Canning *et al.*, 2019). Assurance is defined as “an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information” (IAASB, 2013, p.7).

With the number of companies involved in CSR reporting continuously growing, the demand for sustainability assurance has increased in the past decade. KPMG (2020, p. 23) indicates that sustainability assurance has become “standard practice for large

and mid-cap companies worldwide”. The assurance rate of G250 has increased from 40% in 2008 to 71% in 2020. Sustainability assurance is at an evolving stage (Canning *et al.*, 2019; Cohen and Simnett, 2015) and remains a voluntary practice (Hassan *et al.*, 2020; Kend, 2015; Martínez-Ferrero and García-Sánchez, 2017a).

CSR reporters seek voluntary sustainability assurance to enhance the credibility of CSR reporting. Similar to auditing for financial information, sustainability assurance is considered a key mechanism in the external scrutiny of CSR information publicly disclosed (Martínez-Ferrero and García-Sánchez, 2017b). Previous literature shows that sustainability assurance enhances the reliability and transparency of CSR reporting (Adams and Evans, 2004; Deegan *et al.*, 2006; O’Dwyer and Owen, 2005; Weber, 2018) and increases stakeholder trust in the information quality and corporate sustainability commitments (Hodge *et al.*, 2009; Simnett *et al.*, 2009). Sustainability assurance also helps monitor corporate managers (Wong and Millington, 2014) and mitigate information asymmetry and uncertainty (Moroney *et al.*, 2012). Therefore, more and more CSR reporting companies choose to adopt sustainability assurance despite not being required.

2.2.2.2 Determinants of Sustainability Assurance

Previous literature identifies determinants that influence the adoption of sustainability assurance, which are typically classified into country-, industry-, and firm-level factors.

2.2.2.2.1 Country-level Factors

Based on an international investigation, Kolk and Perego (2010) find that the level of CSR awareness in a country determines the adoption of sustainability assurance practice. Companies operating in stakeholder-oriented countries are more likely to adopt sustainability assurance (Kolk and Perego, 2010; Perego and Kolk; 2012; Simnett *et al.*, 2009). Focusing on the development of worldwide sustainability assurance, Mock *et al.* (2013) find that governmental policies and stock exchange requirements influence companies' decision to adopt sustainability assurance. Using a sample of Fortune Global 250 companies, Perego and Kolk (2012) find that stringent legislation and regulatory pressure lead to the increasing adoption of sustainability assurance.

Previous literature also reveals the association between a country's legal system and the adoption of sustainability assurance. Based on an international comparison, Simnett *et al.* (2009) argue that companies based in countries with a more stringent legal system are more likely to adopt sustainability assurance. Drawing on an international sample of 696 companies, Martínez-Ferrero and García-Sánchez (2017b) find that companies operating in countries with a more rigorous legal system are more likely to issue a sustainability assurance statement. Conversely, Kolk and Perego (2010) find that companies operating in countries with a lower litigation level are more likely to have sustainability assurance statements. Perego and Kolk (2012) further argue that a robust legal environment and high litigation cost may hamper the diffusion of sustainability assurance practice. However, drawing on a sample of

companies from 22 countries, Fernandez-Feijoo *et al.* (2015) measure the legal system by the origin of laws, legal enforcement, and pressure towards sustainability and find that the legal system has no significant influence on companies' decision to assure CSR reports. Therefore, previous literature in this regard remains inconclusive. The conflicting findings from previous studies may be attributed to differences in sample selection.

2.2.2.2.2 Industry-level Factors

Zorio *et al.* (2013) argue that industry membership is one of the significant determinants influencing Spanish companies' sustainability assurance decision. Conversely, Sierra *et al.* (2013) find that industry membership is not significantly related to Spanish companies' assurance decision. At an international level, Simnett *et al.* (2009) find that companies involved in highly visible industrial activity have a stronger demand for sustainability assurance. Typical examples are the companies operating in Mining, Utilities, and Finance sectors (Simnett *et al.*, 2009). Mock *et al.* (2013) support this argument and find that companies in Mining and Oil, Electricity and Utilities, and Business, Financial and Other Services publish more sustainability assurance statements than companies in other industries. Fernandez-Feijoo *et al.* (2015) find that companies in Energy, Chemicals, Finance, and Transportation are more likely to have their CSR reports assured.

Notably, Perego and Kolk (2012) find that from an international perspective, the gaps between polluting and non-polluting sectors are diminishing, as more and more

companies from different sectors become involved in sustainability reporting and assurance. This may imply that with sustainability assurance becoming a standard practice, the association between industry membership and companies' assurance decision would weaken.

2.2.2.2.3 Firm-level Factors

Firm-level factors include size, profitability, and corporate governance structure. A company's size is associated with the demand for voluntary sustainability assurance. Larger companies are generally more likely to have their CSR reports assured (Fernandez-Feijoo *et al.*, 2015; Ruhuke and Gabriel, 2013; Sierra *et al.*, 2013; Simnett *et al.*, 2009). Fernandez-Feijoo *et al.* (2015) further argue that multinational companies are more likely to adopt sustainability assurance due to their greater visibility. Drawing on the resource-based perspective, Perego and Kolk (2012) find that multinational companies vary considerably in sustainability assurance adoption while facing institutional forces. Companies with better environmental resources and capabilities are more likely to achieve a higher assurance quality level (Perego and Kolk, 2012). Moreover, Kend (2015) finds that profitability is positively associated with the assurance decision of top listed companies in Australia and the UK.

Drawing on a sample of German, Dutch, and UK companies, Ruhuke and Gabriel (2013) argue that a sustainability department increases the demand for voluntary sustainability assurance. Kend (2015) highlights the role of an active and diligent audit committee in driving the decision to adopt sustainability assurance. Further,

Peters and Romi (2015) find that sustainability-oriented corporate governance mechanisms positively impact a company's voluntary adoption of sustainability assurance. Overall, the previous literature indicates that firm-level factors explain companies' adoption of heterogeneous management practices when facing isomorphic institutional pressures in sustainability assurance (Perego and Kolk, 2012).

In summary, previous literature indicates that a company's assurance decision is influenced by various country-, industry-, and firm-level factors. However, only a few previous studies consider the relative importance of country-, industry-, and firm-level factors in driving sustainability assurance adoption. For example, Martínez-Ferrero and García-Sánchez (2017a) argue that national culture and moral values (classified into country-level factors) best explain companies' demand for sustainability assurance. Conversely, Francis *et al.* (2011) find that firm-specific incentives are more important than country-level factors as voluntary assurance services substitute for the weaknesses in a country's institutional environment. Therefore, extant literature remains inconclusive regarding the relative importance of the three levels of factors. Table 2.1 summarizes the influential factors of CSR reporting and sustainability assurance, drawing on the previous literature reviewed above. Notably, since sustainability assurance is viewed as a mechanism enhancing the credibility of CSR reporting, it could be expected that the factors influencing CSR reporting would be relevant to sustainability assurance. That is, we can expect the same influential factors be relevant for sustainability assurance.

Table 2.1 Influential Factors of CSR Reporting and Sustainability Assurance

Influential Factors	CSR Reporting	Sustainability Assurance
General Contextual Factors	<p>Country of origin (with specific political, economic, social, cultural contexts)⁸.</p> <p>Pressures from specific stakeholder groups⁹, including regulators, shareholders, investors, customers, creditors, local community, and the media.</p>	<p>The level of CSR awareness (Kolk and Perego, 2010).</p> <p>National culture and moral values (Martínez-Ferrero and García-Sánchez, 2017a).</p> <p>Governmental policies and stock exchange requirements (Mock <i>et al.</i>, 2013; Perego and Kolk, 2012).</p> <p>Legal system¹⁰.</p>
Corporate Characteristics	<p>Size (Adams, 2002; Brammer and Pavelin, 2006; Dienes <i>et al.</i>, 2016).</p> <p>Financial/economic performance (Adams, 2002; Brammer and Pavelin, 2006; Dienes <i>et al.</i>, 2016).</p> <p>Industry (Adams, 2002; Al Farooque and Ahulu, 2017; Brammer and Pavelin, 2006; Gamerschlag <i>et al.</i>, 2011; Hahn and Kühnen, 2013).</p> <p>Ownership structure¹¹.</p>	<p>Size (Fernandez-Feijoo <i>et al.</i>, 2015; Ruhuke and Gabriel, 2013; Sierra <i>et al.</i>, 2013; Simnett <i>et al.</i>, 2009).</p> <p>Profitability (Kend, 2015; Perego and Kolk, 2012).</p> <p>Industry (Fernandez-Feijoo <i>et al.</i>, 2015; Mock <i>et al.</i>, 2013; Perego and Kolk, 2012; Sierra <i>et al.</i>, 2013; Simnett <i>et al.</i>, 2009; Zorio <i>et al.</i>, 2013).</p>

⁸ Adams, 2002; Chapple and Moon, 2005; Chen and Bouvain, 2009; Gallén and Peraita, 2018; Jackson and Apostolakou, 2010; Laan Smith *et al.*, 2005; Matten and Moon, 2008; Wanderley *et al.*, 2008.

⁹ Adams, 2002; Ali *et al.*, 2017; Amran and Haniffa, 2011; Chih *et al.*, 2010; Deegan *et al.*, 2002; Dissanayake *et al.* 2019; Dobbs and Van Staden, 2016; Haddock-Fraser and Tourelle, 2010; Idowu, 2009; Neu *et al.*, 1998; Nikolaeva and Bicho, 2011; Reverte, 2009; Shi *et al.*, 2012; Thoradeniya *et al.*, 2021; Thorne *et al.*, 2014; Tilt *et al.*, 2021; Toms, 2002; Wilmshurst and Frost, 2000.

¹⁰ Fernandez-Feijoo *et al.*, 2015; Kolk and Perego, 2010; Martínez-Ferrero and García-Sánchez, 2017b; Perego and Kolk, 2012; Simnett *et al.*, 2009.

¹¹ Adams, 2002; Brammer and Pavelin, 2006; Dienes *et al.*, 2016; Gamerschlag *et al.*, 2011; Garcia-Torea *et al.*, 2017; Ghazali, 2007; Khasharmeh and Suwaidan, 2010; Li *et al.*, 2013a; 2013b; Said *et al.*, 2009.

Internal Contextual Factors	<p>Process (including corporate structure and governance procedures, company chair and board of directors, and CSR reporting committee)¹².</p> <p>Attitudes (including corporate culture, perceived cost and benefits of reporting, and views on CSR reporting) (Adams, 2002; Herremans and Nazari, 2016; Husillos <i>et al.</i>, 2011; Lozano <i>et al.</i>, 2016).</p>	Corporate governance structure (Kend, 2015; Peters and Romi, 2015; Ruhuke and Gabriel, 2013).
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Source: Author.

¹² Adams, 2002; Amran *et al.*, 2014; Dilling, 2010; Faisal *et al.*, 2012; Fernandez-Feijoo *et al.*, 2014; Herda *et al.*, 2013; Jizi *et al.*, 2014; Li *et al.*, 2013b; Kent and Monem, 2008; Khan, 2010; Michelon and Parbonetti, 2012; Rouf, 2011; Shamil *et al.*, 2014; Sharif and Rashid, 2014.

2.2.2.3 Sustainability Assurance Standards and Assurance Providers

2.2.2.3.1 Sustainability Assurance Standards

The most widely used standards for sustainability assurance engagements are *International Standard on Assurance Engagements 3000*¹³ (ISAE 3000) and *AA1000 Assurance Standard* (AA1000AS) (Boiral *et al.*, 2019a; Farooq and De Villiers, 2019b; Gürtürk and Hahn, 2016; Junior *et al.*, 2014; Manetti and Toccafondi, 2012; Venter and van Eck, 2021).

2.2.2.3.1.1 International Standard on Assurance Engagements 3000

Issued by the International Auditing and Assurance Standards Board (IAASB), ISAE 3000 deals with assurance engagements other than audits or reviews of historical financial information. It contains requirements, application, and other explanatory material specific to reasonable and limited assurance engagements (IAASB, 2013). It classifies each assurance engagement into either a reasonable assurance engagement or a limited assurance engagement:

Reasonable assurance engagement—An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion. The practitioner's

¹³ Namely *International Standard on Assurance Engagements (ISAE) 3000 (Revised)*, *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (IAASB, 2013).

conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria. (IAASB, 2013, p. 7).

Limited assurance engagement—An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated. (IAASB, 2013, p. 7).

ISAE 3000 further emphasises that the nature, timing, and extent of procedures performed in a limited assurance engagement is comparatively limited. The level of assurance obtained is likely to enhance the intended users' confidence about the subject matter information "to a degree that is clearly more than inconsequential" (IAASB, 2013, p. 7).

The latest version of ISAE 3000 (IAASB, 2013) permits practitioners outside the accounting profession to use the standard, while requiring them to be competent. Specifically, ISAE 3000 is premised on the basis that (1) the members of the engagement team are subject to the International *Code of Ethics for Professional*

*Accountants*¹⁴ or other professional requirements, and (2) the practitioner who is performing the engagement is a member of a firm that is subject to *ISQC 1*¹⁵ or other professional requirements (IAASB, 2013). Both professional accountants and non-accountant assurance providers can use ISAE 3000.

Notably, an assurance report “in accordance with ISAE 3000” can only be issued by professional accountants (GRI, 2013, p. 12). Other assurance providers may use assurance methodologies based on ISAE 3000 or combine elements of ISAE 3000 with other standards (GRI, 2013). Channuntapipat *et al.* (2020) argue that IAASB’s decision to open ISAE 3000 to other assurance providers indicates an effort to promote the assurance methodologies originated from the accounting profession. However, previous literature also points out that ISAE 3000 is a generic assurance standard not explicitly designed for sustainability assurance engagements (Farooq and De Villiers, 2019b) and appears ill adapted to the qualitative and multifaceted nature of CSR reporting and assurance (Boiral *et al.*, 2019a). In April 2021, the IAASB issued *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance*¹⁶ Engagements (IAASB, 2021a).

¹⁴ *The International Code of Ethics for Professional Accountants* is issued by the International Ethics Standards Board for Accountants (IESBA). It is available at: <https://www.ethicsboard.org/publications/final-pronouncement-restructured-code-19> (accessed 01/08/2022).

¹⁵ *International Standard on Quality Control (ISQC) 1* deals with quality control for firms that perform audits and reviews of Financial Statements, and other assurance and related services engagements. It is issued by IAASB and available at: <https://www.iaasb.org/publications/2018-handbook-international-quality-control-auditing-review-other-assurance-and-related-services-26> (accessed 01/08/2022).

¹⁶ Extended External Reporting (EER) Assurance refers to assurance engagements on

The IAASB developed the Guidance to enable more consistent and appropriate application of ISAE 3000, through comprehensive explanation of how to apply ISAE 3000 to EER Assurance (IAASB, 2021b).

The Guidance responds to ten key stakeholder-identified challenges commonly encountered in applying ISAE 3000 and potentially limiting the value of assurance engagements, including: (1) scoping EER assurance engagements, (2) suitability of criteria, (3) materiality, (4) building assertions in planning and performing the engagement, (5) maturity of governance and internal control processes, (6) narrative information, (7) future-oriented information, (8) professional scepticism and professional judgment, (9) competence of practitioners performing the engagement, and (10) form of the assurance report (IAASB, 2021b; Krasodomska *et al.*, 2021). Krasodomska *et al.* (2021) indicate the demand for professional scepticism and enhanced assurance practitioner competences in addressing the challenges.

The ability to provide reasonable as opposed to limited assurance is also regarded as an obstacle for the progress of EER assurance, which requires further development of certain competencies for the assurance provider as well as for the reporting company seeking assurance (Street *et al.*, 2021). Street *et al.* (2021) further highlight that the diversity of reporting standards and lack of harmonization have a practical impact on getting to reasonable assurance. A consolidation within the current

different forms of non-financial reporting, including sustainability reporting, integrated reporting, and non-financial reporting about environmental, social and governance matters (IAASB, 2021b).

proliferation of EER frameworks is needed to make it easier to perform an EER assurance engagement (Street *et al.*, 2021).

2.2.2.3.1.2 AA1000 Assurance Standard

The AA1000AS is part of AccountAbility's AA1000 Series of Standards used by global businesses and other types of organisations to demonstrate leadership and performance in accountability, responsibility, and sustainability. The first edition of the AA1000AS was published in 2003 as the world's first sustainability assurance standard, and the second edition was published in 2008 (AccountAbility, 2008)¹⁷. Beyond merely verifying data, AA1000AS (2008) evaluates the adherence to the *AA1000 AccountAbility Principles*¹⁸ (AccountAbility, 2018) and the quality of sustainability information disclosed (AccountAbility, 2008). Specifically, AA1000AS classifies sustainability assurance engagements into Type 1 and Type 2 (AccountAbility, 2020). A Type 1 engagement evaluates the extent of adherence to the *AA 1000 Accountability Principles*. A Type 2 engagement evaluates both the extent of adherence to the *AA 1000 Accountability Principles* and the quality of and reliability of information (AccountAbility, 2020; Venter and van Eck, 2021).

AA1000AS (2008) assurance provides a comprehensive way of holding a reporting organisation to account and evaluating its management process and sustainability

¹⁷ The next generation standard for sustainability assurance, the *AA1000AS v3*, will fully replace the AA1000AS (2008) and become the only recognised AA1000 Assurance Standard from 1 January 2021 (AccountAbility, 2020).

¹⁸ AccountAbility Principles include Inclusivity, Materiality, Responsiveness, and Impact (AccountAbility, 2018).

performance. Previous literature suggests that the AA1000AS (2008) is a sustainability-focused and stakeholder-oriented standard, which aims at promoting sustainability within organisations (Bepari and Mollik, 2016; Farooq and De Villiers, 2019b; Gürtürk and Hahn, 2016; Junior *et al.*, 2014; Manetti and Toccafondi, 2012; O'Dwyer and Owen, 2005; Perego and Kolk, 2012).

An AA1000AS (2008) assurance engagement may be carried out to provide a high or a moderate level of assurance (AccountAbility, 2008). A high assurance provides users “with a high level of confidence in an organisation’s disclosures on the subject matter it refers to” (AccountAbility, 2008, p. 11). The assurance provider obtains sufficient evidence “to support their statement such that the risk of their conclusion being in error is very low but not zero” (AccountAbility, 2008, p. 11). In a high assurance, the evidence obtained is “unrestricted” and gathered from internal and external sources and parties, emphasising “on the reliability of the information” (AccountAbility, 2008, p. 11). In comparison, a moderate assurance enhances “the user’s confidence in an organisation’s disclosures on the subject matter it refers to” (AccountAbility, 2008, p. 11). The assurance provider obtains sufficient evidence “to support their statement such that the risk of their conclusion being in error is reduced but not reduced to very low but not zero” (AccountAbility, 2008, p. 11). In a moderate assurance, the evidence obtained is “less extensive” and gathered from internal sources and parties, emphasising “on the plausibility of the information” (AccountAbility, 2008, p. 11).

ISAE 3000 and AA1000AS are complementary in nature rather than substitutes for

one another, as their objectives differ (Kolk and Perego, 2010; O'Dwyer and Owen, 2007; Venter and van Eck, 2021). Notably, research indicates that the adoption of ISAE 3000 has increased in recent years, with AA1000AS losing ground (Boiral and Heras-Saizarbitoria, 2020; Channuntapipat *et al.*, 2020; Gürtürk and Hahn, 2016). Gürtürk and Hahn (2016) further argue that this may cause “a stagnation of stakeholder engagement and the diminution of stakeholders’ influence on” (p. 38) the process of CSR reporting and assurance.

2.2.2.3.2 Sustainability Assurance Providers

There is no consensus on who is eligible to perform sustainability assurance (Farooq and De Villiers, 2019b). Different types of sustainability assurance providers compete in the market, including major accountancy organisations (Big-four firms), engineering consultancies, and sustainability services firms. Previous literature typically classifies them into two categories: accounting assurance providers and non-accounting assurance providers (see, Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Channuntapipat *et al.*, 2020; Farooq and De Villiers, 2017; 2019; Gürtürk and Hahn, 2016; Manetti and Becatti, 2009; Mock *et al.*, 2013; Perego and Kolk, 2012; Simnett *et al.*, 2009).

2.2.2.3.2.1 Accounting Assurance Providers

Accounting assurance providers consist of Big-four firms (Deloitte, Ernst & Young (EY), KPMG, and PricewaterhouseCoopers (PwC)). Previous research shows that accounting assurance providers have recently dominated the market for third party

assurance of CSR/sustainability reporting (Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Gürtürk and Hahn, 2016; KPMG 2015; Rossi and Tarquinio, 2017).

Martínez-Ferrero and García-Sánchez (2018) argue that CSR reporting companies prefer Big-four firms because they have remarkable error detection ability. Also, they have substantial reputational capital from their brand name, audit expertise, rigorous training, and independence (Martínez-Ferrero and García-Sánchez, 2018). Another important reason for the preference is that the sustainability assurance provider is also the reporting company's financial auditor (Gillet, 2012). Fernandez-Feijoo *et al.* (2016) find that companies with a Big-four firm as their external financial auditor are more likely to use the financial auditor to do sustainability assurance, given the existing business relationship. Having an auditor (a Big-four firm) for both financial and sustainability reporting, the reporting company can maintain a long-term relationship with the Big-four firm (Park and Brorson, 2005) and save assurance cost and time (Huggins *et al.*, 2011). Meanwhile, the Big-four firm can acquire a comprehensive understanding of the reporting company (Park and Brorson, 2005). Moreover, CSR managers tend to view sustainability assurance as a logical extension of financial audits (Jones and Solomon, 2010) and prefer accounting assurance providers (Farooq and De Villiers, 2017).

Farooq and De Villiers (2019b) suggest that accounting assurance providers perform sustainability assurance as an extension of financial audits and promote the use of only ISAE 3000. Their preference for ISAE 3000 and financial auditing procedures

is related to their familiarity and comfort with accounting standards and methodologies (Farooq and De Villiers, 2019b). Due to their financial audit expertise, some argue that accounting assurance providers are better qualified than non-accounting assurance providers to perform sustainability assurance (Elliott, 1998; Gray, 2000; Wallage, 2000). However, others argue that accounting assurance providers are tied to pre-existing standards and use a restrictive assurance approach focusing on verifying quantifiable data (Farooq and De Villiers, 2019b; Gendron *et al.*, 2007; O'Dwyer and Owen, 2005; 2007). This restrictive approach appears rigorous but unsuitable for the complex and multifaceted nature of CSR/sustainability reporting (Boiral and Gendron, 2011; Boiral *et al.*, 2019a; Perego and Kolk, 2012). Therefore, the previous literature leaves doubt as to whether accounting assurance providers, in comparison with non-accounting assurance providers, have more or even sufficient knowledge to perform sustainability assurance engagements effectively (Dumay *et al.*, 2017; Farooq and De Villiers, 2019b; Gray, 2000; McNally *et al.*, 2017; Wallage, 2000).

2.2.2.3.2.2 Non-accounting Assurance Providers

Non-accounting assurance providers consist of assurance providers not in the accounting profession, including engineering firms¹⁹ and sustainability services firms²⁰ (GRI, 2013). According to KPMG (2015), non-accounting assurance

¹⁹ Engineering firms refer to firms that normally offer technical certifications and engineering expertise (GRI, 2013).

²⁰ Sustainability services firms refer to CSR/sustainability consultancy firms, usually locally

providers provide 36% of the total number of assurance reports for N100 companies.

Non-accounting assurance providers are known as experts who promote the assurance as a sustainability driver within CSR reporting companies (Farooq and De Villiers, 2019b). External stakeholders (such as investors) prefer sustainability assurance statements issued by non-accounting assurance providers because they give importance to competence in subject matter over expertise in assurance practices (Farooq and De Villiers, 2017; Wong and Millington, 2014).

Compared to accounting assurance providers, non-accounting assurance providers have better subject matter expertise on specific sustainability issues (Huggins *et al.*, 2011; Martínez-Ferrero and García-Sánchez, 2017b). CSR reporters using a non-accounting assurance provider tend to engage in more qualitative disclosures than those using accounting assurance providers (Farooq and De Villiers, 2017; Moroney *et al.*, 2012). Non-accounting assurance providers adopt various assurance standards and methods and provide informative assurance statements. (Deegan *et al.*, 2006; Farooq and De Villiers, 2019b; O'Dwyer and Owen, 2005; Perego, 2009; Perego and Kolk, 2012). However, Simnett *et al.* (2009) suggest that non-accounting assurance providers do not have much global knowledge of multidisciplinary industries and multiple jurisdictions when compared with accounting assurance providers.

Previous literature argues that non-accounting assurance providers are less capable of maintaining their independence than accounting assurance providers bound by the

based, whose business focus and expertise are on sustainability related issues (GRI, 2013; Martínez-Ferrero and García-Sánchez, 2017b).

professional code of ethics and better understanding independence and objectivity (Farooq and De Villiers, 2017; Gray, 2000; Huggins *et al.*, 2011). However, the image of accounting assurance providers' independence has been undermined due to corporate collapses involving financial auditors. Thus, their superiority in independence is not unchallenged (Dando and Swift, 2003; Wong and Millington, 2014).

Based on the literature discussed above, Table 2.2 summarises differences between accounting and non-accounting assurance providers in four dimensions: (1) expertise and knowledge, (2) size, (3) independence, and (4) assurance approach. The differences imply how accounting and non-accounting assurance providers institutionalise the evolving field of sustainability assurance while competing against each other (Farooq and De Villiers, 2019b). Drawing on Larrinaga *et al.* (2020), both accounting and non-accounting assurance providers are associated with the convergence of sustainability assurance practice into norms. Non-accounting assurance providers significantly influence the diffusion of sustainability assurance disclosure norms (Larrinaga *et al.*, 2020). Accounting assurance providers play a circumstantial (but relevant) carrier role in determining what "assurance" means, as they standardise sustainability assurance after entering this new market. Notably, previous literature primarily focuses on the differences but ignores the similarities and synergies between accounting and non-accounting assurance providers. Canning *et al.* (2019) call for a greater focus on the synergies between accounting and non-accounting assurance providers as sustainability assurance evolves.

Table 2.2 Summary of Differences Between Accounting and Non-accounting Assurance Providers

Dimension	Accounting assurance providers (Big-four firms)	Non-accounting assurance providers (Engineering firms and sustainability services firms)
Expertise and knowledge	<p>Accounting assurance providers have expertise in audit and assurance (Farooq and De Villiers, 2017; Martínez-Ferrero and García-Sánchez, 2018).</p> <p>Accounting assurance providers have global knowledge of multidisciplinary industries and organisations (Simnett <i>et al.</i>, 2009).</p>	<p>Non-accounting assurance providers have sustainability expertise (Huggins <i>et al.</i>, 2011; Martínez-Ferrero and García-Sánchez, 2017b).</p> <p>Non-accounting assurance providers view sustainability assurance as a sustainability driver within organisations (Farooq and De Villiers, 2019b).</p>
Size	<p>Accounting assurance providers have an international brand name (Martínez-Ferrero and García-Sánchez, 2018).</p> <p>Accounting assurance providers can leverage their size advantage to provide large organisations services (Farooq and De Villiers, 2017).</p> <p>Accounting assurance providers have more resources to invest in audit and assurance technologies, quality control measures, staff training, and international networks (Martínez-Ferrero and García-Sánchez, 2018).</p>	<p>Non-accounting assurance providers are generally smaller than accounting assurance providers (GRI, 2013; Farooq and De Villiers, 2017).</p> <p>Some non-accounting assurance providers also have a size advantage as global certification firms (for example, engineering firms) (GRI, 2013; Farooq and De Villiers, 2017).</p> <p>Other non-accounting assurance providers are small and local-based (for example, sustainability service firms) (GRI, 2013; Farooq and De Villiers, 2017).</p>
Independence	<p>Accounting assurance providers have a better understanding of independence through their experience of financial audits (Channuntapipat <i>et al.</i>, 2020; Farooq and De Villiers, 2017).</p> <p>Accounting assurance providers are bound by the professional code of ethics (Channuntapipat <i>et al.</i>, 2020; Farooq and De Villiers, 2017).</p> <p>Accounting assurance providers' image of independence</p>	<p>Non-accounting assurance providers are less capable of maintaining independence (Farooq and De Villiers, 2017; Gray, 2000; Huggins <i>et al.</i>, 2011).</p> <p>Some large non-accounting assurance providers have in place quality control measures (Farooq and De Villiers, 2017).</p>

	has been undermined (Dando and Swift, 2003; Wong and Millington, 2014).	
Assurance approach	<p>Accounting assurance providers promote the use of only ISAE 3000 (Channuntapipat <i>et al.</i>, 2020; Farooq and De Villiers, 2019b).</p> <p>Accounting assurance providers are familiar and comfortable with assuring quantitative data (Farooq and De Villiers, 2017; Moroney <i>et al.</i>, 2012).</p> <p>Accounting assurance providers adopt a restrictive assurance approach focusing on verifying data accuracy and restrict their assurance opinion to limited assurance (Farooq and De Villiers, 2019b; Gendron <i>et al.</i>, 2007; O'Dwyer and Owen, 2005; 2007).</p>	<p>Non-accounting assurance providers promote the use of various standards and prefer AA1000AS (Channuntapipat <i>et al.</i>, 2020; Farooq and De Villiers, 2019b).</p> <p>Non-accounting assurance providers are comfortable assuring qualitative data (Farooq and De Villiers, 2017; Moroney <i>et al.</i>, 2012).</p> <p>Non-accounting assurance providers adopt a flexible assurance approach and are more willing to innovate assurance methodologies (Deegan <i>et al.</i>, 2006; Farooq and De Villiers, 2019b; O'Dwyer and Owen, 2005; Perego, 2009; Perego and Kolk, 2012).</p>

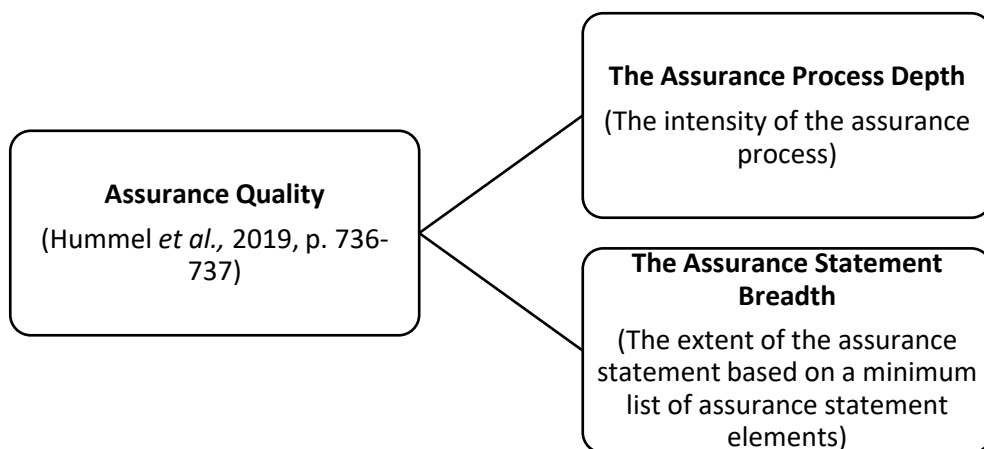
Source: Author.

2.2.2.4 Assurance Quality

2.2.2.4.1 Definition

Drawing on Hummel *et al.* (2019, p. 736), assurance quality is defined as “the joint probability that the assurator will discover and report problematic issues in the client’s” CSR reporting system. There are two aspects of assurance quality: (1) the discovering of issues, reflected in assurance process depth, and (2) the reporting of issues, reflected in assurance statement breadth (Hummel *et al.*, 2019). Figure 2.1 shows the definition of assurance quality.

Figure 2.1 Defining Assurance Quality: Two Aspects



Source: Author.

The assurance process depth refers to “the intensity of the assurance process” (Hummel *et al.*, 2019, p. 736). It captures assurance level, assurance scope, indicators selected, assurance procedures performed, and recommendations. A more

intensive assurance process means higher assurance costs and a higher possibility to discover problematic issues (Hummel *et al.*, 2019). Informed by previous literature, this research examines the assurance process depth by analysing elements describing the intensity of the assurance process in sustainability assurance statements (Edgley *et al.* 2010; Hummel *et al.*, 2019; O'Dwyer *et al.* 2011; Park and Brorson 2005).

The assurance statement breadth refers to “the extent of the assurance statement based on a minimum list of assurance statement elements” (Hummel *et al.*, 2019, p. 737). It is typically measured by “the disclosure versus non-disclosure of a list of assurance statement elements”. A wider breadth means a more comprehensive assurance statement that conveys more information about the assurance process and assurance results (Hummel *et al.*, 2019). In this research, the measurement of the assurance statement breadth is based on a qualitative content analysis of sustainability assurance statements, informed by a list of assurance statement elements derived from ISAE 3000, AA1000AS (2008), and previous research work (Ball *et al.* 2000; Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Boiral *et al.*, 2019a; Deegan *et al.* 2006; Gürtürk and Hahn, 2016; Hummel *et al.*, 2019; Larrinaga *et al.*, 2020; Manetti and Becatti, 2009; Manetti and Toccafondi, 2012; O'Dwyer and Owen, 2005; 2007; Perego, 2009; Perego and Kolk, 2012; Rossi and Tarquinio, 2017; Zorio *et al.*, 2013). The design of the qualitative content analysis is shown in Chapter Four: Research Methodology Design.

2.2.2.4.2 Determinants

Previous literature reveals the determinants of sustainability assurance quality, which can be classified into three categories: (1) country-level factors, (2) firm-level factors, and (3) the type of sustainability assurance provider.

Based on a sample of the top 300 cooperatives worldwide, Seguí-Mas *et al.* (2015) indicate that country-level factors influence the quality of sustainability assurance statements. The best quality scores are found in “shareholders countries” such as the UK, Canada, and United States (Seguí-Mas *et al.*, 2015). Simnett *et al.* (2009) use a sample of 2,113 companies from 31 countries and find that companies located in stakeholder-oriented countries are more likely to appoint assurers who provide high-quality sustainability assurance. Based on a sample of 976 companies from 21 countries for the period 2007-2016, Ruiz-Barbadillo and Martínez-Ferrero (2020) find that a reasonable/high level of assurance is typically provided for companies operating in countries with systems oriented towards protecting stakeholders and improving sustainability transparency (as a complementary mechanism) and lower level of public legal enforcement (as a substitute mechanism). Firm-level factors include company size, industry membership, and corporate governance structure. Fernández-Feijóo-Souto *et al.* (2012) find that company size is associated with the quality of sustainability assurance statements. Zorio *et al.* (2013) find that large CSR reporting companies show significantly higher assurance quality. Moreover, Seguí-Mas *et al.* (2015) indicate that the quality of sustainability assurance statements differs by industry. Companies in environmentally sensitive sectors have the highest

quality scores (Seguí-Mas *et al.*, 2015). Furthermore, Martínez-Ferrero and García-Sánchez (2017c) argue that a stronger board is positively associated with the demand for high assurance quality, characterised by larger size, greater independence, and a diligent CSR/sustainability committee.

The quality of sustainability assurance depends on the type of sustainability assurance provider (Perego and Kolk, 2012). Some prior studies indicate that accounting assurance providers provide higher quality sustainability assurance services than non-accounting assurance providers (Fernández-Feijóo-Souto *et al.*, 2012; Martínez-Ferrero and García-Sánchez, 2017b; Simnett *et al.*, 2009; Zorio *et al.*, 2013). Accounting assurance providers' advantages are auditing and assurance expertise, professional conduct requirements, industry knowledge and experience, stringent skills training, and reputational capital (Hodge *et al.*, 2009; Martínez-Ferrero *et al.*, 2018; Peters and Romi, 2015; Simnett *et al.*, 2009). Conversely, some studies argue that non-accounting assurance providers provide higher quality sustainability assurance services (Gürtürk and Hahn, 2016; O'Dwyer and Owen, 2005; Seguí-Mas *et al.*, 2015). Non-accounting assurance providers' advantages are sustainability expertise (Farooq and De Villiers, 2019b; Huggins *et al.*, 2011), multiple assurance standards, flexible assurance methods (Channuntapipat *et al.*, 2020; Farooq and De Villiers, 2019b; Gürtürk and Hahn, 2016), and elaborate assurance statements (Deegan *et al.*, 2006; O'Dwyer and Owen, 2007; Perego, 2009; Perego and Kolk, 2012).

Previous literature is limited in factors influencing sustainability assurance quality.

Further, there is no consensus on the relative importance of country-level factors, firm-level factors, and assurance provider types in determining assurance quality. Moreover, it remains controversial whether accounting or non-accounting assurance providers provide sustainability assurance engagements of better quality.

2.2.2.5 Limitations of Sustainability Assurance

Previous literature indicates several limitations of sustainability assurance engagements. These limitations undermine the assurance quality and the effectiveness to enhance organisational transparency and stakeholder accountability.

First, the addressee of sustainability assurance statements is unspecified or restricted to board directors (and corporate management) (Bepari and Mollik, 2016; Deegan *et al.*, 2006; Manetti and Toccafondi, 2012; O'Dwyer and Owen, 2005; 2007). Based on a content analysis of sustainability assurance statements, the earlier studies of O'Dwyer and Owen (2005) and Deegan *et al.* (2006) show that most of the assurance statements do not have any addressee, and in the few statements where an addressee is specified it is addressed to corporate management. More recently, the work of Manetti and Toccafondi (2012) and Bepari and Mollik (2016), also based on a content analysis of sustainability assurance statements, show a significant improvement in identifying an addressee, with board directors (and corporate management) remaining as the primary addressee. The findings indicate assurance providers' continuing reluctance to address sustainability assurance statements to broader stakeholders.

O'Dwyer and Owen (2005) indicate that restricting the addressee to board directors and corporate management reflects a perceived demand for sustainability assurance from management rather than broader stakeholders. The external assurance service is used as an internal managerial tool, primarily providing value to corporate management (Bepari and Mollik, 2016; O'Dwyer and Owen, 2005). Meanwhile, the wider stakeholder groups are decoupled from the assurance process (Bepari and Mollik, 2016).

Second, the sustainability assurance engagements are narrow-scoped and superficial. Previous research shows that most assurance engagements provided are limited, with the assurance scope restricted to selected CSR performance indicators (Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Boiral *et al.*, 2019a; Gürtürk and Hahn, 2016; Manetti and Toccafondi, 2012). Notably, Bepari and Mollik (2016) point out that the selected indicators are determined by corporate management, the addressee of the final assurance opinion. Further, Boiral *et al.* (2019b) find that corporate managers are not interested in an extensive assurance which is more expensive and time-consuming. Additionally, O'Dwyer and Owen (2007, p. 85) argue that assurance providers tend to “downplay any expectations stakeholders might derive from the assurance process” through assurance scope limitations. Due to the scope limitations, the check of the completeness of CSR reporting is largely missing (Bepari and Mollik, 2016). Thus, the effectiveness of sustainability assurance in enhancing credibility is questionable (Boiral and Heras-Saizarbitoria, 2020). Notably, Street *et al.* (2021) argue that it is a challenge to provide reasonable

assurance on sustainability reporting, especially when the reporting entity lacks robust internal control over sustainability information and thus the assurance provider is unable to issue an unqualified opinion due to the lack of evidence. This argument indicates that the provision of reasonable assurance requires further development of certain competencies for the assurance provider and the reporting entity.

Previous research also indicates that sustainability assurance remains a data checking exercise (Bepari and Mollik, 2016; Boiral *et al.*, 2019a; O'Dwyer and Owen, 2005; 2007). Assurance providers tend to ignore certain GRI principles (such as the sustainability context, clarity of information, and timeliness of CSR reports) instead focussing on a few principles also applied in the financial audit (such as information accuracy and reliability) (Boiral *et al.*, 2019a). This tendency is related to the paradigmatic position of the financial audit within the sustainability assurance field (Boiral and Gendron 2011; O'Dwyer *et al.* 2011) and the dominant position of accounting assurance providers in the assurance market (Boiral *et al.*, 2019a; Kolk and Perego 2010; Perego 2009). The focus on data accuracy indicates that the assurance process is disconnected from critical sustainability issues and usually deliberately obscured by CSR reporters to protect their corporate image (Boiral and Heras-Saizarbitoria, 2020).

External stakeholders are usually kept at a distance from the assurance process. (Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Manetti and Toccafondi, 2012; O'Dwyer and Owen, 2005; 2007). Based on a qualitative content

analysis of 337 sustainability assurance statements, Boiral and Heras-Saizarbitoria (2020) find that the assurance procedures rely on documents shared by the reporting company rather than primary sources collected by the assurance providers themselves. Where interviews are conducted, they were conducted with the managers and the staff responsible for CSR reporting. Assurance providers take it for granted that the information collected from these interviewees is reliable (Boiral and Heras-Saizarbitoria, 2020). However, external stakeholders are rarely interviewed or involved in the assurance process, who are most likely to give an independent view on CSR reports' reliability and contribute to the improvement of information materiality (Boiral and Heras-Saizarbitoria, 2020; Manetti and Toccafondi, 2012). Therefore, previous research reveals that the assurance procedures are superficial (Boiral and Heras-Saizarbitoria, 2020), and external stakeholder involvement is missing (Bepari and Mollik, 2016). Stakeholder accountability is a low priority in sustainability assurance engagements (O'Dwyer and Owen, 2005).

Assurance providers tend to express their assurance opinions/conclusions in a negative form²¹, which is a cautious way to reassure stakeholders (Bepari and Mollik, 2016; Boiral *et al.*, 2019a; O'Dwyer and Owen, 2005; 2007). Terms such as “in our opinion” and “true and fair”, typically used in financial audit reports, are entirely

²¹ According to Bepari and Mollik (2016, p. 674), a typical assurance opinion in a negative form reads like: “[...] [based] on our limited assurance procedures, nothing has come to our attention that causes us to believe that the subject matter in the Report is not presented, in all material respects, in accordance with the criteria detailed below [above]”.

missing from the conclusions in sustainability assurance statements (Bepari and Mollik, 2016; O'Dwyer and Owen, 2005; 2007). The terse but elusive assurance opinions fail to demonstrate the reporting entities' CSR performance and organisational commitments, accountability, and transparency to stakeholders (Bepari and Mollik, 2016; Boiral *et al.*, 2019a). Moreover, assurance providers generally include weaknesses observed in CSR reports in "areas for improvement and recommendations" so that they can avoid issuing qualified assurance opinions (Bepari and Mollik, 2016; Boiral *et al.*, 2019a).

Third, assurance provider independence is questionable (Boiral *et al.*, 2019b; Cooper and Owen, 2014; O'Dwyer, 2001; O'Dwyer and Owen, 2005; 2007). Boiral *et al.* (2019b) investigate the ethical issues underlying the assurance of CSR reports based on 38 semi-structured interviews with assurance providers in Europe, North America, Asia and Oceania, Africa, and South America. They identify four interconnected aspects threatening the independence of assurance providers: (1) "the commercialism underlying sustainability assurance", (2) "familiarity with the audited companies", (3) "the symbolic nature of the verification process", and (4) "interdependency between auditing and consulting activities" (Boiral *et al.*, 2019b, p.1111).

Sustainability assurance is based on a client-service provider relationship between a CSR reporting company and an assurance provider, which generates commercial pressures on the assurance provider (Boiral and Gendron, 2011; Boiral *et al.*, 2019b; Dogui *et al.*, 2013; Heras-Saizarbitoria *et al.*, 2013). O'Dwyer and Owen (2005,

p.217) point out that:

The assurance exercise is commissioned by corporate management, rather than individual stakeholder groups, who are thus able to place restrictions on the areas of performance and reporting upon which the assurance provider can bring to bear independent judgement.

Boiral *et al.* (2019b) further indicate that the impact of the client-service provider relationship is reflected in three aspects. First, the negotiation of assurance service is under pressure to lower assurance fee and keep the client satisfied. The low assurance fee limits the depth of the assurance process and thus undermines assurance quality. Second, the assurance process relies on the information collected, disclosed, controlled, and filtered by the client who focuses on optimistic statements and corporate image. The assurance provider rarely conducts interviews with external stakeholders or searches for potentially compromising information that may undermine the client's corporate image. Third, the publicly available assurance statement, the assurance engagement's main output, rarely details the deficiencies or non-compliance discovered. These findings imply that sustainability assurance providers are reluctant to issue any negative information that may undermine their clients' image. Therefore, their independence is impaired by the commercial pressures originating from the client-service provider relationship (Boiral *et al.*, 2019b; O'Dywer and Owen, 2005). This finding points to "the commodification of sustainability assurance", which compromises the assurance quality and

professionalism (Boiral *et al.*, 2019b, p.1117).

Although client familiarity can help an assurance provider develop sufficient knowledge of a reporting company, it compromises its independence, professional scepticism, and critical thinking required to undertake professional quality assurance work (Boiral *et al.*, 2019b; Casterella, 2010; Dogui *et al.*, 2013). Boiral *et al.* (2019b) indicate that the optimal length of the client-service provider relationship within the same reporting company remains disputable in the sustainability assurance field. Further, sustainability assurance providers' professionalisation remains uncertain (Ball *et al.*, 2000; Boiral, 2013; Boiral *et al.*, 2019b; Owen *et al.*, 2000). In the absence of regulations and professionalisation, the assurance providers tend to privilege customer loyalty and long-term relationships over their independence for commercial reasons (Boiral *et al.*, 2019b). Assurance providers' familiarity with their clients leads to "conflict of interest between friendship" with corporate managers and "the duty to remain independent" (Boiral *et al.*, 2019b, p.1114).

The superficial assurance process is related to the contractual assurance engagement and the narrow assurance scope determined by the reporting company. Boiral *et al.* (2019b) find that the assurance providers tend to mask the narrow assurance scope by using technical jargon, highlighting the limited assurance level, and declaring their liability limitation (covered in assurance standards, especially ISAE 3000). Consequently, they justify the superficial assurance work and distance themselves from the content and quality of the CSR reports assured (Boiral and Heras-Saizarbitoria, 2020; Boiral *et al.*, 2019a; 2019b).

The ambiguity between assurance and consulting services threatens assurance provider independence (Boiral *et al.*, 2019b; Cooper and Owen, 2014; O'Dwyer and Owen, 2005), which is reflected in three situations. Firstly, if an assurance provider is involved in preparing and verifying the same reporting process, they are effectively assuring their own work. This situation points to a self-review threat to assurance provider independence, due to the apparent difficulty of maintaining objective. (Boiral and Gendron, 2011; Boiral *et al.*, 2019b; Sharma and Sidhu, 2001). Secondly, a sustainability assurance provider also provides other consulting services to a client bringing in a substantial stream of revenue or concerned with the work being verified. This situation reveals a self-interest threat (from a fear of losing important clients) to assurance provider independence, pointing to conflict of interests.

Thirdly, the combination of a consultancy function with a separate assurance exercise may compromise the integrity of the assurance (Cooper and Owen, 2014). Boiral *et al.* (2019b) indicate that the combination is reflected in the guidance or recommendations provided during the assurance process. The assurance providers are often asked for advice by their clients, particularly by those unfamiliar with CSR reporting. Bepari and Mollik (2016) find that assurance providers tend to take a consultative approach by providing recommendations rather than an independent opinion on their clients' CSR performance. The evidence indicates a situation where sustainability assurance providers are perceived as having "dual identities" (assuror/data verifiers and consultant/service provider) (Channuntapipat, 2021,

p.784). O'Dwyer and Owen (2005) argue that assurance providers will potentially blur their independence once taking an evaluative approach or assisting corporate strategic direction.

Notably, Boiral *et al.* (2019b) indicate that although sustainability assurance and consulting are different services, they tend to enhance one another. The dual identities should not always be viewed as obstacles to assurance function, but rather a natural extension to such assurance (Boiral *et al.*, 2019b; Channuntapipat, 2021). Further, Channuntapipat (2021, p.784) suggests reshaping the perception of assurance providers from merely data verifiers to “change agents” or “transformational leaders” who can stimulate changes in sustainability reporting, business strategy, and sustainable actions. Sustainability assurance providers can add value to the sustainability reporting process and corporate decision-making by challenging their clients, transferring knowledge, and providing suggestions and recommendations during the assurance process (Channuntapipat, 2021). These arguments indicate the demand for a more nuanced understanding of the purpose of sustainability assurance, the role of assurance providers, and the independence of assurance providers.

In summary, the limitations discussed above indicate a significant degree of managerial capture²² in the process of sustainability assurance. Assurance providers

²² According to Owen *et al.* (2000, p. 85), managerial capture refers to “the concept that sees management take control of the whole process (including the degree of stakeholder inclusion) by strategically collecting and disseminating only the information it deems appropriate to

are effectively accountable to corporate management that appoint them and place restrictions on assurance scope and evidence. Assurance statements primarily provide value to corporate management rather than broader stakeholder groups, representing “an internal assurance exercise being published externally” (O’Dwyer and Owen, 2005, p.225). There is a lack of stakeholder engagement in the assurance process, indicating that stakeholder accountability is a low priority (Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Gürtürk and Hahn, 2016; Manetti and Toccafondi, 2012; O’Dwyer and Owen, 2007). Therefore, more assurance does not necessarily mean more and better accountability (Larrinaga, *et al.*, 2020; O’Dwyer and Owen, 2005). The nature of sustainability assurance is symbolic. It fails to enhance organisational transparency but remains a legitimacy tool enhancing the corporate image (Bepari and Mollik, 2016; Boiral *et al.*, 2019a). Sustainability assurance statements represent a “hyperreal practice largely divorced from critical sustainability issues and stakeholder concerns” (Boiral and Heras-Saizarbitoria, 2020, p. 1). They convey a misleading picture of confidence and rationality to stakeholders who use CSR reports and assurance statements for decision-making (Boiral *et al.*, 2019a).

2.3 Current Theorising in Sustainability Assurance Research

Sustainability assurance practice is a complex phenomenon that can be explained from different theoretical perspectives. This section reviews current theorising in

advance the corporate image, rather than being truly transparent and accountable to the society it serves”.

sustainability assurance research. The theoretical perspectives commonly invoked to inform sustainability assurance studies include legitimacy theory, stakeholder theory, contingency theory, and (neo-) institutional theory. The studies address a range of research topics related to the adoption of sustainability assurance, governance of assurance, involvement of stakeholders, and quality of sustainability assurance. Apart from sustainability assurance research, the theoretical perspectives are also used in the broader business sustainability literature. Moreover, the present researcher considers the possibilities transformational leadership theory may bring for sustainability assurance research, a theoretical perspective that has not been widely used in the sustainability assurance literature.

The following overview starts by considering how legitimacy, stakeholder, contingency, and transformational leadership theories have been used in the extant sustainability assurance literature and broader business sustainability research. It then elaborates (neo-) institutional theory by discussing the seminal articles formulating neo-institutional arguments (DiMaggio and Powell, 1983; Meyer and Rowan, 1977), four basic neo-institutional tenets (Kostova *et al.*, 2008), the criticism of institutional theory (Beckert, 2010; Campbell, 2004; Dacin *et al.*, 2002), and how institutional theory has been used in the extant sustainability assurance literature. The overview highlights the lack of current theorising in sustainability research and identifies institutional theory as the appropriate theoretical lens of this research.

2.3.1 Legitimacy Theory

Legitimacy is a generalised assumption that “the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). It is relative to the social system in which the entity operates and is time and place specific (Deegan, 2014). Legitimacy theory posits that an entity can only continue to exist if the society in which it is based perceives the entity to be operating to a value system commensurate with the society’s own value system (Gray *et al.*, 2014).

Legitimacy always exists in a specific dyad (“i.e., a single unit consisting of two nodes and a tie”) (Schoon, 2022, p. 1). Schoon (2022) synthesises existing approaches to conceptualising legitimacy across the social sciences and develop a generalisable approach to operationalising legitimacy. Specifically, the appropriate unit of analysis for research on legitimacy is a dyad consisting of three empirical elements: “an *object* of legitimacy (the thing being evaluated), an *audience* (the source of evaluation), and a *relationship* that connects the two” (Schoon, 2022, p. 2). *Expectations*, *assent*, and *conformity* are identified as three necessary conditions that specify how the three empirical elements interact. The legitimacy of an object itself cannot be meaningfully analysed without considering the audience and relationship in a certain dyad (Schoon, 2022).

From an organisation’s perspective, legitimacy can be viewed as a resource for survival (Dowling and Pfeffer, 1975; O’Donovan, 2002) – something conferred upon

the organisation by society and sought by the organisation (Deegan, 2014). When an actual or potential disparity exists between the value systems of the organisation and the social system, there is a threat to the organisation's legitimacy (Lindblom, 1994). Consequently, the organisation may counter the threat by employing broad legitimisation strategies, including (1) educate its stakeholders, (2) change the stakeholders' perceptions of the issue, (3) distract attention away from the issue of concern, or (4) seek to change external expectations about its performance (Gray *et al.*, 2014; Lindblom, 1994). Therefore, unlike many other resources, legitimacy is a resource that an organisation can impact or manipulate through various disclosure-related strategies (Deegan, 2014).

Legitimacy theory has been used by social and environmental accounting researchers to explain or predict specific managerial activities (Deegan, 2014), such as social, environmental, and sustainability disclosures (Archel *et al.*, 2009; Birkey *et al.*, 2018; Campell, 2003; Cho and Patten, 2007; Mobus, 2005). Legitimacy theory has also been used to explain sustainability assurance decisions. Simnett *et al.* (2009) find that the reporting companies with a greater demand to increase the credibility of their sustainability reports are more likely to seek sustainability assurance. Rossi and Tarquinio (2017) use legitimacy theory to help explain reporting companies' sustainability assurance decision and the quality of sustainability reports in the Italian context. Through the lens of legitimacy theory, Haider and Nishitani (2020) find that Japanese corporate managers are reluctant to adopt sustainability assurance, given the lengthy assurance process, high assurance fees, and low demand for

assurance from stakeholders. Moreover, researchers have also invoked legitimacy theory more broadly to explore the sustainability assurance practice (O'Dwyer *et al.*, 2011; Martínez-Ferrero and García-Sánchez, 2017c; Michelon *et al.*, 2019). For example, Michelon *et al.* (2019) find that sustainability assurance providers use sustainability restatements to create legitimacy in the developing sustainability assurance field and expand market share in this new professional space.

Impression management is closely related to legitimacy theory and has been used in sustainability reporting and assurance research (Cho *et al.*, 2012; Michelon *et al.*, 2015; Miles and Ringham, 2020; Pflugrath *et al.*, 2011). It reflects a process where a person or an organisation (consciously or subconsciously) attempts to shape or manipulate outsiders' perceptions and gain legitimacy, typically by controlling the information disseminated (either gathering favourable opinions or offsetting negative ones) (Tyson and Adams, 2019). For example, Michelon *et al.* (2015) associate the camouflaging perspective with reporting organisations' assurance seeking behaviour. Miles and Ringham (2020) support impression management theory as the strongest theory to predict sustainability reporting content. Impression management theory may help explain an organisation's decision to issue and assure sustainability reports if it intends to obtain and retain its brand reputation and value (Tyson and Adams, 2019).

Signalling theory is another facet of legitimacy theory that could well apply to sustainability reporting and assurance (Tyson and Adams, 2019). It examines the communication between individuals that may have conflicting interests (Tyson and

Adams, 2019) and can be invoked to explain why many organisations would produce vacuous standalone sustainability reports – they are not intended for members of civil society but for management, investors, and the media as a signal of the organisation’s competence (Gray *et al.*, 2014; Neu *et al.*, 1998). Signalling theory is increasingly used to support findings concerning sustainability reporting and assurance. For example, Uyar *et al.* (2020) invoke signalling theory, in part, to explain the association between CSR performance and CSR reporting in the worldwide logistics sector. Consistent with the predictions of signalling theory, Clarkson *et al.* (2019) show that high CSR commitment companies are more likely to issue standalone CSR reports, obtain sustainability assurance, purchase assurance from a Big Four firm, and adopt higher assurance scope. Therefore, a reporting organisation’s sustainability assurance decision may be related to an intention to provide persuasive signals about its genuine sustainability performance. This theory might further explain the organisation’s choices regarding the scope of assurance and the details of assurance procedures to be included in sustainability assurance statements (Tyson and Adams, 2019).

Although legitimacy theory is widely invoked in social and environmental accounting research, it is not without critics. Some of the criticisms include (Deegan, 2014; 2019): (1) legitimacy theory tends to focus on society at large but ignores specific groups within the society, which are relatively more influenced by corporate disclosures; (2) a simplifying assumption of using legitimacy theory is that all corporate action is driven by self-interest motivations (for corporate survival as a

core); and (3) Much of the use of legitimacy theory in the social and environmental accounting literature ignores the legitimation of specific social structures but simply focuses upon organisations' efforts to legitimate themselves. Deegan (2014) further suggests that the generation of insights into legitimacy theory is overdue, with much scope for developing and improving the theory. The extension of legitimacy theory would provide a valuable contribution to the environmental, social, and sustainability accounting literature (Deegan, 2014; 2019). In the sustainability assurance field specifically, future studies are needed to explore the genuine driving factors for seeking assurance of sustainability reports (Tyson and Adams, 2019), invoking legitimacy theory (or signalling theory, or impression management theory).

2.3.2 Stakeholder Theory

Stakeholders are defined as “any group or individual who can affect or be affected by an organisation” (Freeman, 1984, p. 46), including investors, shareholders, creditors, customers, suppliers, employees, local government, community partners, and others who are not only concerned with the organisation's financial performance but also social and environmental issues (Tyson and Adams, 2019). Based on the work of Freeman (1984) and Freeman *et al.* (2010), stakeholder theory features four key ideas (Hörisch *et al.*, 2020): (1) companies comprise networks of relationships between different stakeholders, which constitute the organisation; (2) the main task of corporate managers is to align the interests of different stakeholders, create mutual interests, and create value for these stakeholders; (3) ethical and business decisions should not be dealt with as two separate constructs, but as integrated aspects of

business value creation; and (4) companies are built around a stakeholders-cooperating purpose which goes beyond profitmaking.

Stakeholder theory has been one of the most widely applied theories in the social accounting literature (Gray *et al.*, 2014). It has been used to explain the nature of stakeholder engagement in organisations' sustainability activities (Fernandez-Feijoo *et al.*, 2014, 2015; Guix *et al.*, 2018; Herremans *et al.*, 2016; Hörisch *et al.*, 2020; Torelli *et al.*, 2020). For example, Hörisch *et al.* (2020, p. 1) develop the concept of "Accounting for Sustainability and Stakeholders" and suggest that an overly broad involvement of stakeholder groups and sustainability topics "can be replaced by a purposeful selection of stakeholders and topics of particular relevance for the specific organisation". Stakeholder theory has also been used to support findings in sustainability assurance research. For example, Bepari and Mollik (2016) associate the absence of sustainability assurance with the lack of stakeholder engagement. Zaman *et al.* (2021) invoke stakeholder theory, in part, to explain the role of audit committee characteristics in improving sustainability assurance statement quality and thus reducing stakeholder–agency²³ conflicts.

²³ Agency theory is used to model manager – employee behaviour and corporate management – shareholder relationships (Gary *et al.*, 2014) and used to explain conflicts of interest, information asymmetry, incentives, and control (Gary *et al.*, 2014; Lambert, 2007). Gary *et al.* (2014, p. 89) indicate that agency theory features individualistic and self-serving and "sits uncomfortably with the more expansive, liberationist and even emancipatory ethical basis that most bring to social accounting". Tyson and Adams (2020) indicate that studies investigating audit/assurance as a monitoring mechanism often invoke agency theory, and sustainability assurance might be regarded as a cost-effective way to mitigate conflicting interests and disseminate environmental concerns within and across an organisation.

An organisation's sustainability assurance decision is influenced by its relationships with key external stakeholders, the ways of interacting with the stakeholders, and the pressures from the stakeholders (Boiral and Heras-Saizarbitoria, 2020; Mitchell *et al.*, 2015; Tyson and Adams, 2020). Further, the diversity in stakeholder relationships (Hörisch *et al.*, 2020), board strength and composition (Martínez-Ferrero and García-Sánchez, 2017b), and audit committee characteristics (Zaman *et al.*, 2021) may help explain the variability in sustainability assurance practices of comparable organisations within the same industry (Tyson and Adams, 2019). Future research is needed to identify the most influential stakeholders in the sustainability assurance decision, the type of pressures from the stakeholders, and the nature of stakeholder engagement in the assurance process.

2.3.3 Contingency Theory

Contingency theory posits that in order to function well, any organisation will adopt the structures, strategies, and suchlike that best fit its environment and circumstances. There is no single ideal type of organisation structure, position on social responsibility, or information disclosure system (Gray *et al.*, 2014). The optimal course for an organisation always depends upon circumstances (Otley, 1980; Thomas, 1986), including its external environment (for example, country of origin, industry affiliation, and political exposure) and a variety of internal variables (for example, company size, governance structure, leadership, financial condition, technology, and culture) (Gray *et al.*, 2014; Tyson and Adams, 2019). Gray *et al.* (2014) further suggest that social responsibility and social accounting are contingent

variables dependent on key environmental and organisational factors.

Recent sustainability studies explore the association between environmental/organisational factors and corporate sustainability performance, information needs, reporting practices, risk management, and strategy development (see Alves *et al.*, 2017; Fakir and Jusoh, 2020; Giacomini *et al.*, 2018; Karaman *et al.*, 2020; Schreck and Raithel, 2018). These studies can be thought of as having a link to contingency theory. Moreover, contingency theory has been recently used to explain the sustainability assurance decision, especially in conjunction with corporate governance. For example, Kend (2015) considers the role of corporate governance and links the adoption of sustainability assurance to an active and diligent audit committee. Martinez-Ferrero *et al.* (2017) investigate how the strength of the board's monitoring function (namely board size and independence) influence family companies' sustainability assurance decision. Dutta (2020) concludes that superior environmental performance, leverage and asset age, and firm size significantly impact the adoption of voluntary sustainability assurance in listed Finnish companies. Sellami *et al.* (2019) associate French companies' voluntary demand of sustainability assurance with the presence of a CSR committee and pressures from three stakeholder groups (employees, environment, and customers).

Cost-benefit analysis is a related dimension of contingency theory, which encompasses a detailed accounting of anticipated costs and benefits of (not) undertaking an activity. Tyson and Adams (2019) suggest that an organisation's sustainability assurance decision may emanate from a carefully or loosely analysis

where the benefits and costs of assurance are identified and quantified, regardless of additional assurance fees and the potential for divulging private or sensitive information. Alternatively, the organisation may view the assurance as an unavoidable cost associated with sustainability reporting, and thus the cost-benefit analysis would not be necessary. Moreover, further research could be performed to explore whether sustainability assurance would reduce the effort and cost of the regular financial audit (Byus *et al.*, 2013; Fernandez-Feijoo *et al.*, 2016). Notably, Tyson and Adams (2020) highlight that researchers elaborating contingency theory and cost-benefit analysis on the sustainability assurance decision should carefully take the contextual variables examined into consideration.

2.3.4 Transformational Leadership Theory

Leadership refers to “a process whereby an individual influences a group of individuals to achieve a common goal” (Northouse, 2021, p. 3). There are different types of leadership theories that could be used to explore sustainability reporting and assurance, with transformational leadership theory especially apposite (Tyson and Adams, 2020). The work of Burns (1978) introduces that transformational leaders motivate their followers to think beyond immediate self-interest. They uplift their followers’ morale, motivation, and morals “through idealised influence (charisma), inspiration, intellectual stimulation, or individualised consideration” (Bass, 1999, p. 11). A process or activity is enhanced when a leader interacts with followers to create a solid relationship contributing to high trust and increasing intrinsic and extrinsic motivation (Tyson and Adams, 2020).

Transformational leadership theory has been invoked in recent sustainability studies. Bendell *et al.* (2017) highlight the importance of leadership in facilitating or impeding progress toward sustainability. Vila-Vázquez *et al.* (2018) conclude that transformational leaders play an essential role in boosting job engagement (a key aspect of the human dimension of organisational sustainability) within emergent high-tech and knowledge-based small and medium enterprises in Spain. Jiang *et al.* (2017) associate employee sustainable performance with transformational leadership. Yi *et al.* (2019) reveal that transformational leaders involve their subordinates in the sustainable innovative work by influencing employee intrinsic motivation and proactive behaviour.

Tyson and Adams (2020) suggest that an organisation will seek a transformational leader when it needs to take immediate action and make dramatic changes in response to an unpredicted and catastrophic sustainability-related event. In this regard, transformational leadership theory seems applicable to sustainability reporting and, potentially, sustainability assurance. Though currently rarely used to explain sustainability-related decisions, transformational leadership theory may support the finding that an organisation would adopt sustainability assurance after a new CEO reforms the management approach to sustainable development. It could also be invoked to examine the association between sustainability-related decisions and transformational leaders' functional, experiential, or educational backgrounds.

2.3.5 (Neo-) institutional Theory

The institutional (or more properly, neo-institutional theory) considers how social structures acquire meaning and continuity as authoritative guidelines for social behaviour (Scott, 2005; Suddaby, 2010). It posits that an organisation's survival is based on recognising and conforming to the social structures (DiMaggio and Powell, 1983) and explores how schemas, rules, norms, and routines are “created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse” (Scott, 2005, p. 460). Dacin *et al.* (2002) argue that neo-institutional theory has become a prominent and powerful explanation for organisational action.

The early work of Meyer and Rowan (1977) first formulates neo-institutional arguments and offers a critical insight (Scott, 2008). Formal organisational structures reflect technological imperatives, resource dependencies, institutional forces vaguely defined as rational myths, and “knowledge legitimated through the educational system ... social prestige, ... the laws, and ... the definitions of negligence and prudence used by the courts” (Meyer and Rowan, 1977, p. 343). The formal organisational structures have both symbolic and action-generating properties (Scott, 2008). In addition to their targeted functions, the structures can convey socially shared meanings and communicate information about the organisation internally and externally (Tolbert and Zucker, 1996). Meyer and Rowan (1977) provide a new explanation for formal organisational structures and the privileged position of organisations as legitimate actors in modern societies, which radically depart from conventional ways of thinking about the nature of organisational

structure and decision-making processes (Scott, 2008; Tolbert and Zucker, 1996).

The work of DiMaggio and Powell (1983) is another seminal article that formulates neo-institutional arguments. It answers the question “what makes organisations so similar?” and discusses isomorphism through institutional forces (DiMaggio and Powell, 1983, p. 147). DiMaggio and Powell (1983) identify three isomorphic processes which lead to a paradox: “once a set of organisations emerges as a field, ... rational actors make their organisations increasingly similar as they try to change them” (p. 147). Specifically, the three processes through which institutional isomorphic change occurs are (DiMaggio and Powell, 1983, p. 150-152):

- 1) coercive isomorphism ... results from both formal and informal pressures exerted on organisations by other organisations upon which they are dependent and by cultural expectations in the society within which organisations function.

- 2) mimetic isomorphism resulting from standard responses to uncertainty; ... Uncertainty is also a powerful force that encourages imitation. When ... goals are ambiguous, or when the environment creates symbolic uncertainty, organisations may model themselves on other organisations.

- 3) normative isomorphism ... stems primarily from professionalisation. ... we interpret professionalisation as the collective struggle of members of an occupation to define the

conditions and methods of their work ... and to establish a cognitive base and legitimation for their occupational autonomy.

Kostova *et al.* (2008, p. 997-1000) indicate four basic neo-institutional tenets in terms of organisational field, isomorphism, decoupling, and legitimacy: (1) organisations operate in *organisational fields* where different patterns of organisational structure emerge and “become institutionalised, institutional pressures are exercised, and legitimacy is granted”; (2) substantial *isomorphic change* occurs among organisations through “the adoption and diffusion of certain business models, practices, and structures established as a standard in the respective organisational field”; (3) organisations adopt institutionalised structures and practices ceremonially while *decoupling* “themselves from the environment” by using other more economically efficient structures and practices; (4) *legitimacy* is essential for organisational survival, which is achieved primarily through *isomorphism* “where organisations become similar to other organisations in their organisational field”. Therefore, the theory holds that the organisations comply with the rules and norms in their Institutional environments not necessarily for efficiency, but rather for enhancing their legitimacy, resources, and survival capabilities (DiMaggio and Powell, 1983; Kostova *et al.*, 2008; Meyer and Rowan, 1977).

Though popular and influential, institutional theory has been criticised as an explanation mainly focusing on the persistence and the homogeneity of phenomena (Dacin *et al.*, 2002), with little attention being paid to the forces that change institutional environments (Kondra and Hinings, 1998). Beckert (2010, p.150)

argues that this one-sided focus overlooks “the role played by divergent institutional development” and shows that the three isomorphic processes identified by DiMaggio and Powell (1983) can also support “processes of divergent change”. Beckert (2010, p.163) further argues that the theoretical challenge is to identify conditions under which these processes direct institutional change toward homogenisation or heterogenisation:

Admittedly, these conditions are still relatively vague. ... further empirical research is needed ... this research must not be set up to look for empirical proof for tendencies of homogenisation (or heterogeneity), but must rather ask much more openly which of these two tendencies is observed, and due to which causal mechanism it prevails.

The above statement calls for integrating divergence into the theoretical premises of the new sociological institutionalism and the development of theoretical models allowing for isomorphic change and divergent change simultaneously (Beckert, 2010; Campbell, 2004).

The past two decades have witnessed a growing interest in neo-institutional theory as a promising alternative theoretical frame for social, environmental, sustainability accounting and reporting (Gray *et al.*, 2014). Researchers applying institutional theory have generally considered “an organisation’s dominant logic, relationships with stakeholders, and managerial motivations” to explain different responses to

external pressures (Tyson and Adams, 2020, p. 302). The responses typically include changes in corporate governance, management control systems, and corporate transparency (Oliver, 1991). Further, through the lens of neo-institutional theory, researchers can explain part of social accounting behaviour by combining increasingly shared values (about, for example, CSR) and a mimetic tendency to imitate others in the field (Bansal and Roth, 2000; Gray *et al.*, 2014; Larrinaga-González, 2010).

Institutional theory has been used to explain how various institutional pressures coexist and what drives an organisation to invest more resources in sustainability-related practices such as disclosing CSR information. Changes in the practices are related to new relationships with stakeholders, revised organisational dominant logics, altered managerial motivations and values, and changes in the management control system (Tyson and Adams, 2020). For example, Testa *et al.* (2018) explain that institutional pressures from different stakeholders generally strengthen the internalisation of proactive environmental practice, shedding light on the institutional complexity underlying the substantial or symbolic implementation of environmental practices. Wijethilake *et al.* (2017) used institutional theory to explain how organisations address institutional pressures by changing the management control system to include sustainability-related metrics. Moreover, based on an analysis of interactions between non-reporting companies, sustainability interest groups, and peer organisations, Higgins *et al.* (2018) explore discursive and material isomorphism and indicate that sustainability reporting is not an institutionalised

practice spreading across the business community, but a practice limited to an issues-based field. With a focus on the legitimisation offered by isomorphism, De Villiers and Alexander (2014) explore the institutionalisation of CSR reporting and indicate that the CSR reporting field generally transitions from a formative phase (where mimetic and coercive isomorphism predominate) to a more mature phase (where normative isomorphism predominates, but where elements of mimetic and coercive isomorphism remain). Institutional theory has been used to explain sustainability assurance decisions. Herremans and Nazari (2016) investigate pressures on sustainability reporting systems and processes and relate the adoption of sustainability assurance to stakeholder pressures and expectations. Martínez-Ferrero and García-Sánchez (2017a) explore how institutional pressures influence the sustainability assurance decision and find that the normative pressure exerts the greatest explanatory power in the causal factors driving voluntary sustainability assurance, followed by the coercive pressure. Martínez-Ferrero and García-Sánchez (2017b) examine the effect of corporate governance mechanisms on companies' sustainability assurance decision and associate the decision with board independence and the activity of the sustainability committee.

Institutional theory has also been used to explain the practice of sustainability assurance. For example, Gürtürk and Hahn (2016) conclude that the sustainability assurance practice fails to enhance the credibility of sustainability reporting in the context of isomorphism by templates (traditional financial auditing practices). Ruiz-Barbadillo and Martínez-Ferrero (2020) examine how country factors influence the

level of sustainability assurance and associate a reasonable/high level of assurance with companies operating in countries with systems orientated towards improving sustainability transparency. Farooq and De Villiers (2019b) explore accounting sustainability assurance providers' institutional work²⁴ as they compete against non-accounting sustainability assurance providers and how this competition influences the institutionalisation of the evolving sustainability assurance field. In exploring the institutionalisation of the contents of sustainability assurance services, Larrinaga *et al.* (2020) link the diffusion of sustainability assurance disclosure norms to the significant influence of non-Big4 firms (mainly engineering firms, certification bodies, and consulting firms).

Institutional theory has further been combined with other theories in the sustainability assurance research literature. For example, institutional theory has a direct relationship with resource dependency theory²⁵. Perego and Kolk (2012) explore the diffusion patterns of sustainability assurance and link multinational corporations' sustainability assurance decision to external institutional pressures and internal resources and capabilities. Moreover, institutional theory has a close relationship with both legitimacy theory (which can be viewed as a special case of institutional theory) (Larrinaga-González, 2010) and stakeholder theory (where the network of stakeholders and their interactions and relative strengths can be viewed

²⁴ Institutional work is defined as “the broad category of purposive work action aimed at creating, maintaining and disrupting institutions” (Lawrence and Suddaby, 2006, p. 216).

²⁵ According to Gray *et al.* (2014, p. 86), resource dependency theory is “a close relation of contingency theory and maintains a dynamic relationship between an organisation and its dependency on (and hence vulnerability to) unpredictable resource supplies”.

as fields) (Gray *et al.*, 2014). Simoni *et al.* (2020) use stakeholder theory, institutional theory, signalling theory, and legitimacy theory to formulate hypotheses regarding institutional factors and conclude that a company's sustainability assurance decision is motivated by the demand to maintain sound relations with its stakeholders, gain legitimacy, and signal its sustainability performance. Furthermore, Smith *et al.* (2011) combine elements of neo-institutional theory and the arena concept²⁶, formulate the notion of "an institutional arena" (p.434), and set out a conceptual framework for investigating capture in sustainability assurance within a broader social context. The conceptual framework allows identifying the roles of field participants, classifying the form of their interactions, and constructing a map of their network dynamics.

(Neo-) institutional theory is among the most used theoretical perspectives for sustainability research and may become the mainstream theory in the social and environmental accounting literature in due course (Gray *et al.*, 2010). However, Tyson and Adams (2020) point out that institutional theory has had limited use in sustainability assurance research specifically. There is much scope for developing and improving institutional theory in sustainability assurance research. Researchers could invoke institutional theory to further explain issues such as (1) global developments in sustainability assurance, (2) the specific type and source of

²⁶ According to Smith *et al.* (2011, p.433), "the essential idea of an arena is that social actors seek to pursue their own objectives by influencing formal and informal regulatory processes ... the arena is characterised by a set of formal or informal rules that emerge from interactions between participants monitored by rule enforcers".

institutional pressures, and (3) the role of sustainability assurance within management control systems (Tyson and Adams, 2020).

In response to Tyson and Adams (2020)'s call for extending extant theorising and enhancing new ways of data interpretation in the sustainability assurance field, this research invokes institutional theory. Specifically, it elaborates an institutional theory perspective on sustainability assurance, exploring and comparing the pattern and quality of sustainability assurance practice in the UK and China, two countries with different institutional conditions. A conceptual framework is formulated based on institutional theory and the extant sustainability assurance literature. It illustrates the dynamics of the interactions between CSR reporting organisations, sustainability assurance providers, other participants, and the institutional context in which they operate. When applied in the UK and Chinese contexts, this conceptual framework helps explain and compare the sources of institutional pressures and their impacts on the development of sustainability assurance practice. It also explains the competition between accounting and non-accounting sustainability assurance providers and the institutionalisation of the emerging sustainability assurance field. Furthermore, the conceptual framework helps explore the nature and extent of managerial capture at the organisational level and its influence on the quality of sustainability assurance. It then sheds light on the capture process in sustainability assurance within a broader institutional context. The formulation of the conceptual framework is further discussed in Section 2.5.

2.4 Research Contexts

2.4.1 Sustainability Reporting and Assurance in the UK

The emergence of environmental and social reporting in the UK dates from the 1970s (Gray *et al.*, 1995). The UK has long been one of the countries worldwide with the highest sustainability reporting rates. According to KPMG (2020), 94% of the top 100 UK companies disclosed sustainability information. Previous literature indicates that the UK context features increasing mandatory social and environmental reporting requirements and high institutional pressures (Al-Shaer, 2020; Jensen and Berg, 2012; Michelon *et al.*, 2015; Romero *et al.*, 2019; Zorio *et al.*, 2013), which continuously drive the high CSR reporting and assurance rates.

At the regional level, *Directive 2014/95/EU*²⁷ (EU, 2014) (namely, the Non-financial Reporting Directive [NFRD]) represents the most significant EU legislative non-financial disclosure initiative. It requires certain large companies to disclose information on how they operate and manage social and environmental challenges (European Commission, 2021). The disclosures include social matters, environmental matters, respect for human rights, anti-corruption and bribery, and corporate governance structure, which can be prepared based on various international, European, or national reporting frameworks and presented in the management commentary (as a non-financial statement) or in a separate

²⁷ European Union. 2014. *DIRECTIVE 2014/95/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL*. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095> (accessed 01/08/2022).

CSR/sustainability report (European Commission, 2021; Krasodomska *et al.*, 2021).

The NFRD represents recent EU efforts to address the increasing demands of investors and other stakeholders for comparable and reliable non-financial information (Krasodomska *et al.*, 2021). There has been significant variability in sustainability reporting between Western and Eastern Europe, with a relatively low reporting rate in the latter (KPMG, 2013). Eastern European countries are slowly closing this gap due to the implementation of the NFRD (KPMG, 2020).

On 21 April 2021, the European Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend the existing reporting requirements of the NFRD. The proposal (1) extends the scope to all large and/or listed companies, (2) requires reporting according to mandatory *EU sustainability reporting standards*²⁸, (3) requires the audit/assurance of reported information, and (4) requires companies to digitally ‘tag’ the reported information (European Commission, 2021).

In the UK, *Section 172 of the Companies Act 2006*²⁹, requires UK companies to include a statement in the strategic report and describe how the directors address the matters in *Section 172* when performing their duties from 1st January 2019. As part

²⁸ For more information about the draft *EU sustainability reporting standards* developed by the European Financial Reporting Advisory Group (EFRAG), see <https://efrag.org/?AspxAutoDetectCookieSupport=1> (accessed 01/08/2022).

²⁹ Legislation.gov.uk. 2006. *Companies Act 2006, Section 172: Duty to promote the success of the company*. Available at: <http://www.legislation.gov.uk/ukpga/2006/46/section/172> (accessed 01/08/2022).

of this requirement, the companies need to report their stakeholder engagement process and operating impacts on the community and environment.

The UK government has also introduced a mandatory carbon reporting requirement: *Streamlined Energy and Carbon Reporting regulations*³⁰. All the UK quoted companies, large unquoted companies, and large Limited Liability Partnerships are required to report on their global energy use, greenhouse gas emissions, and related information in their annual Directors' Report. All the other companies are encouraged to report similarly.

In 2020, the UK has announced an intention to make *Task Force on Climate-related Financial Disclosure (TCFD)*³¹-aligned disclosures mandatory across the economy by 2025, with a significant portion of mandatory requirements in place by 2023 (GOV.UK, 2020). In March 2021, the UK government published a consultation³² on proposals to mandate climate-related financial disclosures by publicly quoted companies, large private companies, and Limited Liability Partnerships (LLPs). GOV.UK (2021) indicates that the proposals are an important step towards the UK's intention to become the first G20 country to make TCFD-aligned disclosures

³⁰ GOV.UK. 2017. *Streamlined Energy and Carbon Reporting*. Available at: <https://www.gov.uk/government/consultations/streamlined-energy-and-carbon-reporting> (accessed 01/08/2022).

³¹ TCFD. 2017. *Recommendations of the Task Force on Climate-related Financial Disclosures*. Available at: <https://www.fsb-tcfid.org/publications/> (accessed 01/08/2022).

³² GOV.UK. 2021. *Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs*. Available at: <https://www.gov.uk/government/consultations/mandatory-climate-related-financial-disclosures-by-publicly-quoted-companies-large-private-companies-and-llps> (accessed 01/08/2022).

mandatory across the economy.

The regional and national governmental requirements indicate growing momentum towards mandatory disclosures of certain types of sustainability information, which continuously drives the reporting level in the UK (KPMG, 2020).

Meanwhile, UK companies are under increasing pressures from stakeholders other than the government. With growing awareness of CSR issues, the information demands of stakeholders (particularly investors) have increased considerably in recent years (Al-Shaer, 2020; KPMG, 2020; Romero *et al.*, 2019). The companies are expected to respond to the demands and provide transparency to stakeholders. Therefore, the UK companies adopt sustainability reporting as an essential communication tool to manage stakeholder relationships, demonstrate their CSR strategy, and enhance organisational transparency (Al-Shaer, 2020; Belal, 2002; Amran *et al.*, 2014; Chen and Bouvain, 2009).

Previous research indicates that the UK sustainability disclosures are presented in various forms, consist of diverse underlying subject matters, and include narrative and forward-looking information, thus are at risk of misleading, lacking credibility, and serving managers own interests (Belal, 2002; Cooper and Owen, 2007; Jones and Comfort, 2018; Spence, 2009; Venter and van Eck, 2021). This situation points to the demand for independent third-party assurance of the sustainability disclosures.

The assurance of sustainability information is a major practice for large UK companies. According to KPMG (2015), 61% of the top 100 UK companies invested

in independent assurance of their sustainability information. Notably, the UK assurance rate was significantly higher than the N100 assurance rate worldwide (42%) (KPMG, 2015). The most recent KPMG survey shows that the N100 assurance rate (51%) has exceeded 50% for the first time since 1993 (KPMG, 2020). However, this percentage represents the surveyed N100 companies worldwide not only in the UK. Compared with other countries, the UK is considered relatively advanced in sustainability assurance due to its traditionally high assurance rates (Channuntapipat, 2021; KPMG, 2015; 2020).

Sustainability assurance remains a voluntary practice in the UK. However, as investors and other stakeholders increasingly rely on sustainability reports, the demand for independent sustainability assurance is growing rapidly (KPMG, 2020; Venter and van Eck, 2021). Moreover, reporting requirements on greenhouse gas emissions drive the UK companies to consider independent assurance of key sustainability indicators (Channuntapipat, 2021; KPMG, 2015). Notably, the proposed CSRD requires the audit/assurance of reported information (European Commission, 2021), indicating a step towards mandatory sustainability assurance.

2.4.2 CSR Reporting and Assurance in China

2.4.2.1 CSR Reporting in China

The past fifteen years have witnessed significant growth in the number of Chinese companies publishing CSR reports per year. According to Yin *et al.* (2019), only 13 companies published CSR reports in 2005, and the number increased to 193 in 2008

and 2,027 in 2017. The most recent KPMG survey shows that 78% of the top 100 Chinese companies disclosed sustainability information (KPMG, 2020). The number of Chinese CSR reports published annually had increased considerably since 2008, when several governmental CSR guidelines were enacted.

The Chinese government and stock exchanges are the primary drivers of the growth (Gao, 2011; Noronha *et al.*, 2013; Lu and Abeysekera, 2014). For example, as for Central Enterprises³³, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC)³⁴ published *Recommendations for Central Enterprises on Fulfilling Social Responsibility* (SASAC, 2008). The Recommendations encouraged Central Enterprises to establish CSR reporting systems. In 2009, the SASAC required all Central Enterprises to publish CSR reports within three years (Zhu *et al.*, 2016). Moreover, the Shanghai Stock Exchange published *Environmental Information Disclosure Guidelines for Companies Listed on the Shanghai Stock Exchange* (Shanghai Stock Exchange, 2008). Driven by the CSR guidelines, Chinese companies (especially Central Enterprises, other state-owned enterprises (SOEs), and listed companies) started to adopt CSR reporting. According to Yin *et al.* (2019), 55.1% of the Chinese CSR reports were published by SOEs³⁵, and 82.7% by listed companies in 2019. Therefore, governmental

³³ Central Enterprises are also referred to as Central State-owned Enterprises. They are companies wholly or partly owned and directed by the Central Government or government ministries such as Ministry of Finance and SASAC (SASAC, 2020a).

³⁴ The State-owned Assets Supervision and Administration Commission of the State Council (SASAC) is a ministry directly under the management of the State Council (SASAC, 2020b).

³⁵ The remaining CSR reports are published by Private Companies (32.4%), Foreign Companies (8.6%), and Others (3.9%) (Yin *et al.*, 2019).

regulations and stock exchange requirements are important county-level factors promoting CSR reporting in China (Lu and Abeysekera, 2014; Moon and Shen, 2010; Noronha *et al.*, 2013).

Along with fast economic development, environmental and social issues (such as water pollution, resources shortage, labour rights, and food safety) have appeared, which drives CSR awareness in China (Lu and Abeysekera, 2014; Noronha *et al.*, 2013). Additionally, economic globalisation has facilitated the spread of CSR concepts from the Western business world to China, leading to CSR awareness growth (Gao, 2009; 2011; Noronha *et al.*, 2013; Zhu and Zhang, 2015). For example, multinational companies operating in China brought in the CSR concepts through contractual agreements during the 1990s (Afsharipour and Rana, 2013). With the increasing CSR awareness, more and more Chinese companies engage in CSR activities and publish CSR reports.

Notably, previous literature highlights that SOEs have long been a pillar of support for maintaining political stability, strengthening the economic foundation, protecting the natural environment, and promoting social harmony in China (Chai and Guan, 2019). The SOEs shoulder significant political responsibilities, show strong CSR awareness and play an essential role in China's sustainable development progress (Zhu and Zhang, 2015; Zhu *et al.*, 2016). Moreover, SOEs have long been leading in publishing CSR reports. In 2019, 55.1% of the Chinese CSR reports were published by SOEs (Yin *et al.*, 2019), and 82.5% of the Chinese Central Enterprises have published annual CSR reports at least five years in a row (Chai and Guan, 2019).

Li and Belal (2018) undertake an engagement-based case study (a SOE) to investigate the driving forces behind the initiation of stand-alone CSR reporting by Chinese SOEs in the mid-2000s. They find that CSR reporting initiated by the SOE in 2006 represents a practice inspired by global context, mediated by the state government, and championed by the leading multinational SOEs. Therefore, they conclude that the organisational decision to produce a CSR report is driven by a combination of institutional factors derived from the global setting, national context, and organisational internal dynamics.

Although the number of Chinese CSR reports published annually has proliferated, the literature finds that the CSR reporting practice remains preliminary in China. KPMG (2020) indicates that many Chinese companies are relatively new to this reporting practice. Moreover, the nature and credibility of CSR reporting is questionable. Jamali and Mirshak (2007) and Zhu and Zhang (2015) indicate that Chinese companies primarily view CSR from a philanthropic perspective and emphasise elements such as charity donations in their CSR reports. Noronha *et al.* (2013) argue that Chinese companies use CSR reports to improve their corporate social image in the international market. These research findings reveal a superficial understanding of CSR and the symbolic nature of Chinese CSR reports.

2.4.2.2 Sustainability Assurance in China

Despite doubts about the credibility of CSR reporting, only a few Chinese companies adopt sustainability assurance. Yin *et al.* (2019) show that only 6.2% of the Chinese

CSR reports issued in 2017 were assured, indicating a relatively low demand for sustainability assurance. KPMG (2020) shows that only one-third of Chinese G250 companies invest in assurance of their sustainability information. Compared with many other countries, the Chinese assurance rate is relatively low, which “skews the overall G250 assurance rate downwards against the underlying trend” (KPMG, 2020, p.23).

The external assurance of CSR reports remains a voluntary practice in China. Among all the CSR guidelines, only *Guidance on CSR for Financial Institutions in China Banking Industry* (China Banking Association, 2009, Section Five – No.25) encourages independent assurance on CSR performance, which aims at “enhancing a sound CSR evaluation system within the banking industry”.

Extant research literature on sustainability assurance practice in China remains limited and largely relies on quantitative research methodology. Shen *et al.* (2011) examine the signalling effect of sustainability assurance in China and find its insignificant effect on the positive relationship between CSR reporting and corporate reputation. Li and Li (2012) find that Chinese companies that adopt sustainability assurance tend to obtain higher favourable abnormal returns. Li *et al.* (2013a) investigate factors driving Chinese listed companies to adopt sustainability assurance and find that the companies’ decision is related to a series of external factors (including legal environment, media pressure, and social belief) and internal factors (including firm size and leverage ratio). Liao *et al.* (2018) investigate the relationship between board characteristics and sustainability assurance decision and

find that Chinese listed companies with large board size, more female directors, and separation of CEO and chairman positions are more likely to adopt sustainability assurance. Shen *et al.* (2017) indicate that sustainability assurance increases non-professional investors' willingness to invest. The effect of sustainability assurance on investment decisions is more significant when CSR disclosures are positive than when they are negative. Moreover, the Chinese institutional context features “government-affiliated industry expert assurers” and government-driven sustainability assurance (Shen *et al.*, 2017, p. 271).

2.4.2.3 The Chinese Expert Committee on CSR Report Rating and the CASS-CSRRC

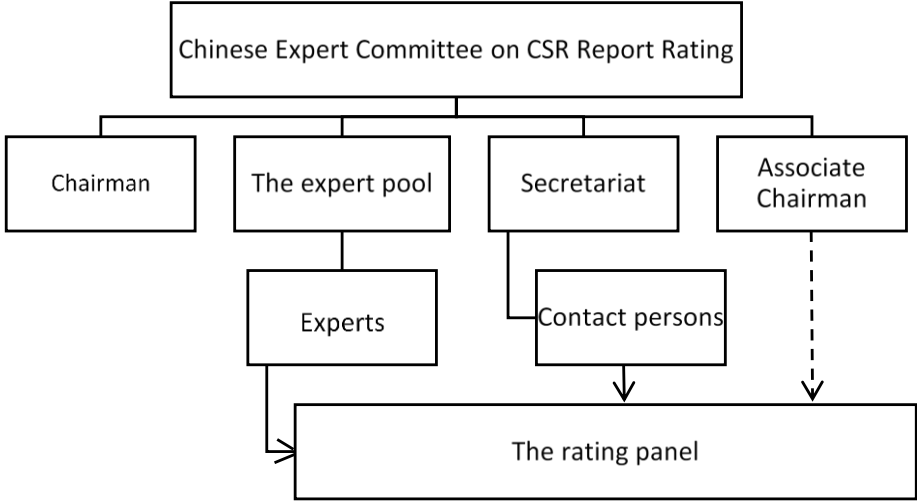
A typical example of “government-affiliated industry expert assurers” (Shen *et al.*, 2017, p. 271) is the Chinese Expert Committee on CSR Report Rating set by the Corporate Social Responsibility Research Centre, Chinese Academy of Social Sciences³⁶ (CASS-CSRRC). Founded in 2008, CASS-CSRRC is a government-affiliated research institution focusing on CSR in the Chinese context. It runs research projects on CSR-related topics and publishes relevant research work. For example, CASS-CSRRC publishes *Research Report on CSR in China* annually to present its latest studies. CASS-CSRRC is also a standards organisation. It has designed and published several versions of *The Chinese Corporate Social*

³⁶ The Chinese Academy of Social Sciences (CASS) is an academic organisation and comprehensive research centre of the People's Republic of China in the fields of philosophy and social sciences (CASS, 2020).

Responsibility Reporting Guide (including both general and sector-specific principles-based CSR reporting guidelines). The latest version is titled *CASS-CSR 4.0* (Zhong *et al.*, 2018), published in November 2018. *CASS-CSR 4.0* is one of the most widely used CSR reporting guidelines in China (Yin *et al.*, 2019). Moreover, CASS-CSRRC runs a CSR-related business and provides CSR consulting, CSR report writing, and CSR report rating services. Therefore, CASS-CSRRC plays a comprehensive role in the development of CSR in China.

CSR report rating is a service where CASS-CSRRC works with external CSR experts, evaluates the quality of a CSR report, and issues a rating report with comments and suggestions. It aims to (1) provide CSR reporting companies with professional advice, improve the quality of CSR disclosures, and support the implementation of CSR activities; (2) enhance CSR management through better CSR reporting that facilitates stakeholder dialogue and CSR performance improvement; and (3) facilitate the development of CSR in China (Chinese Expert Committee on CSR Report Rating, 2020). CASS-CSRRC has set up the Chinese Expert Committee for the CSR report rating service. CSR Experts from the government, universities, research institutions, and industry associations were invited to join this Committee. Figure 2.2 shows the structure of the Chinese Expert Committee on CSR Report Rating. For each rating project, the Committee sets up a rating panel.

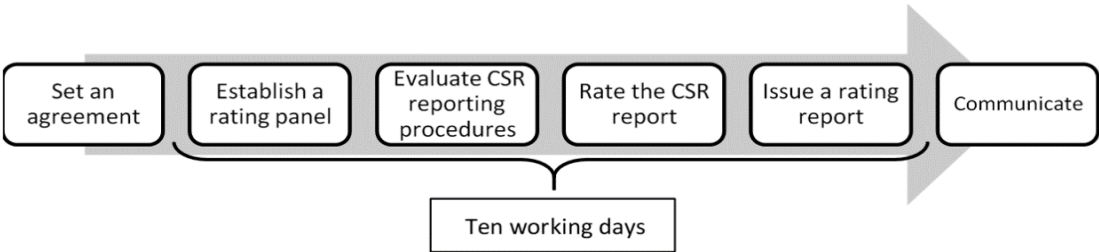
Figure 2.2 The Structure of the Chinese Expert Committee on CSR Report Rating
and Rating Panel



Source: translated and adapted from Chinese Expert Committee on CSR Report Rating (2020, p. 6).

Once a company applies for the CSR report rating service and sets an agreement with the Committee Secretariat, the rating process begins, as shown in Figure 2.3.

Figure 2.3 The Process of CSR Report Rating



Source: translated and adapted from Chinese Expert Committee on CSR Report Rating (2020, p. 7-8).

First, the Committee randomly selects experts from the expert pool and establishes a rating panel. The panel consists of one leader (an expert), one member (an expert) and several contact persons from the Secretariat. The Secretariat is responsible for organising the assessment of the company's CSR reporting procedures. If this is the first time that the company seeks the report rating service, a contact person will conduct an online interview with the company's CSR reporting manager, collect relevant documentary evidence, and fill a Procedural Assessment Data Confirmation Form (Table 2.3). The form is confirmed and signed by the company. If the company has been continuously involved in the report rating for two or more years, no interview will be conducted. Instead, the contact person will send the form to the company. The company will then fill, sign, and send the form back with relevant documentary evidence.

Table 2.3 CSR Reporting Procedural Assessment Data Confirmation Form

CSR Reporting Procedural Assessment Data Confirmation Form <i>Chinese Expert Committee on CSR Report Rating</i>			
Company Name:		Evaluator:	
CSR Report Name:		Date of Evaluation:	
Company Representative and Position:		Rating Project Reference Number:	
No.	Criteria	Performance	Documents ³⁷
1	Is there a clear definition of the function and value of the CSR report?		
2	Which standards are used in the preparation of the report? Why?		
3	Has a CSR reporting index system been established?		
4	How are material issues assessed and identified?		
5	Are senior managers involved in the CSR reporting team? What are their primary responsibilities?		
6	Are key departments involved in the reporting process? How?		
7	Have company leaders and key departments reviewed the report and ensured its reliability and accuracy?		
8	How is the CSR report used and disseminated?		
9	Are there any deficiencies observed in CSR management and practice while preparing the CSR report? Any improvement plan?		
10	Has the company encouraged its subsidiaries to produce CSR reports?		
Overall			
This form is for recording the factual procedural performance only. It does not represent any conclusive judgments. The final result of the report rating is determined by the rating panel. By signing this form, the company confirms that the above records are correct and valid.			
Company Representative Signature:		Date:	

Source: translated from CSR reporting procedural assessment data confirmation form (Chinese Expert Committee on CSR Report Rating, 2020, p. 20-21).

³⁷ According to Chinese Expert Committee on CSR Report Rating (2020, p. 9), documentary evidence includes but not limited to the company's internal written record of (1) CSR reporting team members and respective responsibilities, (2) staff training on CSR reporting, (3) stakeholders, the process of stakeholder engagement, and stakeholder feedback; (4) the process of materiality assessment, and (5) the process of report writing.

After finishing the assessment of reporting procedures, the Secretariat sends the company's CSR report and Procedural Assessment Data Confirmation Form to the rating panel. The rating panel evaluates the CSR report according to *The Chinese Corporate Social Responsibility Reporting Guide* (Zhong *et al.*, 2018) and *the Chinese Corporate Social Responsibility Report Rating Standards* (Chinese Expert Committee on CSR Report Rating, 2020) and rates it by seven criteria³⁸. For each criterion, a rate is given, ranging from one-star (★) to five-star (★★★★★), followed by some comments. For example:

Balance (★★★★☆)

The Report revealed some negative data information such as 'the death toll of direct contractors' 'the death toll of employees' 'recordable injury events' 'employee turnover rate' 'occupational disease annual incidence' and so on, with excellent balanced performance. (*CSR Rating Report on China National Offshore Oil Corporation Sustainability Report 2016*).

An overall rating is given after the seven criteria, followed by Suggestions for Improvement. The overall rating reflects the overall quality of the CSR report rated.

A five-star report means the report quality is excellent. For example:

³⁸ CASS-CSRRC has established an exclusive rating system. The rating panel rates a CSR report and draws a conclusion according to seven criteria: "Procedure, Substantiality, Integrity, Balance, Comparability, Readability, and Innovation" (Chinese Expert Committee on CSR Report Rating, 2020, p. 8).

Overall Rating (★★★★★)

After deliberation, the rating panel has rated China National Offshore Oil Corporation 2016 Sustainability Report a Five-star Report, as an excellent CSR report.

Suggestions for Improvement

The disclosure of negative data information and inadequacies in fulfilling responsibilities should be enhanced to improve the report's Balance. (*CSR Rating Report on China National Offshore Oil Corporation Sustainability Report 2016*).

Notably, the evaluation of CSR reports is based on the text only, without checking the data accuracy and reliability. Finally, the rating panel leader produces a rating report based on opinions from the panel members. The Associate Chairman of the Committee signs the rating report before it is issued. Every CSR rating report states the rating panel consisting of internal and external CSR experts, demonstrating the competence in evaluating the CSR report. For example:

Rating Panel

Leader: Hongwu Zhong, Director, Corporate Social Responsibility Research Centre, Chinese Academy of Social Sciences.

Members: Guosheng Deng, Professor in Public Administration,
PhD Supervisor, Tsinghua University.

Lifeng Zhai, Procedural Information Evaluator; Zhimin
Wang, Procedural Information Evaluator. (*CSR Rating Report
on China Southern Power Grid Social Responsibility Report
2016*).

In the above example, the involvement of an external expert (Guosheng Deng, Professor in Public Administration from Tsinghua University) would leave report readers with an impression that the report rating service was professional and authoritative.

The rating process takes ten working days. The Secretariat subsequently sends the rating report and communicates with the company. The company is expected to include the rating report in its CSR report when published.

The report rating process noted above indicates that what CASS-CSRRC provides is not assurance engagements. CASS-CSRRC reviews and rates a company's CSR report based on the disclosure and non-disclosure of the seven criteria, without checking data accuracy. It does not check the subject matter information disclosed in CSR reports but rates the reports merely based on the text. This simplified rating approach casts doubt about the effectiveness of the CSR rating reports in enhancing the credibility of CSR reports. Moreover, there is doubt about CASS-CSRRC's role as an external reviewer. Given the comprehensive role of the CASS-CSRRC, it can

provide CSR consulting, CSR report writing, and report rating services for one company simultaneously. If CASS-CSRRC is not perceived as independent, its rating reports will lose credibility. Therefore, inconsistent with Shen *et al.* (2017), in this research, CASS-CSRRC is not considered as a sustainability assurance provider within the Chinese context, but rather a CSR report rating service provider.

It is worth noting that Chinese companies view CASS-CSRRC's report rating service as an alternative way of enhancing the credibility of CSR reporting. Shen *et al.* (2017) find that Chinese companies prefer the CSR report rating service rather than sustainability assurance provided by accounting or non-accounting assurance providers. Further, most companies adopting the report rating service are SOEs seeking to shape their political legitimacy³⁹ and gain greater access to government resources by cooperating with the CASS-CSRRC connecting with the Chinese government (Marquis and Qian, 2014; Shen *et al.*, 2017).

Based on the research contexts discussed above, Table 2.4 summaries the key features. It shows the contrasting situation in terms of the sustainability reporting and assurance practices in the UK and China.

³⁹ According to Marquis and Qian (2014, p. 127), political legitimacy is defined as “the extent to which the government views the firm's actions as being in accordance with norms and laws”.

Table 2.4 Research Contexts: Key Features

	The UK	China
CSR/sustainability Reporting	<p>Traditionally high sustainability reporting rate.</p> <p>A proliferation of sustainability reporting standards/guidelines.</p> <p>Growing momentum towards mandatory disclosures of certain types of sustainability information (for example, greenhouse gas emission, and TCFD).</p>	<p>Significant growth in the number of Chinese companies publishing CSR reports since 2008.</p> <p>At a preliminary stage, with most Chinese companies new to CSR reporting.</p> <p>Substantial governmental influence reflected in: (1) the essential role of governmental actors, (2) the leading role of Central Enterprises and other SOEs, and (3) the dominating role of governmental-affiliated CSR service providers⁴⁰.</p>
Sustainability Assurance	<p>A voluntary practice.</p> <p>Relatively advanced in sustainability assurance rate.</p> <p>Rapidly growing demand for assurance.</p>	<p>A voluntary practice.</p> <p>Very limited demand for assurance.</p> <p>CASS-CSRRC's report rating service as an alternative to sustainability assurance.</p>

Source: Author.

⁴⁰ Based on Shen *et al.* (2017), the CSR reporting practice in China features substantial governmental influence, which is reflected in three aspects: (1) the essential role of governmental actors in promoting CSR awareness and driving CSR implementation; (2) the leading role of Central Enterprises and other SOEs in performing CSR activities and fulfilling social responsibilities; and (3) the dominating role of governmental-affiliated CSR service providers in facilitating CSR reporting practice.

2.5 Conceptual Framework

This section describes the proposed conceptual framework informing this research. It is built upon Smith *et al.* (2011)'s framework, institutional theory, and the previous literature (Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Boiral *et al.*, 2019a; 2019b; De Villiers and Alexander, 2014; DiMaggio and Powell, 1983; Farooq and De Villiers, 2019a; 2019b; Gürtürk and Hahn, 2016; Kostova *et al.*, 2008; O'Dwyer and Owen, 2005; 2007; Perego and Kolk, 2012; Smith *et al.*, 2011).

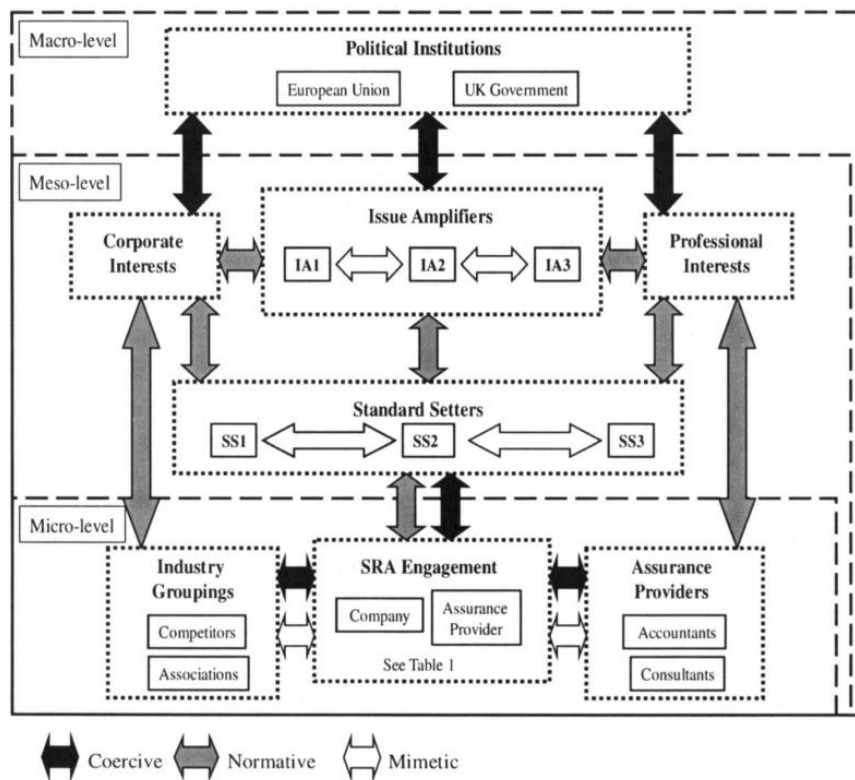
Smith *et al.* (2011)'s framework combines the arena concept⁴¹ with neo-institutional theory and conceptualises sustainability assurance in a broader social context. It allows “the identification of the particular roles of field participants”, “a classification of the form of their interactions”, and “the construction of a map of the network dynamics between field participants” (Smith *et al.*, 2011, p. 434). Figure 2.4 illustrates how the organisational field is described and how main field participants and their roles are identified. Smith *et al.* (2011, p.434) suggest that future research can apply their framework to generate original and rich descriptions of the organisational field and “the dynamics of the capture process” in sustainability assurance.

Smith *et al.* (2011)'s framework has some weaknesses. At the macro-level, the “Political Institutions” included (i.e., European Union and UK Government) indicate that this framework is restricted to the UK context. It needs adaptation for use in other contexts, given the differences in sustainability assurance practice across

⁴¹ According to Smith *et al.* (2011, p. 433), the arena concept “provides a metaphor for describing how participants interact in a social context to make collective policy decisions in the context of a specific issue”. It focuses on the process of institutionalisation and encompasses an organisational field, participant interactions, and engagement dynamics. When applied in the sustainability assurance field, it allows the consideration of different views, ideologies, and rationalities amongst the key field participants. Combining with neo-institutional theory, the arena concept helps identify specific roles within an organisational arena and describe the process of institutionalisation in sustainability assurance.

countries. At the meso-level, the terms “Corporate Interests” and “Professional Interests” represent abstract (or even vague) concepts which can hardly be viewed as the main field participants. Moreover, putting “Issue Amplifiers” above “Standard Setters” causes some confusion about the relationship between the two (i.e., whether “Issue Amplifiers” are ranked above “Standard Setters” according to status/authority). Abbreviations including “IA1” and “SS1” are also confusing and meaningless. Furthermore, an important field participant, stock exchanges, is ignored at the meso-level.

Figure 2.4 Smith *et al.* (2011)’s framework



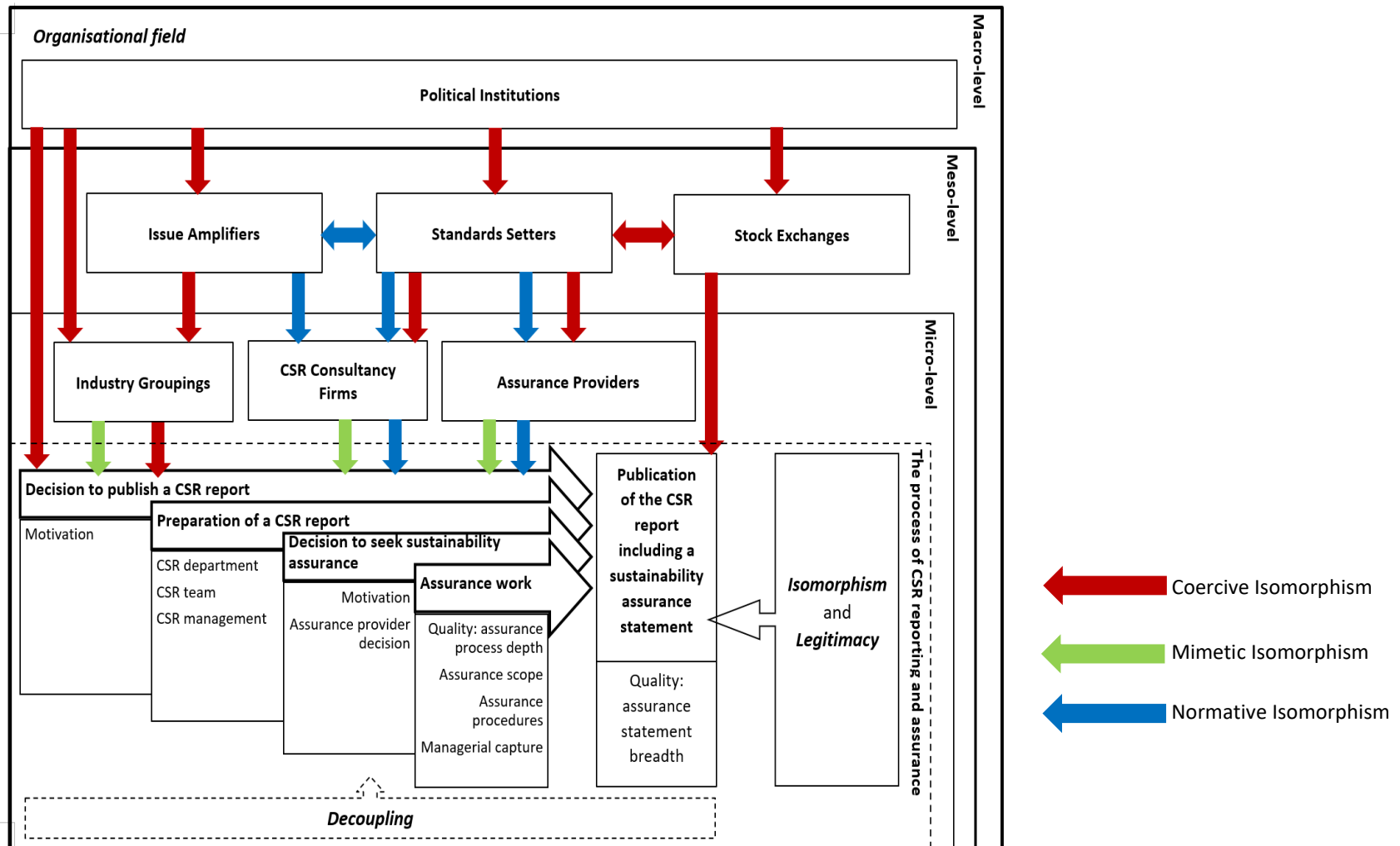
Source: “Figure 1. SRA (Sustainability Reporting Assurance) policy formulation as an institutional arena” (Smith *et al.*, 2011, p. 434).

A major problem at the micro-level is the ignorance of CSR reporting process while considering a sustainability assurance engagement. As noted in Section 2.2, the main

purpose of a sustainability assurance engagement is to enhance the credibility of CSR reporting. The institutional factors influencing CSR reporting are expected relevant to sustainability assurance. Therefore, the sustainability assurance engagement should be considered as part of the CSR reporting process. Furthermore, without considering the whole process of CSR reporting, the role of CSR consultancy firms is also ignored, which potentially influences both the reporting and assurance practices significantly. In summary, Smith *et al.* (2011)'s framework provides a foundation for sustainability assurance research into the interactions between field participants, the evaluation of isomorphic processes (and their relative strength), and the dynamics of the capture process, setting in a broader social and political context. However, it does have some limitations and need further development for use in this thesis.

To capture all relevant factors explaining the institutionalisation of sustainability assurance within a certain organisational field, a proposed conceptual framework is formulated. As Figure 2.5 shows, it includes the key elements and their interrelationships analysed in this research. Specifically, it illustrates how field participants at different levels influence a company's process of CSR reporting and assurance. At the macro-level, political institutions include regional/national governments and governmental actors. At the meso-level, examples of main participants are stock exchanges, issue amplifiers (such as media and academia), and standards setters (including sustainability reporting standards organisations such as GRI and European Financial Reporting Advisory Group, and assurance standards setters such as IAASB and AccountAbility). At the micro-level, the field participants include industry groupings, CSR consultancy firms, sustainability assurance providers (including accounting and non-accounting assurance providers), and the reporting company itself.

Figure 2.5 The Proposed Conceptual Framework



Source: Author.

The arrows in red, green, and blue between the different field participants represent the isomorphic pressures suggested by DiMaggio and Powell (1983), namely coercive isomorphism, mimetic isomorphism, and normative isomorphism. Generally, at the macro-level, political institutions exert a coercive isomorphic force on the key field participants at other levels. At the meso-level, stock exchanges, standards setters, and issue amplifiers exert a coercive isomorphic force on the key field participants. Meanwhile, standards setters exert a normative isomorphic force on CSR consultancy firms and assurance providers. At the micro-level, industry groupings generate pressures from mimetic isomorphism and coercive isomorphism. CSR consultancy firms and assurance providers may exert normative and mimetic isomorphic forces. Assurance providers' assurance approaches and corporate management's capture influence the quality of sustainability assurance engagements. The conceptual framework further highlights a legitimate motive for publishing a CSR report with a sustainability assurance statement. Moreover, decoupling may happen during the process of CSR reporting and assurance, where the company adopts institutionalised structures and practices ceremonially while using other more economically efficient structures and practices (Kostova *et al.*, 2008).

In summary, this conceptual framework illustrates the dynamics of the interactions between CSR reporting organisations, sustainability assurance providers, other participants, and the institutional context in which they operate. It shows the essentially institutionalising processes of the emerging and complex professional field of sustainability assurance. When applied in different research contexts (say,

the UK and China, in this research), the conceptual framework helps explain and compare the sources of institutional pressures and their impacts on the development of sustainability assurance practice. It also supports findings from the competition between accounting and non-accounting sustainability assurance providers and the institutionalisation of the sustainability assurance field. At the organisational level, the conceptual framework helps explore the nature and extent of managerial capture and its influence on the quality of sustainability assurance. It then sheds light on the capture process in sustainability assurance within a broader institutional context. The proposed conceptual framework informs the later empirical analysis (presented in Chapters Four, Five, and Six) and in turn, the empirical evidence induces some further development of existing theory (further discussed in Chapter Seven).

2.6 The Derivation of Research Questions

Based on the review of the existing literature on sustainability reporting and assurance (Section 2.2), the current theorising in sustainability assurance research (Section 2.3), and the research contexts (Section 2.4), this section summarises identified research gaps which inform the derivation of research questions. First, there is little consensus on how different contextual factors influence the quality of sustainability assurance. As noted in Section 2.2.2.4, the previous literature remains inconclusive regarding the relative importance of country-level factors, firm-level factors, and the type of assurance provider in determining the quality of sustainability assurance.

Second, it remains controversial which type of assurance provider performs sustainability assurance of better quality. As mentioned in Section 2.2.2.3, accounting and non-accounting assurance providers adopt different assurance approaches. It is unclear which approach contributes to better assurance quality. Moreover, the previous literature primarily focuses on distinguishing between accounting and non-accounting assurance providers but ignoring the potential isomorphism among assurance providers.

Third, most previous studies⁴² critiquing the nature and quality of sustainability assurance engagements are based on a content analysis of assurance statements, lacking direct engagement with sustainability assurance providers, corporate managers, and CSR consultants. This methodological limit is highlighted in the previous literature (Boiral and Heras-Saizarbitoria, 2020; Higgins *et al.*, 2015; Manetti and Toccafondi, 2012; O'Dwyer and Owen, 2005; 2007; Smith *et al.*, 2011). Further, Adams and Larrinaga (2019) call for more empirical research engaging with organisations through interviews, focus group, or observations. Engagement research exploring the sustainability assurance practice within organisations can contribute to the extant literature by adding a more nuanced understanding about the nature of assurance engagements, the quality of assurance approach, assurance provider independence, stakeholder engagement process, and managerial capture.

⁴² For example, Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Boiral *et al.*, 2019a; Deegan *et al.*, 2006; Gürtürk and Hahn, 2016; Larrinaga *et al.*, 2020; Manetti and Toccafondi, 2012; O'Dwyer and Owen, 2005; 2007; Rossi and Tarquinio, 2017.

Fourth, few previous studies investigate sustainability assurance in China. As noted in Section 2.4.2, this may be because the demand for sustainability assurance in China remains limited, leading to the lack of accessible data. With the number of Chinese CSR reports continuously growing since 2008, the need to research sustainability assurance also increases. Moreover, the extant literature on sustainability assurance in China is primarily based on quantitative research methodology, pointing to a lack of research investigating this topic from a qualitative methodological perspective.

Fifth, as mentioned in Section 2.2.2.5, the previous literature critiquing the limitations of sustainability assurance primarily focuses on companies based in developed countries⁴³. It is unclear whether the limitations also exist in companies based in developing countries, and whether there are additional limitations. Furthermore, no previous research focuses on a comparative analysis of sustainability assurance between China and a Western developed country, as far as the present researcher knows. The UK and China show contrasting situation regarding the sustainability reporting and assurance practices. The UK is one of the Western developed countries having high levels of sustainability reporting and assurance. China is the world's largest developing country at a preliminary stage in terms of sustainability reporting and assurance. It is worth comparing the UK and

⁴³ For example, O'Dwyer and Owen (2005): UK and European companies; Deegan *et al.* (2006): UK and European companies; Bepari and Mollik (2016): Australian companies; Gürtürk and Hahn (2016): UK and German companies; Rossi and Tarquinio (2017): Italian companies; Larrinaga *et al.* (2020): Italian and US companies.

China and exploring how the sustainability assurance practice originated from Western business concepts transfer into a different national context, thus shedding light on the similarities and differences between developed and developing countries.

Sixth, Section 2.3 identifies the lack of current theorising in sustainability assurance research. Despite the more recent critical literature, relatively few sustainability assurance studies have invoked a theoretical perspective to inform research questions or explain research findings (Farooq and de Villiers, 2017; Tyson and Adams, 2020). Moreover, institutional theory is viewed as the potential mainstream theory in the social and environmental accounting literature (Gray *et al.*, 2010) but has had limited use in sustainability assurance research (Tyson and Adams, 2020). For example, the three isomorphic processes (coercive, mimetic, and normative isomorphism) can explain institutional change (either toward homogenisation or heterogenisation) (Beckert, 2010; DiMaggio and Powell, 1983) in terms of sustainability assurance, but only in a relatively vague manner. The current theorising fails to capture specific type and source of institutional forces influencing the sustainability assurance practice in different national contexts. Moreover, institutional theory can be used to further explain global developments in sustainability assurance (Tyson and Adams, 2020), the competition between accounting and non-accounting sustainability assurance providers (Farooq and De Villiers, 2019b; Larrinaga *et al.*, 2020), and the nature and extent of managerial capture at the organisational level (Smith *et al.*, 2011). In summary, there is much scope for developing and improving institutional theory in sustainability assurance research.

This research aims to fill the identified research gaps and contribute to the extant literature by exploring how different institutional contexts influence the quality of sustainability assurance. Through the lens of institutional theory, it compares the pattern and quality of sustainability assurance in the UK and China, two countries with different institutional conditions (i.e., economic, political, social, and cultural contexts), and addresses the research questions as set out in Chapter 1.

The work of Kostova *et al.* (2008) provides an essential foundation to address RQ1 (*what are the institutional factors that influence companies' sustainability assurance decisions in the UK and China?*) and RQ3 (*what are the similarities and differences between the UK and China in terms of sustainability assurance practice?*). The basic neo-institutional tenets – (1) organisational field, (2) isomorphism, (3) decoupling, and (4) legitimacy (Kostova *et al.*, 2008) – offers tools to address and compare the sustainability assurance practice in the UK and China. This theoretical lens is appropriate for exploring organisations' sustainability assurance decisions and their determinants, given the isomorphic processes (DiMaggio and Powell, 1983) and the pursuit of legitimacy (Kostova *et al.*, 2008; Meyer and Rowan, 1977). It further helps explain the similarities and differences between the UK and China regarding the development of sustainability assurance practice by considering different levels of organisational fields, sources of institutional pressures, and their impacts on organisations. Similar approaches have been followed in the sustainability reporting and assurance field (Gürtürk and Hahn, 2016; Herremans and Nazari, 2016; Martínez-Ferrero and García-Sánchez, 2017a; 2017b; Testa *et al.*, 2018; Wijethilake

et al., 2017).

The work of De Villiers and Alexander (2014) also informs RQ1 (*what are the institutional factors that influence companies' sustainability assurance decision in the UK and China?*) and RQ3 (*what are the similarities and differences between the UK and China in terms of sustainability assurance practice?*). Informed by the legitimisation offered by isomorphism (DiMaggio and Powell, 1983), De Villiers and Alexander (2014) indicate that CSR reporting is institutionalised through professionalisation and other means. Specifically, the CSR reporting field generally transitions from a formative phase (where mimetic and coercive isomorphism predominate) to a more mature phase (where normative isomorphism predominates, but where elements of mimetic and coercive isomorphism remain). Notably, homogeneity increases with the maturity of CSR reporting. Their findings show similar overall patterns of CSR reporting in diverse contexts, while differences in CSR reporting content remain at a more detailed level. De Villiers and Alexander (2014) further suggest a need to interpret CSR reporting characteristics and patterns as a reflection of global CSR reporting templates. Given the interrelation between CSR reporting and sustainability assurance (the main purpose of the latter is to enhance the credibility of the former), De Villiers and Alexander (2014)'s theoretical approach can provide an appropriate foundation here to explain changes in companies' sustainability assurance decisions, dynamics of the sustainability assurance market, and development of sustainability assurance field.

Institutional theory also offers a useful tool to analyse managerial capture and

address RQ2 (*what are the institutional factors that influence the quality of sustainability assurance?*). This theoretical perspective has been invoked in previous sustainability assurance research to explain the nature and extent of managerial capture (Farooq and De Villiers, 2019b; Larrinaga *et al.*, 2020; Perego and Kolk, 2012; Smith *et al.*, 2011). The basic neo-institutional tenets (especially decoupling and legitimacy, Kostova *et al.*, 2008) help explain how a sustainability assurance engagement is planned and performed and how the assurance process is captured by corporate management. This theoretical lens further helps understand the effectiveness of sustainability assurance in enhancing the credibility of CSR reporting, organisational transparency, and stakeholder accountability.

The institutional work perspective (Farooq and De Villiers, 2019b; Lawrence and Suddaby, 2006) further informs RQ2 (*what are the institutional factors that influence the quality of sustainability assurance?*). According to Perego and Kolk (2012), the quality of sustainability assurance depends on the type of sustainability assurance provider. The institutional work perspective provides a theoretical lens to examine the assurance approaches used by accounting and non-accounting assurance providers and their impacts on the quality of sustainability assurance. It further sheds light on the competition between accounting and non-accounting sustainability assurance providers and the institutionalisation of the evolving sustainability assurance field.

Overall, by invoking institutional theory and addressing the three research questions, this research fills some gaps in current theorising in sustainability assurance research,

enriches the understanding of sustainability assurance practice, enhances new ways of interpreting data, and facilitates new research avenues in the field.

2.7 Conclusion

This chapter set out to: (1) review the literature on sustainability reporting and assurance; (2) discuss current theorising in sustainability assurance research and the theoretical perspective of this thesis (institutional theory); and (3) describe the research contexts (sustainability reporting and assurance in the UK and China, respectively). Based on the literature review, institutional theory, and the research contexts, a conceptual framework (Figure 2.5 in Section 2.5) was formulated. The chapter presented how this conceptual framework built upon Smith *et al.* (2011)'s framework (Figure 2.4 in Section 2.5) and captured all relevant factors explaining the institutionalisation of sustainability assurance within a certain organisational field. Moreover, the chapter summarised identified literature and theoretical gaps informing the derivation of research questions. Given the lack of current theorising, engagement research, and the extant literature on assurance quality in the sustainability assurance field, this research aims to explore how different institutional contexts influence the quality of sustainability assurance. Through the lens of institutional theory, it compares the pattern and quality of sustainability assurance in the UK and China, two countries with different institutional conditions (i.e., economic, political, social, and cultural contexts), and addresses three research questions: (1) what are the institutional factors that influence companies' sustainability assurance decisions in the UK and China? (2) what are the institutional

factors that influence the quality of sustainability assurance? and (3) what are the similarities and differences between the UK and China in terms of sustainability assurance practice?

In conclusion, this chapter has served the important purpose of providing literature, theoretical, and contextual background data on sustainability assurance. This background data, together with the proposed conceptual framework (Figure 2.5), will inform the empirical studies presented in Chapters Four, Five, and Six. Moreover, with the reference to the three research questions, this chapter has formed the basis for the design of research methodology. The adopted research methods should allow the identification and evaluation of key field participants, their interrelationships, interactions, and influences, and “a coherent model of the causal mechanisms of capture” within a specific institutional context (Smith *et al.*, 2011, p. 436). The next chapter elaborates the research methodology design.

CHAPTER THREE

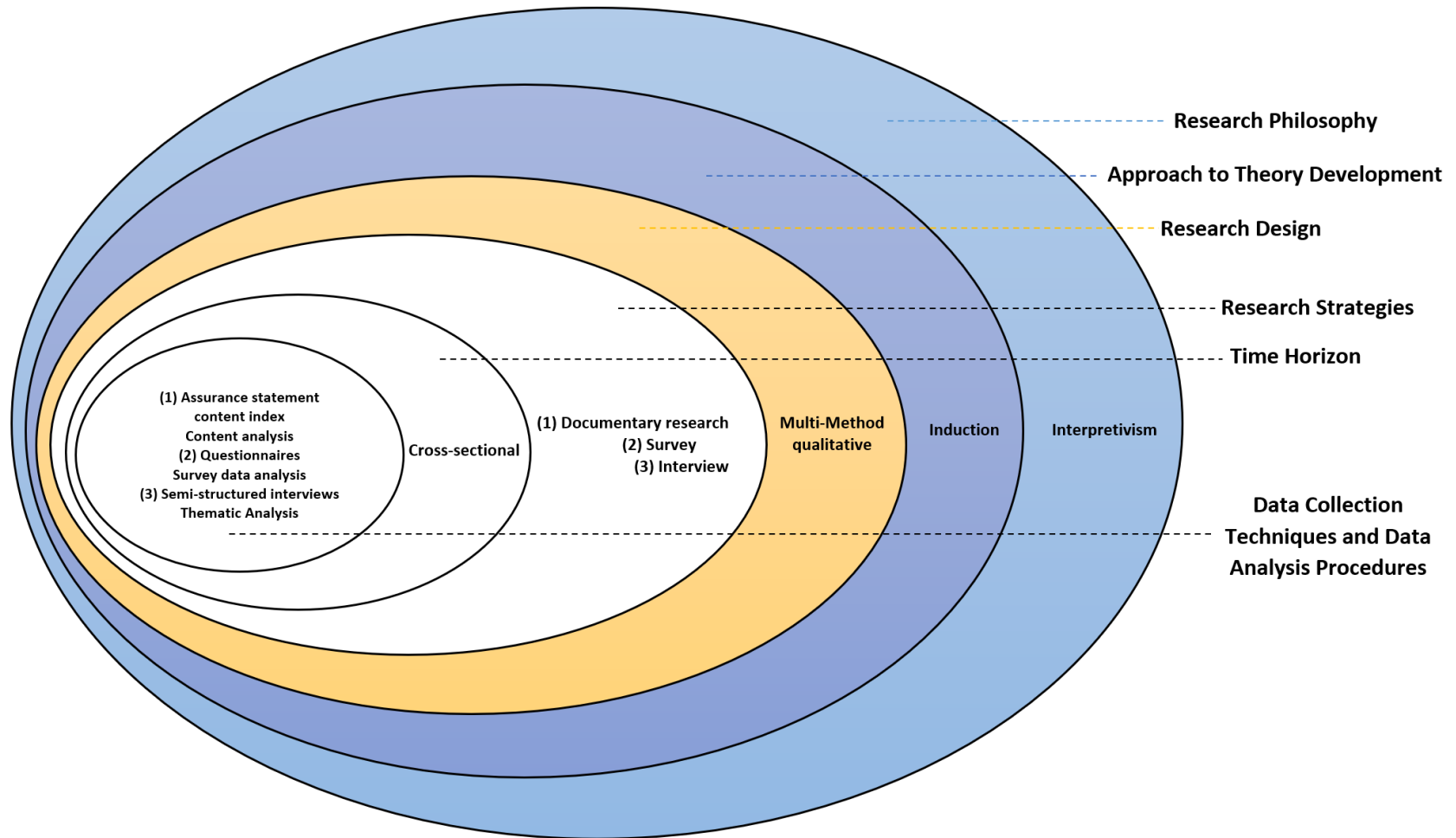
RESEARCH METHODOLOGY

3.1 Introduction

This research aims to explore how different institutional contexts influence the pattern and quality of sustainability assurance. It requires primary and secondary data to apply empirical analysis and generate a comprehensive understanding of the sustainability assurance practice. Accordingly, this research consists of three empirical studies: (1) Study One examining the content of sustainability assurance statements, (2) Study Two investigating the determinants of sustainability assurance decision, and (3) Study Three exploring the process of sustainability assurance. The research findings are expected to be limited to the UK and Chinese contexts.

This chapter justifies the research methodology followed in the empirical studies in the light of the research philosophical position informed by the theoretical perspective (i.e., institutional theory, as presented in Chapter Two). It also elaborates the design of the three empirical studies and their interconnections. Figure 3.1 shows a research onion (Saunders *et al.*, 2019), which includes six layers illustrating the methodology of this research. From outside to inside, the six layers are (1) research philosophy, (2) approach to theory development, (3) research design, (4) research strategies, (5) time horizon, and (6) data collection techniques and data analysis procedures.

Figure 3.1 Research Onion



Source: Adapted from Figure 4.1 The 'research onion' (Saunders *et al.*, 2019, p. 130).

This chapter begins with an explanation of the philosophical position of this research (interpretivism), approach to theory development (induction/theory building), and the methodological choice of the research design (qualitative research). These research philosophical assumptions inform the choices of research strategies, time horizon, and data collection and analysis methods.

This chapter then describes the research methods used in each of the three empirical studies. Study One employed a documentary research strategy. A qualitative content analysis of UK and Chinese sustainability assurance statements (158 in total) was conducted, based on an Assurance Statement Content Index. Study Two employed a survey research strategy. Two online questionnaires were designed and distributed to collect primary data. Study Three employed an interview research strategy. The researcher conducted 33 semi-structured interviews to collect primary data. The time horizon of this research was cross-sectional. This chapter is concluded with a discussion of the interconnections between the three empirical studies.

3.2 Research Philosophy

Research philosophy refers to “a system of beliefs and assumptions about the development of knowledge” (Saunders *et al.*, 2019, p. 130). Researchers need to be aware of the philosophical commitments while designing research strategy, as this will significantly influence the understanding and process of research (Johnson and Clark, 2006). At every stage in the research, a number of types of assumptions will be made (Burrell and Morgan, 2017), including assumptions about the realities (ontological assumptions), and human knowledge (epistemological assumptions) (Saunders *et al.*, 2019). Ruddock (2001, p. 27) argues that “observations, measurement and interpretation depend on the understanding of the ontological and epistemological nature of the work at hand”. Therefore, ontological and epistemological assumptions inevitably shape the understanding of research

questions, the use of research methods, and the interpretation of research findings (Crotty, 1998).

Ontology refers to assumptions about the nature of reality (Ruddock, 2001), which determine how researchers see the world and their research choice (Saunders *et al.*, 2019). Specifically, ontological assumptions are “what we believe constitutes social reality” or “claims about what exists, what it looks like, what units make it up and how these units interact with each other” (Blaikie, 2000, p. 8). Typically, there are two ontological positions: objectivism (realism) and subjectivism (constructionism) (Burrell and Morgan, 2017; Hirschheim, 1985; Chua, 1986). Objectivism implies that “social phenomena confront us as external facts that are beyond our reach of influence” (Bryman, 2001, p. 16), whereas subjectivism implies that “social phenomena and their meanings are continually being accomplished by their social actors” (Bryman, 2001, p. 18). Objectivism argues that an organisation is an object with an objective reality, whereas subjectivism argues that there is no objective reality (Iskander, 2008).

Epistemology refers to a theory of knowledge (Ruddock, 2001) that is, what constitutes acceptable, valid, and legitimate knowledge, and how knowledge can be communicated to others (Burrell and Morgan, 2017; Saunders *et al.*, 2019). Epistemology is related to ontology because the nature of the reality being explored influences the sort of knowledge that researchers can have of it (Ruddock, 2001). Researchers’ epistemological assumptions govern what they consider legitimate for their research (Saunders *et al.*, 2019). It is essential to understand the implications of different epistemological assumptions in relation to the choice of research method(s) and the strengths and limitations of research findings (Saunders *et al.*, 2019). Notably, there is no one best philosophy for all business and management research (Tsoukas and Knudsen, 2003). Each research philosophy contributes something unique and valuable and represents a distinctive way of viewing organisational realities (Morgan,

2006). Table 3.1 shows five research philosophical positions in business research regarding their ontology, epistemology, and typical methods.

Table 3.1 Five Research Philosophical Positions in Business Research and the Philosophical Position Underpinning this Research

	Positivism	Critical realism	<i>Interpretivism</i> (The philosophical position of this research)	Postmodernism	Pragmatism
Ontology (Nature of reality)	Real, external, independent One true reality (universalism) Granular (things) Ordered	Stratified/layered (the empirical, the actual and the real) External, independent Intransient Objective structures Causal mechanisms	<i>Complex, rich</i> <i>Socially constructed through culture and language</i> <i>Multiple meanings, interpretations, realities</i> <i>Flux of processes, experiences, practices</i>	Nominal Complex, rich Socially constructed through power relations Some meanings, interpretations, realities are dominated and silenced by others Flux of processes, experiences, practices	Complex, rich, external 'Reality' is the practical consequences of ideas Flux of processes, experiences and practices
Epistemology (What constitutes acceptable knowledge)	Scientific method Observable and measurable facts Law-like generalisations Numbers Causal explanation and prediction as	Epistemological relativism Knowledge historically situated and transient Facts are social constructions Historical causal explanation as	<i>Theories and concepts too simplistic</i> <i>Focus on narratives, stories, perceptions and interpretations</i> <i>New understandings and worldviews as contribution</i>	What counts as 'truth' and 'knowledge' is decided by dominant ideologies Focus on absences, silences and oppressed/ repressed meanings, interpretations and	Practical meaning of knowledge in specific contexts 'True' theories and knowledge are those that enable successful action Focus on problems, practices and

	contribution	contribution		voices	relevance
				Exposure of power relations and challenge of dominant views as contribution	Problem-solving and informed future practice as contribution
Typical methods	Typically deductive, highly structured, large samples, measurement, typically quantitative methods of analysis, but a range of data can be analysed	Retroductive, in-depth historically situated analysis of pre-existing structures and emerging agency Range of methods and data types to fit subject matter	<i>Typically inductive. Small samples, in-depth investigations, qualitative methods of analysis, but a range of data can be interpreted</i>	Typically deconstructive – reading texts and realities against themselves In-depth investigations of anomalies, silences and absences Range of data types, typically qualitative methods of analysis	Following research problem and research question Range of methods: mixed, multiple, qualitative, quantitative, action research Emphasis on practical solutions and outcomes

Source: adapted from “Table 4.3 Comparison of five research philosophical positions in business and management research.” (Saunders *et al.*, 2019, p. 144-145).

Positivism is the philosophical position of the natural scientist, which involves dealing with observable social reality and yields law-like generalisations (Crotty, 1998; Saunders *et al.*, 2019). Critical realism explains what people see and experience in the underlying structures of reality shaping the observable events (Saunders *et al.*, 2019). Based on various research methods, critical realists undertake historical analysis of societal and organisational structures, how they have changed over time (Reed, 2005).

Interpretivism refers to “the details of the situation to understand the reality or perhaps a reality working behind them” (Remenyi *et al.*, 1998, p. 35). It is a subjective philosophy highlighting that humans are different from physical phenomena because they create meanings (Saunders *et al.*, 2019). Interpretivists emphasise the importance of language, culture, history, and individuals’ lived experiences (Crotty 1998) in shaping their participants’ and their own interpretations of organisational and social worlds (Saunders *et al.*, 2019). Therefore, interpretive research aims at creating new and richer understandings of organisational realities and considers generalisation less important (Saunders *et al.*, 2019).

Postmodernism attributes importance to the role of language and power relations (Chia, 2003; Foucault, 1991; Saunders *et al.*, 2019). The purpose of postmodern research is to challenge the accepted ways of thinking and knowing radically (Kilduff and Mehra, 1997) and give voice and legitimacy to alternative views previously excluded by dominant perspectives (Chia, 2003). Pragmatism focuses on improving practice. In pragmatist research, the choice of research strategies is driven by the specific nature of research problems (Saunders *et al.*, 2019).

The current research argument is informed by the institutional theory which concerns itself with organisations and organisational fields (Gray *et al.*, 2014). Organisational fields consist of “both cultural and network systems [which give] rise to a socially

constructed arena within which diverse, interdependent organisations carry out specialised functions” (Scott, 2004, p. 7). Therefore, fields are socially constructed through interactions, shared interests, common concerns, joint activities and so on (Gray *et al.*, 2014). Based on this theoretical perspective, the nature of reality (ontological assumption) is complex and socially constructed, comprising a flux of processes, experiences, and practices.

Informed by the institutional theory, this research interprets sustainability assurance practice in the UK and China and explores how different institutional contexts influence the quality of sustainability assurance. The researcher recognises the importance of culture and individuals’ experiences in shaping research participants’ and her own interpretations of the sustainability assurance practice within different institutional contexts. Accordingly, the nature of this research is interpretive, focusing on interpreting multiple meanings and generating new understandings of sustainability assurance. Therefore, the suitable philosophical position of this research is interpretivism.

Interpretivism is typically related to an inductive approach to theory development (theory building) (Saunders *et al.*, 2019). When using an inductive approach, the research starts by collecting data to explore a phenomenon, build a conceptual framework, and generate theory. A gap exists in the logic argument between the conclusion and the premises observed, and the conclusion will be supported by the observations made (Ketokivi and Mantere, 2010). In contrast, a deductive approach (theory testing) starts with a theory developed from academic literature (that is, hypothesis development), and the purpose of the research design is to test the theory (Saunders *et al.*, 2019). The conclusion generates logically from a series of theory-derived premises and will be valid when all the premises are true (Ketokivi and Mantere, 2010). The choice of an inductive or deductive approach is important because it contributes to a more informed research design decision (Easterby-Smith

et al., 2012). It depends on the choice of research philosophy, the focus of the research, and the nature of the research topic (Saunders *et al.*, 2019).

This research follows an inductive approach. This choice is informed by the philosophical position of this research, interpretivism, which tends to lead researchers to induction (Saunders *et al.*, 2019). Moreover, this research begins with building a conceptual framework (Figure 2.5) and collecting and analysing data to explore the sustainability assurance practice in the UK and China. The researcher then reflects upon the theoretical themes from the data, fills the gap between the conclusion and the premises observed, and revises the conceptual framework, aiming at generating theory. This research process points to induction. Furthermore, with research into a new and inconclusive topic, it is more appropriate to use an inductive approach by collecting and analysing data and reflecting upon the theoretical themes that the data are suggesting (Saunders *et al.*, 2019). This argument indicates that an inductive approach fits this research that explores the evolving sustainability assurance field.

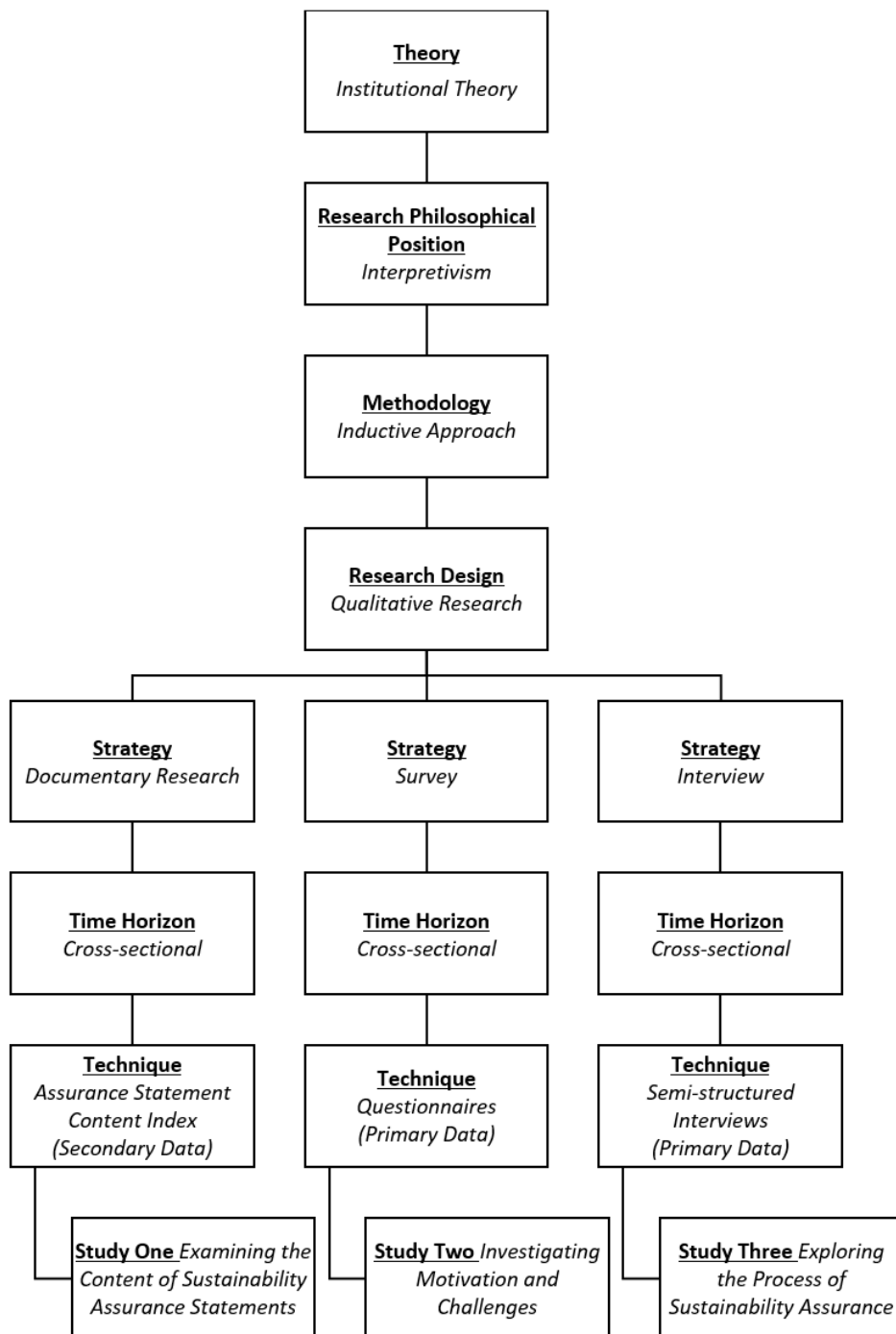
Another key underlying assumption is whether a qualitative or quantitative research design is appropriate. Qualitative research is usually associated with interpretivism (Denzin and Lincoln, 2008). Researchers need to explore the subjective and socially constructed meanings of the phenomenon studied (Saunders *et al.*, 2019). Moreover, qualitative research typically commences with an inductive approach (Saunders *et al.*, 2019). Qualitative research explores participants' attributed meanings and associated relationships derived from words and images, not numerical data. It generally uses non-probability sampling techniques and unstructured or semi-structured data collecting method(s), leading to the collection of non-standardised data requiring classification into categories. The data analysis is conducted through the use of conceptualisation (Saunders *et al.*, 2019). Qualitative research aims at developing a conceptual framework and contributing to theory. Quantitative research

designs are associated with positivism and a deductive approach (Saunders *et al.*, 2019). However, the link between positivism, deduction and a quantitative research design is not exclusive (Bryman, 1998; Walsh *et al.*, 2015), as quantitative research may also be undertaken within the realist and pragmatist philosophies or incorporate an inductive approach (Saunders *et al.*, 2019). Quantitative research examines relationships between variables and is principally associated with experimental and survey research strategies. In quantitative research, data are collected in a standardised manner and analysed using statistical and graphical techniques. Notably, quantitative data and analysis techniques can also be used in qualitative research strategies such as case study research (Saunders *et al.*, 2019).

With reference to the interpretive philosophical position and inductive approach, this research follows a qualitative research design to explore the sustainability assurance practice in different institutional contexts, based on a conceptual framework informed by institutional theory. With the exploratory purpose, this research consists of three comparative studies between the UK and China.

Figure 3.2 summarises the research philosophy and research design. It shows that the time horizon of this research is cross-sectional, which means “the study of a particular phenomenon (or phenomena) at a particular time” (Saunders *et al.*, 2019, p. 212). Specifically, Study One examines the content of sustainability assurance statements based on an Assurance Statement Context Index developed by the researcher. This content analysis is expected to generate a detailed description of UK and Chinese sustainability assurance statements and provide important background information for Study Two and Study Three.

Figure 3.2 Research Philosophy and Studies



Source: Author.

Study Two investigates the motivation for sustainability assurance adoption and challenges to the sustainability assurance practice. A survey research strategy is used to collect primary data. Two questionnaires are designed: Survey One targeted

CSR reporting and non-reporting entities, and Survey Two targeted sustainability assurance providers. Although questionnaires are typically not suitable for exploratory research that requires many open-ended questions, they can still be used as a data collection technique in a multi-method qualitative research design (Robson and McCartan 2016; Saunders *et al.*, 2019). The findings from Study Two supplement the findings from Study One and Study Three.

Study Three explores the process of sustainability assurance. Semi-structured interviews are conducted to collect primary data. The interviewees include CSR reporting directors/managers, sustainability assurance providers, CSR consultants, and sustainability/CSR experts. A thematic analysis of the interview data is conducted to gain deep insights into the nature, process, and quality of sustainability assurance engagements in the UK and China.

The following sections specify the sample selection, data collection, and data analysis techniques used in each of the three studies.

3.3 Study One Examining the Content of Sustainability

Assurance Statements

An exploratory analysis of sustainability assurance practices requires examining the content and characteristics of this practice (Larrinaga *et al.*, 2020). To this end, a qualitative content analysis of sustainability assurance statements was conducted.

Qualitative content analysis is a research method “for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns” (Hsieh and Shannon 2005, p. 1278). It is an autonomous method that can be used at various levels of abstraction and interpretation (Graneheim *et al.*, 2017). The analytical process comprises elaborating a classification framework, to develop a classification scheme, to design a series of

coding rules, and to measure and register data (Jones and Shoemaker, 1994; Larrinaga *et al.*, 2020). A particular advantage of qualitative content analysis is its firm basis in the communicative sciences, with the text data always interpreted and embedded within its original context (Mayring, 2014). This research method has been widely adopted in previous studies investigating sustainability assurance practices (Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Boiral *et al.*, 2019a; Gürtürk and Hahn, 2016; Larrinaga *et al.*, 2020; O'Dwyer and Owen 2005; 2007; Perego and Kolk 2012; Rossi and Tarquinio 2017; Zorio *et al.* 2013).

Qualitative content analysis requires establishing a systematic and concrete procedural instrument fitting the particular text data in question, which defines the individual steps of analysis and their order (Mayring, 2014). Accordingly, the researcher developed an assurance statement content index for the content analysis in Study One, following the research instrument employed by Perego and Kolk (2012). The assurance statement content index covers five themes: (1) basic information about the assurance engagement, (2) assurance provider characteristics, (3) descriptions of the assurance procedures performed, (4) assessment of the underlying process/system/performance, and (5) the assurance opinion. Based on the index, 158 sustainability assurance statements were evaluated. The following discussion elaborates on the process of the content analysis performed.

3.3.1 Sampling

3.3.1.1 UK N100 and China N100

The initial sample included the top 100 largest companies by revenue (N100) in the UK and China. The choice of the UK and China was justified by their contrasting situation regarding CSR reporting and sustainability assurance practices (as discussed in Chapter Two). Moreover, Large companies (N100) were selected for three reasons: (1) a positive association between company size and the adoption of

sustainability assurance has been found in the previous literature (for example, Cho *et al.*, 2014; Mock *et al.* 2013; Peters and Romi, 2015; Simnett *et al.* 2009), (2) institutional theory proposes that larger companies tend to create norms through their activities in evolving fields (Lieberman and Asaba 2006), and (3) the sample (N100 companies) has been used in the previous research on sustainability reporting and assurance practices (for example, KPMG, 2015; 2017; 2020; Lament, 2015; Skouloudis *et al.*, 2016). The researcher referred to Fortune Global 500 (G500)⁴⁴ 2017 to define the N100 in the UK and China, which was an appropriate source widely employed in the prior research (for example, Junior *et al.*, 2014; Kolk, 2003, 2008; Kolk and Perego, 2010; KPMG, 2017; Perego and Kolk, 2012). There were 109 Chinese companies ranked in G500 (Fortune, 2017). Therefore, the first 100 out of the 109 were included as China N100. However, only 23 UK companies were found in the same ranking, indicating that UK N100 could not be entirely defined by G500 (Fortune, 2017). To solve this issue, the researcher referred to Financial Times Stock Exchange (FTSE) 100⁴⁵ (FTSE Russell, 2018) and included the 100 public UK companies as UK N100. This approach was justified by KPMG (2017; 2020) suggesting that a ranking by market capitalisation could also be an appropriate measure where revenue ranking was not available.

The UK and China N100 companies belonged to a wide range of sectors. As Figure 3.3 shows, the 200 companies operate in 16 different sectors (Fortune, 2017). Drawing on the previous research (Adams *et al.* 1998; Fifka and Drabble, 2012; Kolk, 2003; Kolk and Perego, 2010; Kolk *et al.*, 2001; Simnett *et al.*, 2009), these sectors were aggregated into four industrial groups: (1) Energy, (2) Manufacturing, (3) Financials, and (4) Retail, Trade and Other services, and then further divided into

⁴⁴ Compiled and published annually by Fortune magazine, G500 is a world-renowned ranking list measuring the largest 500 corporations worldwide by revenue since 1995.

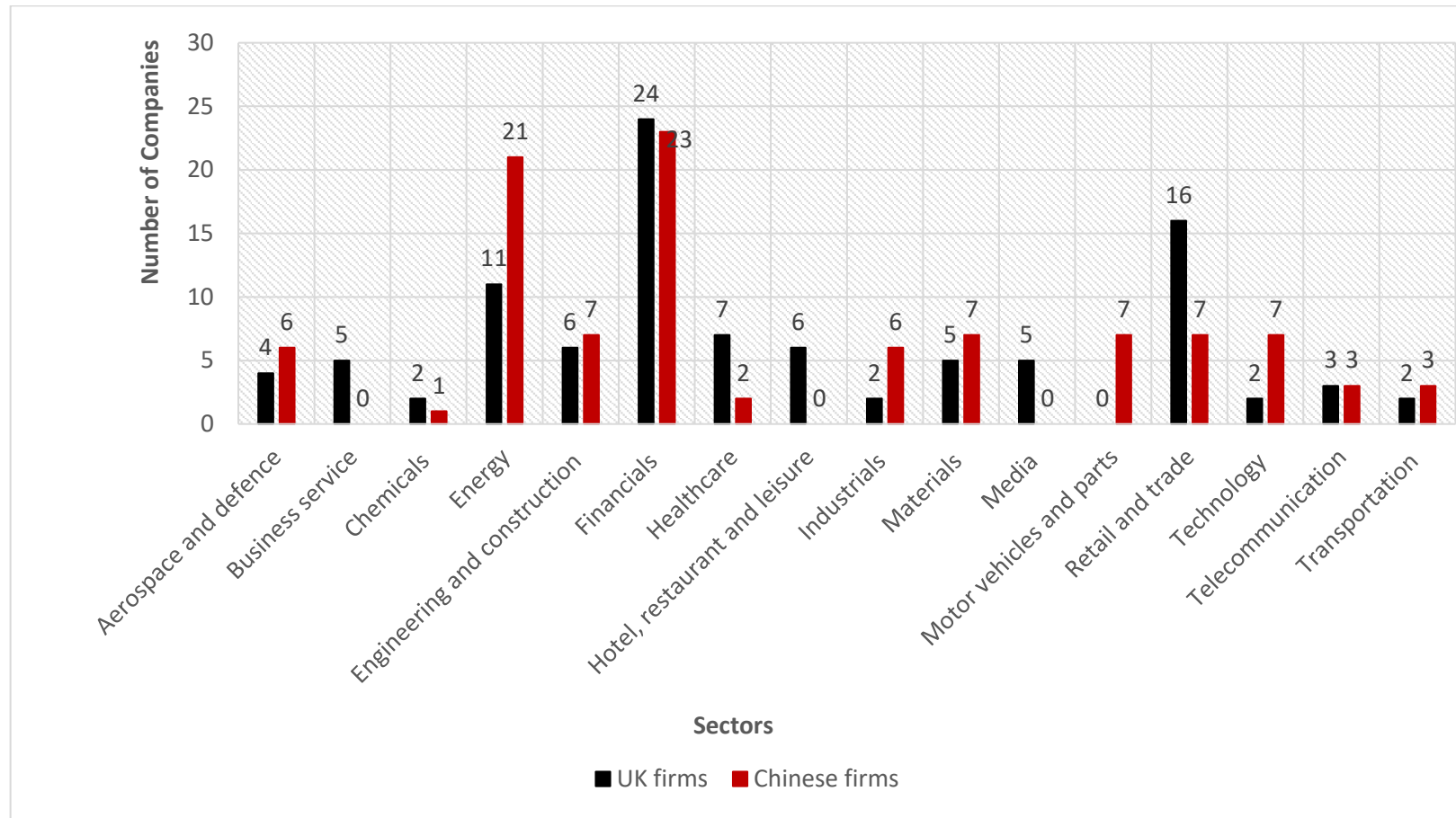
⁴⁵ FTSE 100 stands for “a market-capitalisation weighted index of UK-listed blue-chip companies” (FTSE Russell, 2018, p.1), covering 100 public corporations that have the highest market capitalisation traded on the London Stock Exchange.

dichotomous categories: Direct Impact and Indirect Impact (as shown in Table 3.2). The dichotomous categorisation considers the nature and extent of companies' environmental and social impacts and pressures to behave responsibly.

3.3.1.2 Research Period

Study One involved a content analysis of sustainability assurance statements issued by UK N100 and China N100 in 2008, 2012, and 2016. The three years were selected for several reasons. First, the choice of the year 2008 ensured data availability because most Chinese companies had never issued a CSR report before 2008 (as discussed in Section 2.4). Second, the research period covered nine years, which enabled the researcher to trace the development of sustainability assurance practice in the UK and China. Third, Bryman and Bell (2015) argue that conducting a content analysis over a period on an annual basis leads to a large volume of data requiring a massive amount of time and work, but with little change identified yearly due to relatively short intervals. Therefore, instead of analysing data year by year, the assurance statements were collected with four-year intervals from 2008 to 2016. This period provided adequate coverage of the evolutionary pattern of sustainability assurance practice (Perego and Kolk, 2012) and ensured the feasibility of data collection and analysis.

Figure 3.3 UK N100 and China N100 by Sector



Source: Author (the classification of sectors was based on Fortune Global 500 Ranking (2017)).

Table 3.2 UK N100 and China N100 by Industrial Group and Dichotomous Category

Sector	Industrial group	UK N100	China N100	Dichotomous category
Energy Materials	Energy	16	28	Direct impact
Aerospace and defence Chemicals Engineering and construction Industrials Motor vehicles and parts	Manufacturing	14	27	
Financials	Financials	24	23	
Retail and trade Business service Healthcare Hotel, restaurant and leisure Media Technology Telecommunication Transportation	Retail, Trade and Other services	46	22	
Total		100	100	200

Source: Author.

3.3.2 Data Collection

Many types of documentary materials are accessed online, and organisations' websites provide access to certain types of sources such as CSR reports (Saunders *et al.*, 2019). The researcher checked the UK N100 and China N100 companies' websites to download their CSR reports published in 2008, 2012, and 2016. Where the CSR reports were not available on the companies' websites, the researcher checked Corporate Register⁴⁶ and Syntao⁴⁷ and downloaded available reports. While collecting the CSR reports, the researcher further checked how many companies had adopted sustainability assurance in 2008, 2012, and 2016 and whether the assurance statements were available for download.

As shown in Table 3.3, the final sample for this study included 118 UK and 40 Chinese assurance statements (158 in total). Table 3.4 and Table 3.5 further classify the sample by assurance provider type and industrial group (and dichotomous category), respectively.

⁴⁶ Available at: <https://www.corporateregister.com/> (Corporate Register, 2021; accessed 01/08/2022).

⁴⁷ Available at: <http://www.syntao.com/bgzy> (Syntao, 2021; accessed 01/08/2022).

Table 3.3 Study One: Final Sample

	UK				China			
	Initial sample companies (UK N100)	Number of companies reporting on CSR	Number of companies seeking assurance	Number of assurance statements collected (UK sample)	Initial sample companies (China N100)	Number of companies reporting on CSR	Number of companies seeking assurance	Number of assurance statements collected (Chinese sample)
2008	100	77	37	30	100	43	9	8
2012	100	85	49	37	100	77	17	16
2016	100	91	61	51	100	76	16	16
Total				118				40

Source: Author.

Table 3.4 Study One: the UK and Chinese Samples by Assurance Provider Type

	UK Sample				Chinese Sample			
	The number of assurance statements collected per assurance provider type/year			Total number of assurance statements collected per assurance provider type	The number of assurance statements collected per assurance provider type /year			Total number of assurance statements collected per assurance provider type
	2008	2012	2016		2008	2012	2016	
Accounting assurance providers	13	25	33	71 (60.2%)	2	11	11	24 (60.0%)
Non-accounting assurance providers	17	12	18	47 (39.8%)	6	5	5	16 (40.0%)
Total number of assurance statements collected per year	30	37	51	118 (100.0%)	8	16	16	40 (100.0%)

Source: Author.

Table 3.5 Study One: the UK and Chinese Samples by Industrial Group and Dichotomous Category

Year	Four Industrial Groups				
	Direct Impact		Indirect Impact		
	Energy	Manufacturing	Financials	Retail, trade and other services	
UK sample					Total number of assurance statements collected per year
2008	5	5	7	13	30
2012	6	3	9	19	37
2016	8	5	10	28	51
Total number and proportion of assurance statements collected per industrial group	19 (16.1%)	13 (11.0%)	26 (22.0%)	60 (50.8%)	118 (100.0%)
Chinese sample					Total number of assurance statements collected per year
2008	4	0	3	1	8
2012	4	0	10	2	16
2016	2	1	11	2	16
Total number and proportion of assurance statements collected per industrial group	10 (25.0%)	1 (2.5%)	24 (60.0%)	5 (12.5%)	40 (100.0%)

Source: Author.

3.3.3 Assurance Statement Content Index

The assurance statement content index (Table 3.6) for analysing the sample of sustainability assurance statements was adapted from the “coding rules for the content analysis” used by Perego and Kolk (2012, p. 187). The content index considered AA1000AS (2008), ISAE 3000 (2013), and “the evaluative framework” proposed by O’Dwyer and Owen (2005, p. 213). A similar research instrument has been employed in the previous literature (Hummel *et al.*, 2019; Larrinaga *et al.*, 2020; Manetti and Toccafondi 2012; Rossi and Tarquinio, 2017; Zorio *et al.*, 2013).

This assurance statement content index requires analysing sustainability assurance statements to determine the presence or absence of disclosure across a set of information items (Guidry and Patten, 2010; Larrinaga *et al.*, 2020). That is, it examines “the breadth of the assurance statements” (Hummel *et al.*, 2019, p. 736). The researcher developed and tested the content index on a random sample of assurance statements and modified where necessary to ensure it was applicable across all the sustainability assurance statements collected. To further ensure the reliability of the content analysis, the assurance statement content index was reviewed by the researcher’s supervisors and colleagues specialising in CSR reporting research.

Table 3.6 shows the final version of the assurance statement content index. There are 21 *analytical categories (codes)* covering what is to be recorded and analysed. The *unit of analysis (description)* further defines the particular words/phrases/sentences/paragraphs to be recorded under each analytical category. The possible range of scores obtained is zero (the lowest level) to 30 (the highest level). For most of the analytical categories, assurance statements earn scores based on the disclosure or non-disclosure of specific elements. For example, if an assurance statement has a title, it will earn one score. Some categories, such as Addressee(s),

Level of assurance, and Assurance standard(s) followed, require further judgement on the disclosure content. For example, if an assurance statement does not mention any addressee, it will not earn any score in the category of Addressee(s); if it is addressed to internal users or “the readers”/ “to whom is concerned” or shareholders, it will earn one score; and if it is addressed to stakeholders, it will earn two scores. The researcher needs to make judgements on the content of disclosure throughout the coding process.

Based on the assurance statement content index, the researcher worked through 118 UK and 40 Chinese assurance statements (in total 158) to code units of data and gave each assurance statement a score. The study was conducted for each disclosure item using electronic copies of the assurance statements. NVivo 11 was used to code the 158 sustainability assurance statements, keep memos, and record the researcher’s interpretations. The 21 codes shown in Table 3.6 were set up within the program. Each code was attached with a description of the nature and extent of the data unit to be coded under it. The assurance statements were imported into the program, read thoroughly to identify sections of text related to a particular code, and coded accordingly. After coding the data and marking all the sample statements, the researcher calculated and analysed the scores by country, industrial group, and assurance providers (Perego and Kolk, 2012).

The researcher then went beyond merely checking the disclosure and non-disclosure of assurance statement elements and conducted a detailed analysis of the 67 (51 UK and 16 Chinese) assurance statements issued in 2016 (see Appendix 1 for details of the assurance statements analysed). To comprehensively evaluate the information in the assurance statements, five specific themes were identified based on the assurance statement content index:

- Basic information about the assurance engagement. Data gathered under this

theme was used to examine the title, addressee(s), date, and location of the assurance statement.

- Assurance provider characteristics. Data gathered under this theme was used to examine the assurance provider's identity, responsibility, independence, and competence in the assurance engagement.
- Descriptions of the assurance procedures performed. Data gathered under this theme was used to examine assurance standards used, the level of assurance offered, the scope of the assurance engagement, assurance procedures performed, and limitations of the assurance process.
- Assessment of the underlying process/system/performance. Data gathered under this theme was used to examine whether and how the assurance provider assessed a reporting company's adherence to the AA1000AP (materiality, inclusivity, and responsiveness) and to understand stakeholder involvement during the assurance process.
- The assurance opinion. Data gathered under this theme was used to examine the nature of the assurance opinion offered, issues identified and elaborated in the conclusion section (if any), and recommendations given (if any).

The identification of the themes was justified by previous studies using a similar approach (Bepari and Mollik, 2016; Gürtürk and Hahn, 2016; Larrinaga *et al.*, 2020; O'Dwyer and Owen, 2005; 2007; Rossi and Tarquinio, 2017). The five themes were set up within a program of NVivo 11. The 67 assurance statements were imported into the program, read thoroughly, and categorised by coding based on the themes. After coding all the assurance statements to identified themes, the researcher searched patterns within the coded data, recognised relationships between themes, and developed testable propositions (Miles *et al.*, 2018). The propositions emerging inductively from the data set were tested by seeking alternative explanations and negative examples from previous literature (Miles *et al.*, 2018; Saunders *et al.*, 2019).

The quality of content analysis considers the measures of reliability ("stability and

precision of the measurement, plus consistency of the measuring conditions”, Friedrichs, 1973, p. 102) and validity (“what is measured is what ought to be measured”, Friedrichs, 1973, p. 100). The content analysis reliability and validity depended on the design of the assurance statement content index and coding procedures. The assurance statement content index was informed by internationally recognised assurance standards and seminal research articles, which enhanced the stability and precision of the coding rules for the content analysis (Larrinaga *et al.*, 2020; Mayring, 2014). Moreover, the researcher employed Cronbach’s alpha⁴⁸ to test the internal validity and consistency of the content index and checked whether all the 21 *analytical categories (codes)* measured a single construct (Tavakol and Dennick, 2011). The Cronbach’s alpha value⁴⁹ was 0.80, which could confirm the validity of the assurance statement content index. Furthermore, the researcher asked a PhD fellow⁵⁰ (as a second coder) to retest the assurance statement content index for greater reliability (Lune and Berg, 2017; Krippendorff, 2004; Mayring, 2014). All the assurance statements were coded by the researcher from among which the second coder independently coded 20%. A similar coding approach has been used in the previous literature (Gürtürk and Hahn, 2016; Larrinaga *et al.*, 2020; Perego and Kolk 2012; Rossi and Tarquinio 2017; Zorio *et al.* 2013). The second coder found very few cases of disagreement. Each disagreement was discussed between the two coders to agree on a final score.

⁴⁸ Cronbach alpha provides a measure of the internal consistency of a test or scale, expressed as a number between 0 and 1. Internal consistency refers to “the extent to which all the items in a test measure the same concept or construct” (Tavakol and Dennick, 2011, p. 53). For more details, see Cronbach (1951).

⁴⁹ Peterson (1994) suggests that a value higher than 0.70 is sufficient to confirm the internal consistency of a test or scale.

⁵⁰ An Accounting PhD student at Durham University Business School, who specialises in the research area of non-financial reporting and is familiar with the method of content analysis.

Table 3.6 Assurance Statement Content Index

Analytical categories (codes)	The unit of analysis (description)	Score (full mark: 30)
1. Title	Title of the assurance statement	0 – Not Mentioned 1 – Mentioned
2. Addressee(s)	Intended users to whom the assurance statement is formally addressed	0 – Not Mentioned 1 – Addressee is internal users or “the readers”/ “to whom is concerned” or shareholders 2 – Stakeholder clearly mentioned as the addressee
3. Profile of assurance provider	Name of the firm conducting the assurance engagement Location of the assurance provider’s office	0 – Neither mentioned 1 – Either mentioned 2 – Both mentioned
4. Report date	The finish date of the assurance engagement	0 – Not mentioned 1 – Mentioned
5. Reporter’s responsibility	Explicit states that the reporter has the responsibility for the preparation and fair presentation of the report	0 – Not mentioned 1 – Mentioned
6. Assurance provider’s responsibility	Explicit states that the assurance provider has the responsibility to express an opinion on the report	0 – Not mentioned 1 – Mentioned
7. Assurance provider’s independence	A declaration about the independence of the assurance provider	0 – Not mentioned 1 – Either Mentioned
8. Competence of assurance provider	A description of the individual assurance practitioners’ professional skills and the external experts involved in the assurance engagement team.	0 – Not mentioned 1 – Mentioned
9. Objective of the assurance engagement	Objective to be achieved in the assurance engagement	0 – Not mentioned 1 – Mentioned
10. Level of assurance	The level of assurance provided	0 – Not mentioned 1 – Review, limited assurance, moderate assurance, independent opinion/assurance, external verification/assurance/validation 2 – Reasonable assurance or different assurance levels for different parts of the report
11. Scope of the assurance engagement	Assurance statement coverage	0 – Not mentioned 1 – Mentioned
12. Criteria referred to assess evidence and draw a conclusion	Reference to particular criteria used by the reporting entity to prepare the sustainability report	0 – Not mentioned 1 – Use publicly unavailable standard(s) 2 – Use publicly available standard(s)
13. Assurance standard(s) followed	Standard(s) followed to guide the assurance engagement	0 – Not mentioned 1 – Use publicly unavailable standard(s)

		2 – Use publicly available standard(s)
14. Description of procedures performed	Summary of work performed to reach a conclusion	0 – Not mentioned 1 – Mentioned
15. Any limitations	Any limitation in the scope of CSR disclosure, the assurance engagement or the evidence gathering process.	0 – Not mentioned 1 – Mentioned
16. Establish of materiality level	Explanation about material issues to the organisation's CSR performance from a stakeholder perspective	0 – Not mentioned 1 – Limited to a broad statement without assurator's further confirmation 2 – Explanation of the materiality setting OR a broad statement with the stakeholder perspective introduced 3 – Explanation of materiality setting with the stakeholder perspective introduced
17. Completeness	Statement about whether the report covers all material aspects of the organisation's CSR performance	0 – Not mentioned 1 – Mentioned
18. Responsiveness	Reference to the entity's procedures to identify stakeholder interests and respond to their concerns	0 – Not mentioned 1 – Mentioned
19. Inclusivity	Reference to the level of stakeholder engagement during the CSR reporting and assurance process	0 – Not mentioned 1 – Mentioned
20. Materiality	Reference to a balanced representation of material issues concerning the organisation's CSR performance	0 – Not mentioned 1 – Mentioned
21. Conclusions, opinion and/or recommendations	The results of the assurance engagement	0 – Not mentioned 1 – Merely state an assurance opinion/conclusion 2 – Explanatory statement of conclusion without further recommendation 3 – Explanatory statement of conclusion with recommendations

Source: Adapted from the “coding rules for the content analysis” (Perego and Kolk, 2012, p. 187).

3.4 Study Two Investigating the determinants of Sustainability

Assurance Decision

Study Two employed a survey research strategy to investigate the determinants of sustainability assurance decision. Two questionnaires (Survey One and Survey Two) were designed and distributed to collect primary data. Survey One contained a series of questions about CSR reporting and assurance practice and was sent to UK N100 and China N100. Survey Two focused on sustainability assurance and was sent out globally targeting sustainability assurance providers. Responses to Survey One and Survey Two represented the perspectives of CSR reporting companies' and sustainability assurance practitioners', respectively. The following sections present how the questionnaires were designed, delivered, collected, and interpreted.

3.4.1 Questionnaire Design

The survey design is determined by the data needed to be collected (Saunders *et al.*, 2019). Following the steps to design individual questions proposed by Bourque and Clark (1994), the researcher either adopted/adapted questions in questionnaires used in previous research or developed new questions. Both Survey One and Survey Two included a combination of open⁵¹ and closed⁵² questions. The preliminary version of the questionnaires was pilot tested before sent out.

3.4.1.1 Survey One (For CSR Reporting Entities): Designing Individual Questions

Survey One collected data about CSR reporting and assurance practice in the UK

⁵¹ Open questions allow respondents to give answers in their own way (Fink, 2016).

⁵² Closed questions provide two or more alternative answers from which the respondent is instructed to choose (Saunders *et al.*, 2019). The common types of closed question include list questions, category questions, ranking questions, rating questions, quantity questions, and matrix questions (Saunders *et al.*, 2019).

and Chinese contexts. It contained questions about why a company disclosed CSR information and adopted sustainability assurance, along with the adoption pattern, benefits, reporting guidelines followed, and stakeholder involvement during the reporting and assurance process. It also contained questions about why a company did not disclose CSR information or adopt sustainability assurance.

Previous literature on CSR reporting and sustainability assurance informed the design of survey questions. While reviewing the literature, the researcher summarised previous research findings and identified elements (drivers/motivations) related to sustainability reporting and assurance decision (as elaborated in Chapter Two). Moreover, the results from Study One also informed the design of the questions. Through the qualitative content analysis, the researcher identified the CSR reporting adoption pattern, reporting guidelines, and stakeholder involvement procedures. The content analysis also revealed sustainability assurance engagement elements, including assurance provider types, assurance level, assurance scope, and the addressee of assurance statements. All the elements identified were developed as survey questions.

3.4.1.2 Survey Two (For Assurance Providers): Designing Individual Questions

Survey Two was a relatively short questionnaire focusing on the process and quality of sustainability assurance. It aimed at collecting the opinions from assurance providers on current sustainability assurance practice, thus providing a different perspective from Survey One. It contained questions about assurance scope, independence and ethical issues, limitations and challenges. Previous literature on the topic of sustainability assurance was reviewed to inform the survey questions. This review used keywords including “sustainability assurance”, “assurance provider”, and “limitations” to identify relevant information. Moreover, as with Survey One, the results from Research Stage One informed individual questions,

with elements identified sorted out and embedded into survey questions.

3.4.1.3 Pilot Testing

A questionnaire should be reviewed and pilot-tested before being used to collect data. A pilot testing will assess the validity of questions and the likely reliability of the data to be collected (Fink, 2016; Saunders *et al.*, 2019; Thorne *et al.*, 2014).

The preliminary version of Survey One was first reviewed by the researcher's supervisors and PhD colleagues who specialise in CSR reporting. They commented on the questionnaire structure and the suitability of individual questions. Then it was sent to several UK companies for a trial run. Two respondents raised that they had difficulty in finding their way through the questionnaire. The researcher checked each completed pilot questionnaire and found a problem in the design of skip logic. The questionnaire was then revised based on the respondents' feedback. Appendix 3 shows the final version of the questionnaire with the accompanying covering letter. It was translated into Chinese (Appendix 4).

The preliminary version of Survey Two was reviewed by the researcher's supervisors and revised based on the comments. Appendix 5 shows the final version of the questionnaire with the accompanying covering letter.

3.4.2 Delivering and Collecting the Questionnaires

3.4.2.1 Sampling

The initial sample of Survey One consists of UK N100 and China N100, given the connection between Study One and Study Two. The researcher searched for the email address of the person/department in charge of CSR/sustainability reporting in each company and sent the questionnaire to these potential respondents. The researcher sent the questionnaire via online messages for companies that did not

show detailed contact information on their websites. In total, the researcher sent the questionnaire to 96 UK companies and 72 Chinese companies.

Survey Two employed snowball sampling – a technique for finding research subjects where “one subject gives the researcher the name of another subject, who in turn provides the name of a third, and so on” (Atkinson and Flint, 2001, p. 1). This sampling technique is commonly used to facilitate access to hard-to-reach populations (Baltar and Brunet, 2012), or when it is difficult to identify individuals of the desired population (Saunders *et al.*, 2019). It is useful in exploratory and qualitative research, especially when respondents are few in number or hard to reach (Baltar and Brunet, 2012). Notably, although initial seeds in snowball sampling should be selected randomly, it is difficult to carry out and thus in practice they are typically selected via a convenience sampling method (Baltar and Brunet, 2012; Magnani *et al.*, 2005). The snowball sampling was suitable for Survey Two which aimed to get as many responses from sustainability assurance providers as possible. The assurance providers were hard-to-reach respondents because a high level of trust was required to initiate the contact. The researcher selected initial samples from the persons whom she had personal connections with, mainly the interview participants (UK-AP-BIG FOUR-1; UK-EXP-1-(1); CN-AP-BIG FOUR-1; CN-CON-2-(1)) of Study Three.

3.4.2.2 Delivering the Online Questionnaires

Survey One and Survey Two were delivered via emails with a direct hyperlink⁵³ to the questionnaires. Delivery via emails enabled the questionnaires to be sent to potential respondents geographically dispersed, provided the respondents with easy access to the questionnaire through a web browser, and enhanced confidence that the

⁵³ Online survey tools used: Google Form (for English version) and Wenjuanxing (for Chinese version).

right person has responded (Saunders *et al.*, 2019). Moreover, online questionnaires are considered advantageous due to a series of reasons: (1) they are more attractive and easier to use, also suitable for respondents without computational skills; (2) respondents are free to choose a convenient time for themselves to answer the questions; (3) online questionnaires are self-administered and do not require personal interviews, thus reducing costs and time for data collection; and (4) respondents can easily follow the skip logic designed by researchers, thus ensuring that they only answer the questions specified to them (Baltar and Brunet, 2012; Benfield and Szlemko, 2006; Evans and Mathur, 2005).

Online questionnaires also have disadvantages including: (1) they are usually sent to large numbers of potential respondents but only attracts the attention of proactive participants (Baltar and Brunet, 2012; Evans and Mathur, 2005); (2) emails delivering questionnaires may be viewed as spams and directly go into junk mailboxes (Evans and Mathur, 2005); and (3) the likely response rate of online surveys is typically low (Fricke and Schonlau, 2002; Wilson and Laskey, 2003), usually 10% or even lower (Saunders *et al.*, 2019). These disadvantages can increase the non-response rate and influence the validation and quality of data (Baltar and Brunet, 2012). The researcher has made every effort to increase the survey responses, as discussed below.

3.4.2.3 Efforts to Increase Survey Responses

Over 54 weeks, Survey One was sent to UK N100 and China N100 four times via email reminders. Survey Two was sent to potential respondents twice via emails. Additionally, the following approaches were used to increase the survey responses: First, the researcher contacted the Alumni Team of Durham University Business School and asked whether they could help circulate the questionnaires to former students. The Alumni Team offered help and sent out the questionnaires on 25

February 2019 via an email newsletter. The newsletter went to approximately 3000 MBA and 500 MSc Accounting and Finance alumni who had graduated from 2014 and backwards.

Second, the researcher's primary supervisor, Professor Carol Adams, contacted GRI and asked for their help with distributing the surveys. GRI agreed to add the hyperlinks to the questionnaires in their bi-weekly GRI Community update email newsletter. The newsletter was sent to GRI Community members on 12 March 2019.

Third, the researcher asked several persons to help distribute the surveys within their personal networks. She had: (1) asked the Global Sustainability Assurance Leader⁵⁴ of a Big-four firm to help circulate Survey Two to his colleagues; (2) asked Professor Carol Adams to help share the links to the surveys via LinkedIn; (3) asked a senior auditor⁵⁵ of a Big-four firm to help circulate the questionnaires to his colleagues; and (4) asked a Chinese sustainability expert to help circulate the hyperlink to Survey One within his personal network via WeChat⁵⁶. All of them have kindly helped distribute the questionnaire through their personal contacts. In sum, 15 UK companies and ten Chinese companies (25 in total) responded to Survey One, with details shown in Table 3.7. Eighteen responses to Survey Two were received from respondents based in the UK, China, and other contexts (France, Italy, and South Africa). Table 3.8 shows the number of respondents classified by the type of assurance provider.

⁵⁴ One of the interviewees in Study Three, UK-AP-BIG FOUR-1.

⁵⁵ One of the interviewees in Study Three, CN-AP-BIG FOUR-1.

⁵⁶ WeChat is a Chinese multi-purpose social media and messaging mobile app.

Table 3.7 Survey One: Description of Respondents

Respondent Code	Sector	Listed? (Y/N)	Disclose CSR information? (Y/N)
<i>The UK context: 15 responses</i>			
UK-1	Energy	Y (FTSE 100)	Y
UK-2	Energy	Y (FTSE 100)	Y
UK-3	Investment trust	Y (FTSE 250)	Y
UK-4	Investment trust	Y (FTSE 100)	Y
UK-5	Insurance	Y (FTSE 100)	Y
UK-6	Financial services	Y (FTSE 100)	Y
UK-7	Residential property development	Y (FTSE 100)	Y
UK-8	Chemicals	Y (FTSE 100)	Y
UK-9	Business management consultancy	N	N
UK-10	Technology	N	Y
UK-11	Consumer Goods	N	N
UK-12	Consultancy	N	Y
UK-13	Advertise and communications	Y (FTSE 100)	Y
UK-14	Paper-based packaging	Y (FTSE 100)	Y
UK-15	Retailer	Y (FTSE 100)	Y
<i>The Chinese context: 10 responses</i>			
CHN-1	Energy	Y	Y
CHN-2	N/A	N/A	Y
CHN-3	N/A	N/A	Y
CHN-4	N/A	N/A	Y
CHN-5	N/A	N/A	Y
CHN-6	N/A	N/A	Y
CHN-7	Airline	Y	Y
CHN-8	Telecommunication	N	Y
CHN-9	Trading	N	N
CHN-10	Consultancy	N	N
Note: some respondents did not answer demographic questions, so the sector information was not available, thus marked as “N/A”.			

Source: Author.

Table 3.8 Survey Two: Description of Respondents

The type of assurance provider	The number of responses	% of total responses
Accounting assurance providers	9	50.0%
Non-accounting assurance providers	4	22.2%
Others	5	27.8%
Total	18	100.0%
Note: “Others” include sustainability experts and respondents who were from NGOs.		

Source: Author.

3.4.2.4 Survey Research Limitations

The main limitation of this survey research is the small number of responses received. Although significant efforts have been made, people were reluctant to participate in the surveys. There are several likely reasons for the reluctance.

First, as mentioned earlier, a web questionnaire’s response rate is likely to be very low (Saunders *et al.*, 2019). The email invitations might never reach potential respondents’ mailboxes because companies’ internal Web system blocked them. Moreover, people who had received the emails might directly ignore them because they were too busy and did not want to be bothered. Others were not allowed to participate under their companies’ confidentiality policy.

Second, the surveys’ potential respondents were difficult-to-access people, particularly for Survey One which targeted the people in charge of CSR/sustainability reporting. Even though the researcher tried to find the contact information as much as possible, it did not ensure that the email invitations would reach the right person.

Third, in the Chinese context, people are not used to sending messages via email⁵⁷. Instead, people use WeChat, SMS, or phone call to communicate in daily work.

⁵⁷ The researcher found that the email addresses shown on some companies’ websites in fact did not exist.

However, it was difficult for the researcher to obtain personal contact information (such as WeChat IDs or telephone numbers) and direct the questionnaires to potential respondents.

Therefore, the results of Survey One and Survey Two may be biased due to the small number of responses. The main deficiency was related to the representativeness of the responses, which limits the external validity of the sample (Atkinson and Flint, 2001; Baltar and Brunet, 2012; Johnston and Sabin, 2010). However, given the surveys' role in this research is to supplement qualitative content analysis (Study One) and interview data analysis (Study Three), the additional insights gained from the survey research findings are still valuable. The limitations of Study Two are further discussed in Chapter Seven Conclusion.

3.4.3 Survey Data Interpretation

Given the exploratory nature of this survey research and its role as a supplementary source of data to the documentary evidence and interviews, no initial assumptions were made about the relationships between variables. The analysis of survey data focused on establishing and interpreting themes and meanings through the use of conceptualisation (Saunders *et al.*, 2019).

There were missing data in the survey responses. Consequently, a missing data analysis was conducted, which showed that the primary reason for missing data was that some respondents did not answer the demographic questions. This may be because they were reluctant to give out their personal information. The demographic data were missing at random, without any systematic pattern or bias (Enders, 2010). Moreover, the researcher did not test or explain statistical relationships between variables. The nature of this study was exploratory, which aimed at gaining insights about companies' sustainability assurance decision through data interpretation and conceptualisation. In interpreting the questionnaire responses, the researcher

identified the respondents' meanings from the data, and the meanings seemed irrelevant to their demographic characteristics (such as gender, age, and position). Therefore, these missing data have a minimal impact on the analysis of the survey data collected. No remedies were applied to the rest of the data set.

The results of Survey One are reported separately for (1) companies that currently disclose CSR information, (2) companies that currently do not disclose CSR information, (3) companies that currently disclose CSR information and seek sustainability assurance, and (4) companies that currently disclose CSR information but do not seek sustainability assurance. Each is reported in turn within Section 5.2.1. The results of Survey Two are reported in Section 5.2.2.

3.5 Study Three Exploring the Process of Sustainability Assurance

Study Three adopts an interview research strategy to explore the process of sustainability assurance. As one of the most important qualitative data collection methods, the research interview has been widely employed in conducting field study (DiCicco-Bloom and Crabtree, 2006; Qu and Dumay, 2011). It provides comprehensive and thorough information regarding participants' experiences and views of a particular topic (Turner, 2010). Generally, research interviews are classified into three categories based on the degree of structure (Crabtree and Miller, 1999; DiCicco-Bloom and Crabtree, 2006; Fontana and Frey, 1998; Qu and Dumay, 2011):

- **Structured interviews.** In a structured interview, the interviewer asks interviewees a series of predetermined questions, allowing only a limited number of response categories (Qu and Dumay, 2011). All the interviewees are asked the same questions in the same order (Fontana and Frey, 2005).

Structured interviews are rigid (Qu and Dumay, 2011) and thus often produce quantitative data (DiCicco-Bloom and Crabtree, 2006). Organizing and quantifying the findings from Structured interviews is generally straightforward (Qu and Dumay, 2011).

- Semi-structured interviews. Semi-structured interviews are the most widely used interviewing format for qualitative research (Alvesson and Deetz, 2000; DiCicco-Bloom and Crabtree, 2006; Fontana and Frey, 2005; Qu and Dumay, 2011). They are flexible, effective, and convenient methods of gathering information (Kvale and Brinkmann, 2009). Generally, semi-structured interviews are organised around a set of predetermined open-ended questions, with more questions emerging from the conversation between the interviewer and interviewees (DiCicco-Bloom and Crabtree, 2006). During an interview, the interviewer can modify the style, pace and ordering of questions to evoke in-depth answers from the interviewee. Interviewees can respond in the way that they think and use language, thus revealing hidden facets of human and organisational behaviour (Qu and Dumay, 2011). Semi-structured interviews are considered especially valuable if researchers are to understand the way the interviewees perceive a specific phenomenon (Qu and Dumay, 2011; Turner, 2010). Therefore, using semi-structured interviews to collect qualitative data is advantageous when the researchers are undertaking an exploratory study (Saunders *et al.*, 2019).
- Unstructured interviews. Originating from the ethnographic tradition of anthropology, unstructured interviews more or less resemble guided conversations (DiCicco-Bloom and Crabtree, 2006). In unstructured interviews, most of the data gathered through participant observation is from informal conversations in the field (Fontana and Frey, 1998). It is generally assumed that the interviewers do not know all the necessary questions in

advance (Qu and Dumay, 2011). The unstructured interview process shapes to the individual context so that the interviewees could feel relaxed and unassessed (Hannabuss, 1996). The interviewees reveal life experiences and complex social reality, and the interviewers are empathetic listeners exploring the inner life world of the interviewees (Berg, 1998; Qu and Dumay, 2011).

Semi-structured interviews are suitable for Study Three given its exploratory nature (Saunders *et al.*, 2019). The researcher aspires to grow and expand the knowledge of sustainability assurance with qualitative interview data providing in-depth information pertaining to interviewees' experiences and opinions on the topic. The same data collecting technique has been employed in previous literature exploring sustainability assurance practices (Boiral *et al.*, 2019b; Canning *et al.*, 2019; Channuntapipat, 2021; Channuntapipat *et al.*, 2019; 2020; Edgley *et al.*, 2010; Farooq and De Villiers, 2019b; Gillet, 2012; Haider and Nishitani, 2020; O'Dwyer *et al.*, 2011). Moreover, the interviews can be coupled with other forms of data collection in this research (content analysis in Study One and surveys in Study Two) to provide a well-rounded collection of information for analysis (Turner, 2010).

Notably, quantitative researchers tend to view the research interview as “unreliable, impressionistic, and not objective” (Denzin and Lincoln, 2008, p. 12) or “nothing more than casual everyday conversations” (Qu and Dumay, 2011; p. 239). However, the researcher believes that the research interview is an effective method to produce a rich set of data and explore “the world of others” as long as it is well-planned and done with care (Qu and Dumay, 2011, p. 239). Hannabuss (1996) highlights that conducting interviews in a casual manner with little preparation is a waste of time and opportunity, leading to disappointing results. Therefore, careful planning and sufficient preparation are required to collect interview data for research purposes (Doyle, 2004; Qu and Dumay, 2011; Saunders *et al.*, 2019; Turner, 2010). The following sections discuss the design of semi-structured interviews, including who

to interview, how to prepare for and conduct the interviews, and how to interpret the interview data.

3.5.1 Interview Participants

To find interview participants for Study Three, the researcher employed purposive sampling – a non-probability sampling technique typically used when working with small samples (Miles *et al.*, 2018; Saunders *et al.*, 2019). In purposive sampling, the sample size is determined by data saturation, not by statistical power analysis (Etikan *et al.*, 2016). Moreover, subjects are selected based on specific research purpose with an expectation that each participant will provide unique and rich information (Etikan *et al.*, 2016). Notably, purposive sampling is an inherently biased method (Tongco, 2007) due to the subjective nature of choosing the sample (Etikan *et al.*, 2016), possible researcher biases (Sharma, 2017), and possible informant biases (Seidler 1974; Tongco, 2007). Therefore, purposive sampling is not well representative of the entire population (Etikan *et al.*, 2016), and researchers may find it difficult to justify the representativeness of the sample (Sharma, 2017). However, purposive sampling is useful in qualitative research that generates rich information rather than generalises results and findings (Etikan *et al.*, 2016; Saunders *et al.*, 2019). The appropriateness of the sample selected can be justified by clear criteria (for example, a theoretical perspective, expert elicitation, or other accepted criteria) on which the researcher's judgements have been based (Sharma, 2017).

Purposive sampling fitted the nature and purpose of Study Three that explores the process of sustainability assurance through qualitative research interviews. A similar sampling approach has been used in previous literature exploring sustainability assurance practices (Boiral *et al.*, 2019b; Canning *et al.*, 2019; Channuntapipat, 2021; Channuntapipat *et al.*, 2019; 2020; Edgley *et al.*, 2010; Farooq and De Villiers, 2019b; Haider and Nishitani, 2020). Based on the conceptual framework (Figure 2.5),

the researcher used her judgements to identify and select “information-rich” (Etikan *et al.*, 2016, p.2) interviewees that best enabled her to address the research questions. Accordingly, the interview participants included sustainability assurance providers, CSR consultants, CSR/sustainability experts, and CSR directors/managers of the UK and Chinese companies. These companies were considered ideal cases because they: (1) have been adopting CSR reporting practice for years, (2) are large companies, and (3) have a substantial impact on the environment, society, and their stakeholders in general. Table 3.9 shows a list of interview participants.

The number of UK participants was fewer than that of Chinese participants. This was because the researcher had limited personal connections with UK companies and found it difficult to invite more people to participate in this study. This imbalance in the number of interview participants may influence the comparison between the UK and Chinese contexts. Notably, given that China’s sustainability assurance practice is relatively underexplored, the researcher has collected as much interview data as possible in the Chinese context. More Chinese interview participants can contribute to a more comprehensive understanding of the underexplored sustainability assurance practice. In summary, given the nature of sustainability assurance practice, the companies interviewed represented a small percentage, though moderately representative, of both the UK and Chinese business communities.

Table 3.9 Study Three: Interview Participants

Organisation Code	Company Sector or Organisation Type	Size ⁵⁸ (Range, Billion)	Listed or Unlisted	SOEs (Y/N)	The 2018 CSR report		Interviewee Code	Position and Department
					Format	Assured (Y/N) or Rated ⁵⁹		
UK Sample								
UK-FIN-1	Insurance	£20-29	Listed	N	Separate CR Summary	Y	UK-FIN-1-(1)	(1) Head of Group Corporate Responsibility
							UK-FIN-1-(2)	(2) Group Sustainability Analyst
UK-FIN-2	Banking and financial services	£40-49	Listed	N	Separate ESG Update	Y	UK-FIN-2-(1)	(1) Chief Financial Officer (Sustainable Finance)
UK-OTH-1	Advertising and Public Relation	£10-19	Listed	N	Standalone report	N	UK-OTH-1-(1)	(1) Sustainability Program Manager
UK-EXP-1	NGO	N/A					UK-EXP-1-(1)	(1) Chair of the Supervisory Board
UK-EXP-2	University	N/A					UK-EXP-2-(1)	(1) Independent adviser, writer, and researcher
UK-AP-BIG FOUR-1	Accounting Assurance Provider	N/A					UK-AP-BIG FOUR-1-(1)	(1) Global Sustainability Assurance Leader
Chinese Sample								
CN-ENE-1	Energy	£50-59	Unlisted	Y	Standalone report	Rated	CN-ENE-1-(1) CN-ENE-1-(2)	(1) Head of Publicity Department (2) Manager of CSR reporting, Publicity Department
CN-ENE-2	Energy	£0-9	Listed	Y	Standalone report	N	CN-ENE-2-(1)	(1) Manager of CSR reporting, Secretariat of Board
CN-ENE-3	Energy	£310-319	Unlisted	Y	Standalone report	Rated	CN-ENE-3-(1)	(1) Manger of CSR reporting, CSR Office

⁵⁸ The firm size is measured by total revenue in 2018.

⁵⁹ In the Chinese context only.

CN-ENE-4	Materials	£50-59	Unlisted	Y	Standalone report	Y	CN-ENE-4-(1)	(1) Head of News and Corporate Responsibility, Party Work and Corporate Culture Department
CN-FIN-1	Banking and financial services	£10-19	Listed	N	Standalone report	Y	CN-FIN-1-(1) CN-FIN-1-(2)	(1) Head of Public Relationship Department (2) Manager of CSR reporting, Public Relationship Department
CN-FIN-2	Real estate	£0-9	Listed	Y	Standalone report	N	CN-FIN-2-(1) CN-FIN-2-(2)	(1) CSR reporting Project Manager (Outsourcing, from a CSR consulting firm) (2) Manager of CSR reporting, Finance Department
CN-FIN-3	Insurance	£40-49	Listed	Y	Standalone report	Y	CN-FIN-3-(1)	(1) Manager of CSR reporting, General Affair Office
CN-FIN-4	Banking and financial services	£70-79	Listed	Y	Standalone report	Y	CN-FIN-4-(1)	(1) Manager of CSR reporting, Public Relationship and Corporate Culture Department
CN-FIN-5	Banking and financial services	£20-29	Listed	N	Standalone report	Y	CN-FIN-5-(1)	(1) Manager of CSR reporting, Brand Promotion Department
CN-FIN-6	Banking and financial services	£50-59	Listed	Y	Standalone report	Y	CN-FIN-6-(1)	(1) Manager of CSR reporting, Group General Affairs Office
CN-MAN-1	Engineering and Construction	£130-139	Listed	Y	Standalone report	Y and Rated	CN-MAN-1-(1)	(1) Head of CSR reporting, Corporate Culture (Party Work) Department
CN-MAN-2	Motor Vehicles and Parts	£10-19	Unlisted	Y	Standalone report	Rated	CN-MAN-2-(1) CN-MAN-2-(2)	(1) Head of Corporate Responsibility, Brand Promotion Office, Party Work Department (2) Accountant, Finance Department
CN-OTH-1	Airline	£10-19	Listed	Y	Standalone report	N	CN-OTH-1-(1) CN-OTH-1-(2)	(1) Head of Publicity Department (2) Manager of CSR reporting, Publicity Department

CN-OTH-2	Food Production	£0-9	Listed	N	Standalone report	Rated	CN-OTH-2-(1)	(1) Manager of CSR reporting, Group General Affair Department
CN-CON-1	CSR Consulting Firm	N/A					CN-CON-1-(1)	(1) Director, Chief Executive Officer (CEO) and Co-founder
CN-CON-2	CSR Consulting Firm	N/A					CN-CON-2-(1)	(1) CSR Consulting Director
CN-CON-3	CSR Consulting Firm	N/A					CN-CON-3-(1)	(1) Project Manager
CN-EXP-1	NGO	N/A					CN-EXP-1-(1)	(1) Head of Regional Hub
CN-EXP-2	Research Institution	N/A					CN-EXP-2-(1)	(1) Associate Head
CN-AP-NONA-1	Non-accounting Assurance Provider	N/A					CN-AP-NONA-1-(1)	(1) Assurance Project Manager
CN-AP-BIG FOUR-1	Accounting Assurance Provider	N/A					CN-AP-BIG FOUR-1-(1)	(1) Senior Auditor
CN-AP-BIG FOUR-2	Accounting Assurance Provider	N/A					CN-AP-BIG FOUR-2-(1)	(1) Senior Manager

Source: Author.

3.5.2 Interview Data Collection

3.5.2.1 Preparing for Semi-structured Interviews

Conducting research interviews requires “a respect for and curiosity about what people say, and a systematic effort to really hear and understand what people tell you” (Rubin and Rubin, 1995, p. 17). Careful preparation is the key to a successful interview (Qu and Dumay, 2011; Turner, 2010), as a precise plan helps an interviewer obtain the confidence of interviewees and collect quality data (Saunders *et al.*, 2019). To ensure interview data quality, the following preparations have been done, with reference to the practical guide purposed by Turner (2010):

First, obtaining knowledge about sample companies and interviewees. Background information was found by visiting the companies’ websites, reading the companies’ previous CSR reports, and browsing any relevant organisational websites. This provided a good level of contextual knowledge.

Second, providing relevant information for interviewees before the interviews (McNamara (2009)). A list of interview themes was sent to the interviewees in advance to explain the purpose of the interview. The themes were derived from the conceptual framework (Figure 2.5) and included (1) CSR reporting decision, (2) CSR management, (3) CSR reporting process, (4) sustainability assurance decision, (5) the assurance process, and (6) stakeholder engagement. The list of themes helped to promote data validity and reliability, as it informed the interviewees about the interview themes and provided them with the opportunity to prepare for the interview (Saunders *et al.*, 2019; Silverman, 2015). This also demonstrated the competence and credibility of the interviewer (Saunders *et al.*, 2019).

Third, designing interview questions. Based on the research questions and conceptual framework (Figure 2.5), an initial set of interview questions were

designed, as shown in Table 3.10. The interview questions were developed to explore CSR awareness, the understanding of and motivation for CSR reporting and assurance, the process of CSR management and reporting, the choice of assurance providers, and the assurance process.

Table 3.10 shows the interview guide used to ensure that the questions asked covered all the research objectives. It was applicable in all cases, and the underlying intention was to ensure consistency between interviews. The interview questions are informed by the conceptual framework (Figure 2.5) of this research. Notably, given the nature of semi-structured interviews, the order and logic of questioning were varied at each interview (DiCicco-Bloom and Crabtree, 2006; Silverman, 2015). Moreover, each interview's specific questions also varied, depending on how the interviewee answered each question and how the interviewer prompted additional answers (Saunders *et al.*, 2019).

Table 3.10 Study Three: Semi-structured Interview Questions⁶⁰

Type of interviewee	Interview questions
CSR reporting director/manager	<p>(1) When did your company start CSR reporting practice? What was the motivation?</p> <p>(2) When did your company start seeking assurance for CSR reporting? What was the motivation?</p> <p>(3) Who are the intended users of CSR reports and sustainability assurance statements?</p> <p>(4) Which department is in charge of CSR reporting?</p> <p>(5) Who decided to appoint the current sustainability assurance provider?</p> <p>(6) Who decides the scope of a sustainability assurance engagement? How is the scope decided?</p> <p>(7) Does sustainability assurance add any value? To whom? How?</p> <p>(8) Who are defined as the stakeholders of your company? Which group is the most important?</p> <p>(9) Are these stakeholder group(s) engaged in the process of CSR reporting and assurance? How?</p> <p>(10) Could you comment on your experience of engaging in CSR reporting and assurance practice or any difficulty faced?</p> <p>(11) How will this practice evolve in your company, or any significant CSR strategy changes in the foreseeable future?</p>
Sustainability assurance provider	<p>(1) What is the purpose of sustainability assurance?</p> <p>(2) Who decide the objective and scope of an assurance engagement?</p> <p>(3) What is the level of assurance typically provided? Why?</p> <p>(4) Who is the addressee of a sustainability assurance statement? Why?</p> <p>(5) What assurance standard(s) do you use?</p> <p>(6) What assurance procedures are performed to gather evidence?</p> <p>(7) How to ensure the independence and competence of an assurance team?</p> <p>(8) please compare yourself with other assurance providers. What are your advantages and disadvantages?</p> <p>(9) Is there any difficulty or obstacle you are facing as a sustainability assurance provider?</p> <p>(10) Could you comment on your clients' understanding of, or attitude towards, sustainability assurance?</p> <p>(11) What is the future direction of the sustainability assurance market, or any future changes in current assurance practice?</p>
CSR consultant	<p>(1) What drives more and more companies to disclose CSR information and publish CSR reports?</p> <p>(2) Could you comment on the trend of corporate reporting?</p> <p>(3) Could you comment on your clients' understanding of, or attitude towards, CSR reporting and sustainability assurance?</p>

⁶⁰ For a Chinese version please see Appendix 6.

	<p>(4) Who are the intended users of CSR reports?</p> <p>(5) What is your opinion on the role of stakeholders in companies' CSR reporting?</p> <p>(6) What drives companies to purchase sustainability assurance service? What is the value of sustainability assurance?</p> <p>(7) Are there any significant limitations in the current sustainability assurance practice you have noticed?</p> <p>(8) How do your clients choose their sustainability assurance providers?</p> <p>(9) Please compare the advantages and disadvantages of accounting and non-accounting assurance providers.</p> <p>(10) Is there any difficulty you are facing as a CSR consultant?</p> <p>(11) What is the future direction of CSR consulting service, or any future changes in current reporting practice?</p>
CSR/sustainability expert	<p>(1) What drives more and more companies to disclose CSR information and publish CSR reports?</p> <p>(2) Could you comment on the trend of CSR reporting?</p> <p>(3) Who are the intended users of CSR reports?</p> <p>(4) What is your opinion on the role of stakeholders in companies' CSR reporting?</p> <p>(5) What drives companies to purchase sustainability assurance service? What is the value of sustainability assurance?</p> <p>(6) What is your main concern about current sustainability assurance practice?</p> <p>(7) Are there any other significant limitations in the current sustainability assurance practice you have noticed?</p> <p>(8) Please compare the advantages and disadvantages of accounting and non-accounting assurance providers.</p> <p>(9) What is the future direction of the sustainability assurance market?</p> <p>(10) Do you think sustainability assurance will become a mandatory practice in the future?</p>

Source: Author.

3.5.2.2 Conducting semi-structured Interviews

The interview participants were interviewed during the year 2019. As shown in Table 3.11, 33 interviews were conducted throughout this research across the two countries. In some instances,⁶¹ two participants in the same company were interviewed simultaneously to give a comprehensive view of its CSR reporting and assurance practice. In total, the interviews yielded 26.2 hours of audio.

Most of the interviews were done face-to-face. Telephone interviews were conducted where the participants chose the interview mode, or a telephone interview was more feasible given the distance and time required. The purpose of the interviews stays the same regardless of whether it is conducted face-to-face or by telephone (Saunders *et al.*, 2019). However, how an interview is conducted may affect its outcomes, referred to as a mode effect (Creswell, 2007; Kvale, 2007; Saunders *et al.*, 2019). Face-to-face interviews are typically longer than telephone ones, with greater rapport developed (Saunders *et al.*, 2019). Telephone interviews are associated with disadvantages such as the limited scope for personal contact and the reliance on verbal and paralinguistic signals, while with advantages such as easier access, lower cost, and data collection speed (Vogl, 2013). Strategies suggested by Saunders *et al.* (2019, p. 474) were employed to mitigate the mode effect caused by telephone interviews: (1) “establishing rapport”, (2) “making preliminary contact and encouraging in-depth answers”, and (3) “recording data”. These strategies ensured that the researcher gained access and achieved in-depth answers in telephone interviews.

Each interview began with an explanation of this research’s objective and the nature of the interviewee’s involvement. The confidentiality condition was reaffirmed, as the data would be entirely and genuinely anonymised in any published work. Also,

⁶¹ Including CN-ENE-1, CN-FIN-1, CN-FIN-2, CN-MAN-2, and CHN-OTH-1.

each participant has signed a consent form to confirm their understanding of the interview's purpose, process, and confidentiality. The researcher started with an easy question about the participant's role in his/her organisation. This question was an ice-breaking question that put the participant at ease, which allowed the researcher to gain better quality information and direct the predetermined interview questions (listed in Table 3.10). During the interview, the participant could talk freely and raise any relevant issues. Based on the participant's answers, follow-up questions were asked where necessary and appropriate. All the interviews were audio-recorded with participants' permission. Notes were also made during the interview. A full note was compiled immediately after each interview to record contextual data, general points of value, and other related memos. Audio-recording the data, making notes, compiling a full record of the interviews, and producing related memos were all means to control bias and produce reliable data (Chenail, 2009; Saunders *et al.*, 2019).

Notably, some interviewees were interviewed twice because the researcher thought it was necessary to follow up on issues raised in the first round of interviews. This allowed the researcher to gain deeper insights into the interviewees' experience and perspectives and track any changes since the first round. Only several interviewees were interviewed twice as it was not feasible to conduct two rounds of interview with each participant. The interview participants were very busy in their role within the organisations. It would be unreasonable to expect a significant commitment from the interviewees for this research.

Table 3.11 Study Three: interview data collection

Interviewee Code(s)	Position and Department	Date (DD/MM/YYYY)	No. of interviews	Interview mode	Duration ⁶²
UK Sample					
UK-FIN-1-(1)	(1) Head of Group Corporate Responsibility	15/02/2019	1	Telephone	45
UK-FIN-1-(2)	(2) Group Sustainability Analyst	31/05/2019	1	Telephone	46
UK-FIN-2-(1)	(1) Chief Financial Officer (Sustainable Finance)	07/03/2019	1	Telephone	31
UK-OTH-1-(1)	(1) Sustainability Program Manager	22/03/2019	1	Telephone	44
UK-EXP-1-(1)	(1) Chair of the Supervisory Board	14/05/2019	1	Telephone	35
UK-EXP-2-(1)	(1) Independent adviser, writer, and researcher	19/11/2019	1	Telephone	34
UK-AP-BIG FOUR-1-(1)	(1) Global Sustainability Assurance Leader	21/01/2019 01/07/2019	2	Face-to-face Face-to-face	69
Total			8	304	
Chinese Sample					
CN-ENE-1-(1) CN-ENE-1-(2)	(1) Head of Publicity Department (2) Manager of CSR reporting, Publicity Department	10/01/2019	1	Face-to-face	90
CN-ENE-2-(1)	(1) Manager of CSR reporting, Secretariat of Board	13/04/2019	1	Face-to-face	46
CN-ENE-3-(1)	(1) Manager of CSR reporting, CSR Office	22/04/2019 18/09/2019	2	Face-to-face Face-to-face	96
CN-ENE-4-(1)	(1) Head of News and Corporate Responsibility, Party Work and Corporate Culture Department	16/05/2019	1	Face-to-face	31
CN-FIN-1-(1) CN-FIN-1-(2)	(1) Head of Public Relationship Department (2) Manager of CSR reporting, Public Relationship Department	09/01/2019	1	Face-to-face	60
CN-FIN-2-(1) CN-FIN-2-(2)	(1) CSR reporting Project Manager (Outsourcing, from a CSR consulting firm) (2) Manager of CSR reporting, Finance Department	11/01/2019	1	Face-to-face	65
CN-FIN-3-(1)	(1) Manager of CSR reporting, General Affair	10/04/2019	1	Telephone	30

⁶² In minutes. Where a participant was interviewed twice the duration shown is the total for the two interviews.

	Office				
CN-FIN-4-(1)	(1) Manager of CSR reporting, Public Relationship and Corporate Culture Department	12/04/2019	1	Face-to-face	39
CN-FIN-5-(1)	(1) Manager of CSR reporting, Brand Promotion Department	19/04/2019	1	Face-to-face	89
CN-FIN-6-(1)	(1) Manager of CSR reporting, Group General Affair Office	16/05/2019	1	Telephone	30
CN-MAN-1-(1)	(1) Head of CSR reporting, Corporate Culture (Party Work) Department	16/04/2019	1	Face-to-face	52
CN-MAN-2-(1) CN-MAN-2-(2)	(1) Head of Corporate Responsibility, Brand Promotion Office, Party Work Department (2) Accountant, Finance Department	23/04/2019	1	Face-to-face	46
CN-OTH-1-(1) CN-OTH-1-(2)	(1) Head of Publicity Department (2) Manager of CSR reporting, Publicity Department	08/01/2019	1	Face-to-face	66
CN-OTH-2-(1)	(1) Manager of CSR reporting, Group General Affair Department	17/04/2019 18/09/2019	2	Face-to-face Face-to-face	85
CN-CON-1-(1)	(1) Director, Chief Executive Officer (CEO) and Co-founder	24/04/2019 24/09/2019	2	Telephone Face-to-face	72
CN-CON-2-(1)	(1) CSR Consulting Director	27/05/2019	1	Face-to-face	63
CN-CON-3-(1)	(1) Project Manager	19/09/2019	1	Telephone	30
CN-EXP-1-(1)	(1) Head of Regional Hub	09/10/2019	1	Telephone	62
CN-EXP-2-(1)	(1) Associate Head	12/04/2019	1	Face-to-face	38
CN-AP-NONA-1-(1)	(1) Assurance Project Manager	27/05/2019	1	Telephone	41
CN-AP-BIG FOUR-1-(1)	(1) Senior Auditor	27/05/2019	1	Face-to-face	65
CN-AP-BIG FOUR-2-(1)	(1) Senior Manager	20/09/2019	1	Face-to-face	72
Total			25	1268	
Overall total			33	1572	

Source: Author.

3.5.3 Interview Data Interpretation

A thematic analysis of the interview data was conducted. Following the approach of Miles *et al.* (2018), the conceptual framework (Figure 2.5) informed the data condensation and interpretation process. The process involved four elements: (1) becoming familiar with the interview data, (2) coding the interview data, (3) searching for themes and recognising relationships, and (4) refining themes and testing propositions (Creswell, 2003; 2007; Saunders *et al.*, 2019). Notably, this procedure did not occur in a simple linear progression but concurrently and recurrently. The following section presents details of the analytical procedure.

3.5.3.1 Becoming Familiar with the Interview Data

The researcher developed familiarity with the interview data by producing transcripts of the audio recordings. A professional transcription technique⁶³ was used to transcribe the interviews. All the transcripts were then carefully checked by listening to the recordings several times. Minor errors related to spelling mistakes were found and corrected. These minor transcription errors were immaterial, which did not distort the interviewees' comments. The act of transcribing the interview data also generated summaries, self-memos and entries that aided the data analysis. Moreover, the researcher read and re-read the interview data to look for meanings, recurring themes, and patterns during the analysis. This immersion process in the interview data allowed the researcher to develop familiarity and engage in the analytical procedures that follow (Miles and Huberman, 1994).

3.5.3.2 Coding

The coding process linked the interview data units with the same aspect and managed the data for further analysis (Miles *et al.*, 2018; Saunders *et al.*, 2019). Accordingly,

⁶³ Available at: <https://www.iflyrec.com/>

a number of initial codes were developed. These initial codes were derived from (1) the conceptual framework of this research (Figure 2.5), (2) the terms used by the interview participants, recorded in the data, (3) labels developed from the data, which showed the occurrence or non-occurrence of a phenomenon and the strength of important opinions (Kvale, 2007; Miles *et al.*, 2018; Saunders *et al.*, 2019). During the data analysis, new insights were gained from the initial codes, which suggested new codes and required re-reading and re-coding data transcripts according to the revised list of codes. This process ensured consistency in the coding and analysis of the interview data set. Moreover, codes attracting large numbers of data units were subdivided into further codes, whereas codes attracting small numbers of data units were merged with similar ones. The codes were reviewed by the researcher's supervisors to ensure their quality and effectiveness in interpreting the interview data (Creswell, 2007). This review process helped mitigate researcher biases and potentially eliminate misinterpretation (Chenail, 2009; Turner, 2010). Figure 3.4 shows the final list of codes developed.

NVivo 11 was used to code the interview transcripts, systematically record memos, and keep the researcher's interpretations separate from the raw data during the coding process. The codes shown in Figure 3.4, referred to as nodes in NVivo 11, were set up within the program. A description was added to each node to clarify the nature and extent of the data unit to be coded under it. The description was helpful, particularly at the early stage of the coding process, which guided the researcher to code the text within the interview transcripts to appropriate and relevant nodes. The interview transcripts were imported into the program, read thoroughly to identify sections of text related to a particular code, and coded to the relevant node within NVivo 11 accordingly. For example, a comment about how stakeholders were involved in the process of CSR reporting was coded under "Code 2.5: Stakeholder engagement". Through the coding process, units of the interview data with similar meaning were categorised into relevant codes. Each piece of the data in which the

researcher was interested was made accessible for further analysis.

Data saturation⁶⁴ was reached when ten interviews had been analysed. Specifically, after analysing ten interviews, 95% of the codes (as shown in Figure 3.4) were developed for all transcripts (from 33 interviews). Code definitions were mostly stable and new themes emerged infrequently as the data interpretation process continued after ten interviews. Variability of code frequency was small and stable after ten interviews, which improved and eventually diminished over time (Guest *et al.*, 2006). The present researcher revised some codes during the data interpretation process to clarify specifics without changing the core meaning of the codes.

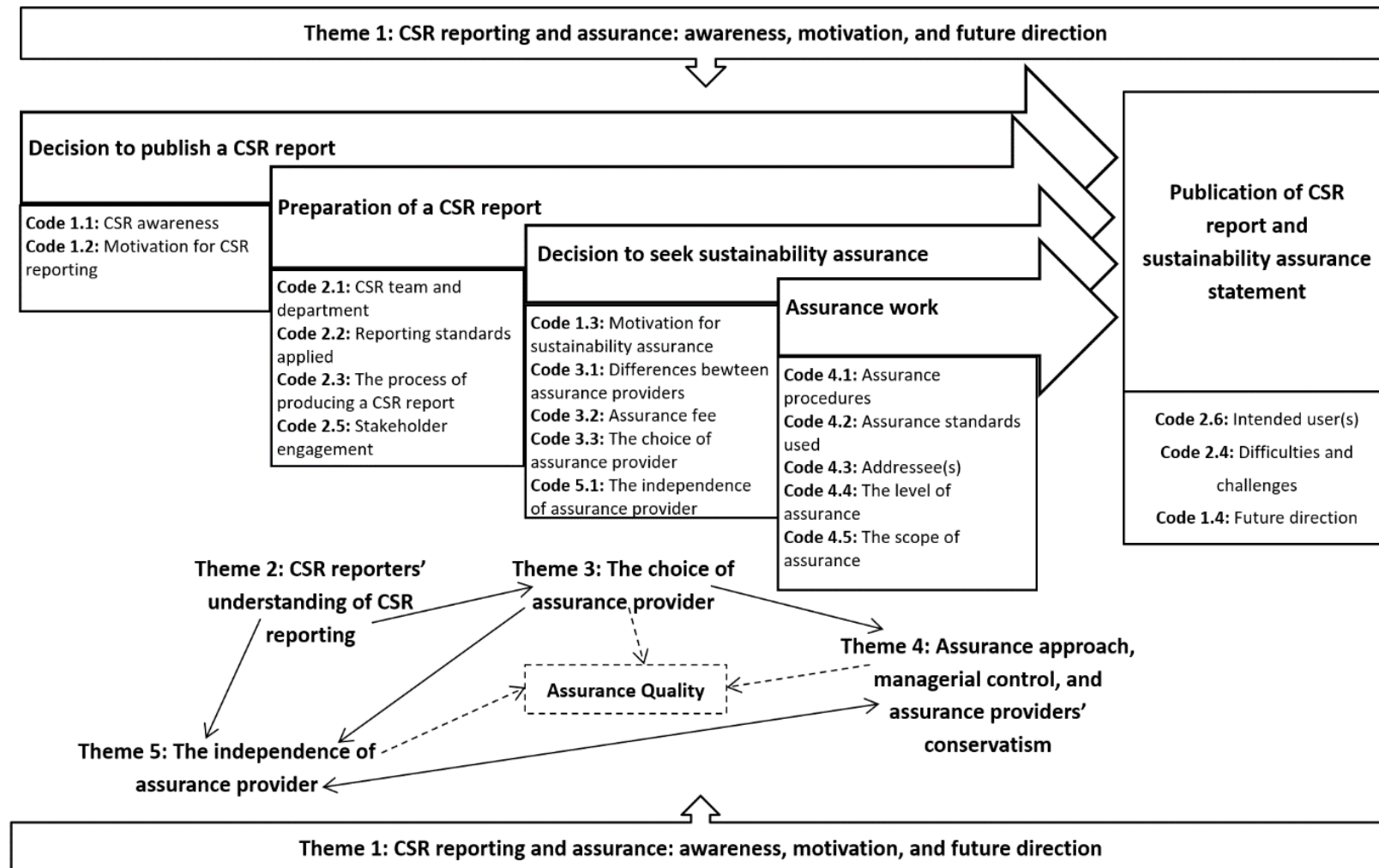
3.5.3.3 Searching for Themes and Recognising Relationship

A theme is a broad category incorporating several codes related to one another and indicating an idea important to the research questions (Kvale, 2007; Miles *et al.*, 2018; Saunders *et al.*, 2019). The researcher began to search initial themes while collecting and coding the interview data. The search for themes, patterns, and relationships fully began when all the data sets were coded. The researcher read and re-read the coded interview data, immersed herself in them, and made judgements about how the codes might fit together for further analysis by considering a series of questions: “What are the key concepts in these codes? What, if anything, seems to be recurring in these codes? What seems to be important, whether it often recurs or not? What patterns and/or trends are evident in the coded data? Which codes appear to be related? How do a particular set of codes appear to be related?” (Saunders *et al.*, 2019, p. 657).

⁶⁴ According to Fusch and Ness (2015, p. 1408), data saturation “is reached when there is enough information to replicate the study, when the ability to obtain additional new information has been attained, and when further coding is no longer feasible”. It is important to reach data saturation to avoid a negative impact on the validity on research results. Notably, there is no one-size-fits-all method to reach data saturation; an appropriate research design (with relevant data collection methods, rich data descriptions, etc.) assists this process (Fusch and Ness, 2015).

Additional aspects were considered while deciding themes, such as the essence of each apparent theme, the relationship between the themes, and the production of a thematic map (Creswell, 2007; Miles and Huberman, 1994; Saunders *et al.*, 2019). Further, to achieve a thorough understanding of the interview data set, the themes and the relationships between them were evaluated. Following the approach of Miles *et al.* (2018), the themes were refined where necessary, and the initial thematic map was modified. While refining the themes, proposed relationships were also tested, as discussed in the next section.

Figure 3.4 Interview Data Interpretation: Codes, Themes, and Relationships



Source: Author.

3.5.3.4 Refining Themes and Testing Propositions

Refining themes was a developmental process as the interview data set was examined (Miles *et al.*, 2018; Silverman, 2015). The coded data extracts were reorganised under the relevant theme(s), and the coded data were organised to answer the research questions (Saunders *et al.*, 2019). Meanwhile, as patterns within the data were revealed and relationships between themes were recognised, testable propositions were developed (Miles *et al.*, 2018). Before concluding “an actual relationship”, an important step was to “test the propositions that emerge inductively from the data by seeking alternative explanations and negative examples that do not conform to the pattern or relationship being tested” (Saunders *et al.*, 2019, p. 658). Negative examples that did not fit with the analysis were viewed as positive because they helped avoid unreliable and bias interpretations (Creswell, 2007; Saunders *et al.*, 2019). Valid conclusions and an explanatory theory would only be formulated by testing the propositions identified, even a simple one (Miles *et al.*, 2018; Silverman, 2015). Figure 3.4 shows the five themes developed from the list of codes, informed by the conceptual framework (Figure 2.5): (1) Theme 1: CSR reporting and assurance: awareness, motivation, and future direction, (2) Theme 2: CSR reporters’ understanding of CSR reporting, (3) Theme 3: the choice of assurance provider, (4) Theme 4: assurance approach, managerial control, and assurance providers’ conservatism, and (5) Theme 5: the independence of assurance provider. The relationships between the themes were also identified.

With reference to the conceptual framework (Figure 2.5), Theme 1 involves the macro-level and meso-level factors that influence the adoption and process of CSR reporting and assurance. Theme 2 involves the micro-level of factors that influence reporting entities’ adoption and the process of CSR reporting and assurance. Theme 3 focuses on the factors that influence CSR reporters’ choice of assurance providers. Theme 4 captures the assurance approach, management control, and assurance

provider's conservatism during the assurance process. Theme 5 focuses on the independence of assurance providers. Moreover, the relationships between the themes show that Theme 1 is an overarching theme that unites the data analysis, which impacts all the other themes. CSR reporting entities' understanding (Theme 2) influences their decision on sustainability assurance and assurance provider (Theme 3) and the independence of the assurance provider (Theme 5). The choice of assurance provider (Theme 3) influences the process of assurance (Theme 4) and reveals threats to assurance provider independence (Theme 5). The assurance process (Theme 4) then reveals further threats to assurance provider independence (Theme 5). Moreover, Themes 3, 4, and 5 impact the sustainability assurance quality measured by "the depth of the assurance process" (Hummel *et al.*, 2019, p. 736) in the data analysis.

Based on the refined themes, propositions were rigorously tested against the coded data by looking for alternative explanations and explaining why negative cases occur (Miles *et al.*, 2018; Silverman, 2015). This led to the development of valid/credible and well-grounded conclusions since the validity/credibility of the conclusions was verified by their ability to withstand alternative explanations and the nature of negative cases (Saunders *et al.*, 2019).

3.5.3.5. Interview Data Quality Issues

Data quality issues associated with research interviews were considered during Study Three. The issues that impact semi-structured interviews are related to (Creswell, 2007; Saunders *et al.*, 2019; Silverman, 2015): (1) reliability/dependability, (2) three types of potential bias, (3) cultural differences, (4) generalisability/transferability, and (5) validity/credibility.

Reliability refers to replication and consistency, and the lack of standardisation in semi-structured interviews leads to concerns about reliability (Friedrichs, 1973;

Saunders *et al.*, 2019). However, qualitative research is not necessarily replicated given its interpretivist nature (Kvale, 2007; Saunders *et al.*, 2019). Dependability is the parallel criterion to reliability in interpretivist research. It means “recording all of the changes to produce a reliable/dependable account of the emerging research focus that may be understood and evaluated by others” (Saunders *et al.*, 2019, p. 217). Therefore, a rigorous research design was explained in this chapter to show the details of participant selection, interview data collection, and data condensation and interpretation at each research stage. This indicates that the findings of this research are dependable.

The three types of potential bias include (1) interviewer bias, where the behaviour of the interviewer creates bias in interviewees’ responses; (2) interviewee bias, which can be caused by interviewees’ perceptions about the interviewer; (3) participation bias, which is related to the nature of the individuals or organisational participants agreeing to be interviewed (Chenail, 2009; Saunders *et al.*, 2019; Silverman, 2015). These potential biases were mitigated through carefully prepared interviews (as noted in Section 4.5.2.1) (Turner, 2010; Qu and Dumay, 2011).

In a cross-national setting, it is important to ensure that any form of bias derived from cultural differences is minimised (Saunders *et al.*, 2019; Silverman, 2015). In this research, the cultural differences were mitigated through “cultural reflexivity” (Saunders *et al.*, 2019, p. 450) in preparation for the interviews with UK participants. This involved the researcher reflecting on the nature of the relationship between interviewer and interviewees and identifying any cultural differences that might affect interactions (Court and Abbas, 2013). Before the interviews, the researcher searched for background information about the interviewees and their organisations to gain familiarity with the research setting. In the interviews, the researcher started with informal conversations to develop rapport (DiCicco-Bloom and Crabtree, 2006) and understand data and meanings in the UK cultural context.

Generalisability considers whether a study's research findings can be generalised to other relevant contexts, and transferability is the parallel criterion in measuring the generalisability of qualitative research (Saunders *et al.*, 2019). A concern may be raised about the generalisability of qualitative research findings using a small number of cases (Saunders *et al.*, 2019; Silverman, 2015). To respond to this concern, a full description of the research context, research questions, methodology design, findings and interpretations is provided to the reader with the opportunity to judge the transferability of this study to another research setting. Moreover, this well-planned and rigorous qualitative case study ensures that valuable findings are produced (McNamara, 2009; Turner, 2010). These findings have a broader theoretical significance than the cases forming the basis of this study. This allows the test of the applicability of existing theory to the research setting examined. The theoretical propositions can then be advanced and tested in another context (Saunders *et al.*, 2019). Notably, this case study cannot be used to make a statistical generalisation about an entire population since the interview data are from a small non-probability.

Validity/credibility in qualitative research emphasises “ensuring that the representations of the research participants' socially constructed realities actually match what the participants intended” (Saunders *et al.*, 2019, p. 217). Through straightforward questions and exploring responses from different perspectives, semi-structured interviews can achieve a high level of validity/credibility (Kvale, 2007; McNamara, 2009; Saunders *et al.*, 2019). In this study, the credibility of interview data quality was achieved through (1) lengthy research involvement, (2) the development of trust and rapport with interviewees, (3) the collection of sufficient data, (4) a thorough analysis accounting for negative cases and producing the best possible explanation of the phenomenon being studied, (5) the review of data, analysis, and interpretations with by interview participants (Turner, 2010; Saunders *et al.*, 2019).

3.6 Conclusion

This chapter discussed the research methodology informed by the interpretivism philosophical position. This position was justified by the theoretical perspective of this research (institutional theory, as elaborated in Chapter Two). The present researcher recognised the complexity of social reality and the importance of culture and individuals' experiences in forming the interpretations of the sustainability assurance practice within different institutional contexts. This research interprets the sustainability assurance practice in the UK and China and explores the influence of different institutional factors. Accordingly, the nature of this research is interpretive, which focuses on interpreting multiple meanings and generating new understandings of sustainability assurance.

The interpretivism philosophical position informed an inductive approach (theory building), where the present researcher started with building a conceptual framework (Figure 2.5), collecting and analysing data, and then reflecting upon the theoretical themes from the data and filled the gap between the conclusion and the premises observed. Following the inductive approach, the researcher employed a qualitative research design to collect primary and secondary data for empirical analysis.

This qualitative research included three empirical studies. Study One employed a documentary research strategy. A qualitative content analysis of UK and Chinese sustainability assurance statements (158 in total) was conducted, based on an Assurance Statement Content Index. Study Two employed a survey research strategy. Two online questionnaires were designed to collect primary data. Study Three employed an interview research strategy. Thirty-three semi-structured interviews were conducted to gather rich information regarding the sustainability assurance practice in the UK and China. The interviewees included CSR/sustainability managers/directors of reporting companies, sustainability assurance providers, CSR

consultants, and sustainability experts.

The three empirical studies were interconnected. The qualitative content analysis (Study One) generated a rich description of assurance statements and provided important background information about the sustainability assurance practice in the UK and China. The findings from Study One informed the design of survey questions (Study Two) and interview questions (Study Three). Moreover, although Study Two was subject to limitations such as low response rates, the survey findings still provided some insights into companies' sustainability assurance decision, supplementing the findings of Study Three. Study Three generated rich primary data for the interpretations of the sustainability assurance practice in the UK and China, based on the institutional theory. Specifically, Study One addressed RQ3 (*what are the similarities and differences between the UK and China in terms of sustainability assurance practice?*) (Presented in Chapter Four). Study Two provided some insights into RQ1 (*what are the institutional factors that influence companies' sustainability assurance decisions in the UK and China?*) and RQ2 (*what are the institutional factors that influence the quality of sustainability assurance?*) (Presented in Chapter Five). Study Three further addressed RQ1 and RQ2 (presented in Chapter Six). During the process of data analysis, the present researcher consistently compared the findings from the three studies, identified divergences, and explored possible explanations. The key findings from the three studies were further integrated and discussed to conclude this thesis (presented in Chapter Seven).

The design of the three interconnected studies points to the use of triangulation in this qualitative research. Triangulation means using multiple methods or data sources to generate a comprehensive understanding of phenomena (Carter *et al.*, 2014; Leech and Onwuegbuzie, 2007; Patton, 1999). The use of triangulation enables a broader spectrum of eligible research participants who might not otherwise participate if restricted to one data collection method (Carter *et al.*, 2014). It also

improves the rigour of data analysis⁶⁵ and the validity of research findings from different data sources (i.e., in this research, documentary materials, survey data, and interview data). Notably, the design of the research methods is subject to limitations. Apart from the limitation of survey research (Study Two) (discussed in Section 3.4.2.4), other limitations include restricted possibility to draw wider generalisations from the research findings, the breadth of interview participants due to time and cost constraints, and the unavoidable influence of the present researcher in interpretations of empirical data. These limitations stem from the interpretive nature of this qualitative research. Measures were taken to limit bias and negative obtrusiveness (see Section 3.5.3.5 as an example). Moreover, using triangulation, the present researcher is confident that the data presented in this thesis are to an acceptable level of rigour.

Overall, the research methodology bridges the conceptual framework and empirical analysis of this research. The institutional theory justifies the employed research methodology to explore how different institutional contexts influence the pattern and quality of sustainability assurance. An inductive (theory building) approach directs the researcher towards designing qualitative research consisting of three interconnected empirical studies. The following chapters elaborate the findings from each of the three empirical studies.

⁶⁵ According to Leech and Onwuegbuzie (2007), triangulation improves the rigour of data analysis through the evaluation of the integrity of the inferences that one draws from more than one vantage point.

CHAPTER FOUR

SUSTAINABILITY ASSURANCE: TRENDS, QUALITY, AND LIMITATIONS

4.1 Introduction

This chapter discusses the results of Study One, the content analysis of sustainability assurance statements issued by the UK N100 and China N100 in 2008, 2012, and 2016. It aims at addressing RQ3 (*what are the similarities and differences between the UK and China in terms of sustainability assurance practice?*).

Through the analysis and comparison of the UK and Chinese assurance statements over the three years investigated, the first part of this chapter discusses trends in (1) sustainability assurance adoption, (2) assurance provision, (3) assurance standard adoption, and (4) assurance statement contents. Informed by institutional theory, the findings indicate that isomorphism increases with the development of the sustainability assurance practice.

The second part of this chapter investigates trends in assurance quality. The assurance quality is represented by the scores earned by the assurance statements, measured in accordance with the Assurance Statement Content Index (Table 3.6 in Chapter Three). The trends in assurance quality are analysed (1) at country-level, (2) at industry-level, and (3) by assurance provider. The findings show whether factors such as country of origin, industry, and type of assurance provider significantly

influence the quality scores of the assurance statements issued by the UK and China N100.

The third part of this chapter analyses limitations of sustainability assurance engagements, which are observed in both the UK and Chinese assurance statements. It first presents the limitations stated by the assurance providers in the assurance statements, and then discusses additional limitations identified, including (1) unspecified/restricted addressee(s), (2) limited assurance level and scope, (3) limited assurance procedures, (4) symbolic nature of assurance opinion offered, and (5) doubt about assurance provider independence. These limitations undermine the value of the assurance exercise. The findings reveal the significant influence of the accounting profession on the methodology of sustainability assurance, and also point to the managerial capture in the assurance process.

The final part of this chapter summarises the key findings of Study One and answers RQ3 (*what are the similarities and differences between the UK and China in terms of sustainability assurance practice?*). The qualitative content analysis generates a rich description of sustainability assurance in the UK and China and informs Study Two and Study Three.

4.2 Trends in Sustainability Assurance Practice

This section analyses the results from Study One, the content analysis of the sustainability assurance statements published by the UK and China N100 in 2008, 2012, and 2016. Based on the analysis of the results, the trends are identified in (1)

sustainability assurance adoption, (2) assurance provision, (3) assurance standard adoption, and (4) assurance statements content. The key findings are discussed below.

4.2.1 Trends in Sustainability Assurance Adoption

Figure 4.1 shows the UK N100's CSR reporting rate⁶⁶ (77.0% in 2008; 85.0% in 2012; 91.0% in 2016) and assurance rate⁶⁷ (48.1%; 57.6%; 67.0%) in the three years investigated. The number of the UK N100 adopting CSR reporting and assurance increased continuously from 2008 to 2016. In comparison, the CSR reporting and assurance rates of the UK N100 were higher than those of the China N100 in all the three years investigated.

The China N100's CSR reporting rate increased considerably from 44.0% in 2008 to 76.0% in 2016. This increase was related to a series of CSR reporting requirements/recommendations issued by Chinese governmental actors (such as SASAC) and stock exchanges in 2008 (Marquis and Qian, 2014). Notably, the CSR reporting rate decreased slightly from 77.0% in 2012 to 76.0% in 2016. The results reveal that some Chinese companies that had adopted CSR reporting in the early years discontinued reporting recently⁶⁸. Drawing on institutional theory, the results imply a lack of pressures driving some of the China N100 to continue CSR reporting.

⁶⁶ CSR reporting rate (%) = the number of companies reporting on CSR/100.

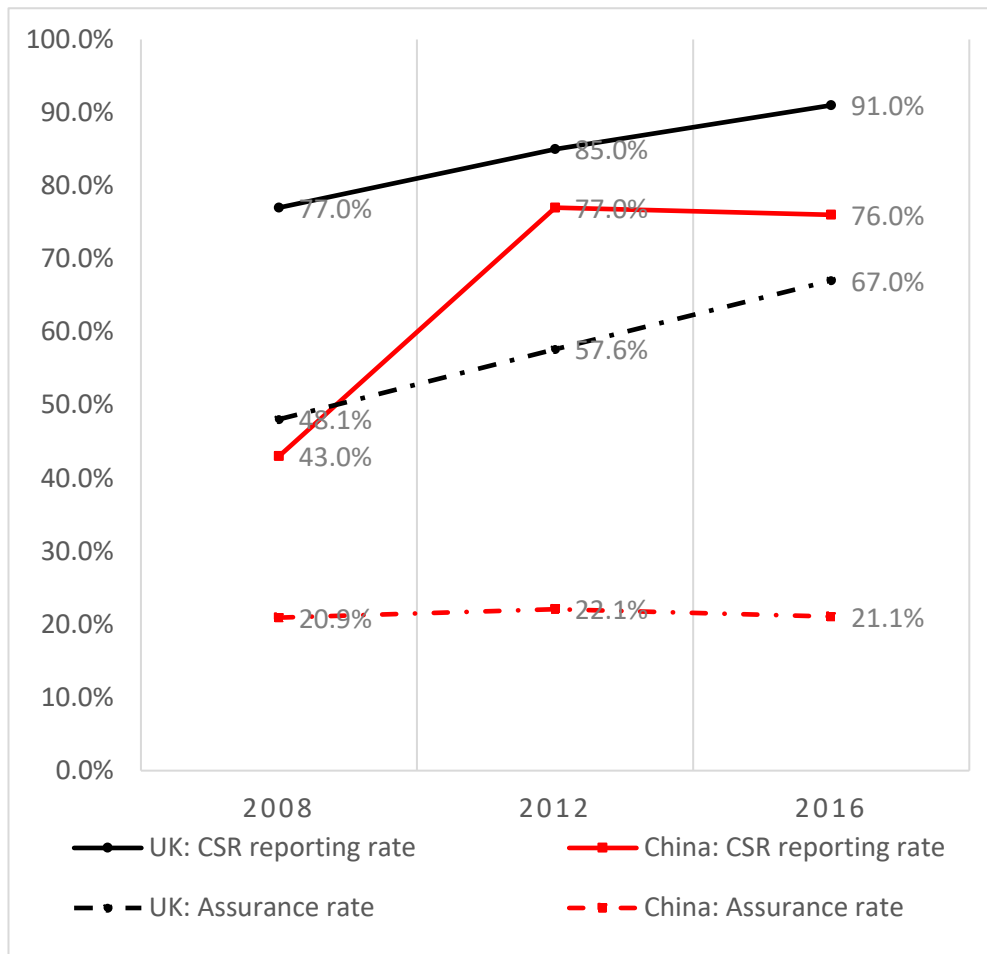
⁶⁷ Sustainability assurance rate (%) = the number of companies seeking assurance/the number of companies reporting on CSR. The number of companies reporting on CSR and the number of companies seeking assurance are available in Table 3.3 (in Chapter Three Research Methodology).

⁶⁸ A further explanation of this finding is in Chapter Six, where some Chinese interviewees provided reasons for the discontinuation of CSR reporting.

The Chinese companies were primarily driven by coercive isomorphism (for example, external pressure from reporting requirements/recommendations) in adopting CSR reporting (Marquis and Qian, 2014; Zhao, 2012; Zhu and Zhang, 2015). Once the pressure from coercive isomorphism mitigates, the companies may discontinue CSR reporting if the pressures from mimetic and normative isomorphism are also lacking.

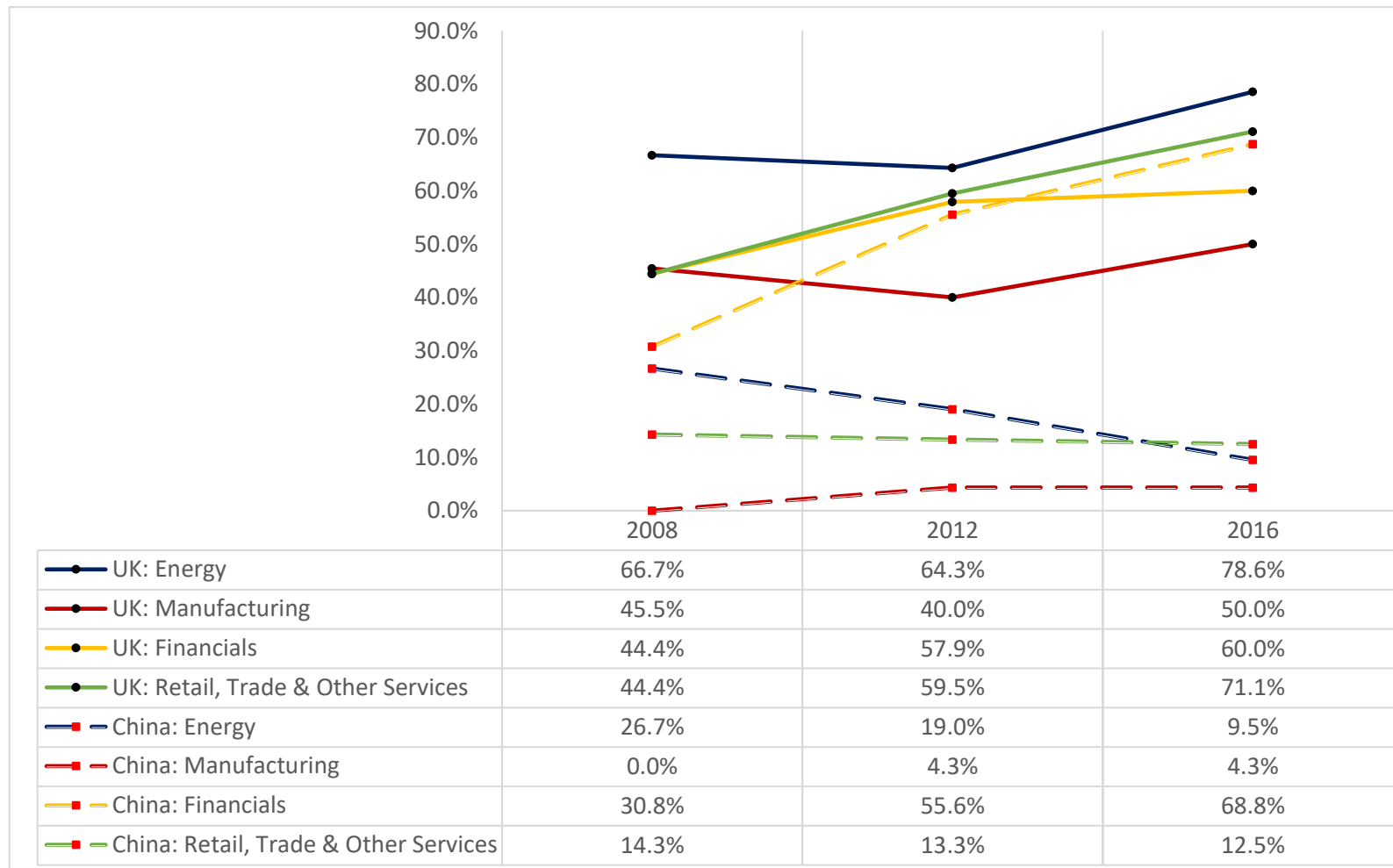
The sustainability assurance rate of the China N100 remained at around 21.0% across the three years investigated. In line with Shen *et al.* (2017) and KPMG (2020), not many of the Chinese companies invested in sustainability assurance because they were relatively new to CSR reporting. This result further reveals a lack of pressures driving the China N100 to adopt sustainability assurance. Particularly, as sustainability assurance remains a voluntary practice in China, the China N100 were less likely to adopt sustainability assurance due to the lack of external pressure from coercive isomorphism.

Figure 4.1 CSR Reporting Rate and Assurance Rate per Country/year



Source: Author.

Figure 4.2 Assurance Rate per Industrial Group/year



Source: Author.

Figure 4.2 shows the assurance rate per industrial group. In the UK sample, the assurance rate of each industrial group increased over the years. Retail, Trade and Other Services experienced a continuous and significant increase from 44.4% in 2008 to 71.1% in 2016. The assurance rate of Financials increased from 44.4% in 2008 to 57.9% in 2012 and then to 60.0% in 2016. Energy and Manufacturing experienced a slight decrease in 2012 and then an increase in 2016. In line with KPMG (2015), the results indicate that sustainability assurance has become a major practice for the UK N100, as the majority of the companies from each industrial group proactively adopt sustainability assurance.

The results also reveal differences between the four industrial groups in the UK sample. In 2008, Energy (66.7%) and Manufacturing (45.5%), the two industrial groups with direct environmental and social impacts, were proactive in seeking sustainability assurance. Financials (44.4%) and Retail, Trade and Other Services (44.4%), the two industrial groups with indirect environmental and social impacts, had lower assurance rates. Later, the assurance rates of Financials and Retail, Trade and Other Services caught up and exceeded the assurance rate of Manufacturing. In 2016, the highest assurance rate belonged to Energy (78.6%), followed by Retail, Trade and Other Services (71.1%), Financials (60.0%), and Manufacturing (50.0%). The results show a weaker relation between industrial group with direct impacts and high assurance rate in 2016 than that in 2008. Perego and Kolk (2012) provide a possible explanation of the weakening relation. They find that gaps in sustainability assurance rate between traditionally high reporting sectors (such as Utilities and Oil

and Gas) and other sectors are diminishing, because companies from different sectors have increasingly been involved in the CSR reporting and assurance practice. Consequently, the connection between industry membership (whether a company belongs to a sector with direct environmental and social impacts) and sustainability assurance adoption is weakening.

In the Chinese sample, the companies belonging to Financials were more likely to adopt sustainability assurance, as they achieved the highest assurance rate in all three years investigated (30.8% in 2008; 55.6% in 2012; 68.8% in 2016). This finding is in line with previous studies finding that companies in the financial sector are more likely to have their sustainability reports assured (Fernandez-Feijoo *et al.*, 2015; Mock *et al.*, 2013; Simnett *et al.*, 2009). The high assurance rates achieved by the Chinese financial companies is related to *Guidance on CSR for Financial Institutions in China Banking Industry* (China Banking Association, 2009, Section Five – No.25) which encourages the independent assurance of CSR disclosures. Drawing on institutional theory, as the China N100 in Financials group face external pressure from coercive isomorphism (the *Guidance* issued by China Banking Association), they are more likely to adopt sustainability assurance.

The assurance rates of the other three industrial groups in the Chinese sample remained relatively low over the years. The assurance rate of Manufacturing increased slightly from 0.0% in 2008 to 4.3% in 2016. Energy and Retail, Trade and Other Services experienced a decrease from 2008 to 2016. The results indicate that the China N100 in Retail, Trade and Other Services, Energy, and Manufacturing

groups are less likely to adopt sustainability assurance. Moreover, some companies (in Energy and Retail, Trade and Other Services) that had adopted sustainability assurance in the early years discontinued it recently⁶⁹. Notably, inconsistent with previous studies (Fernandez-Feijoo *et al.*, 2015; Fonseca, 2010; Mock *et al.*, 2013; Simnett *et al.*, 2009), the China N100 in sectors (such as Energy and Utilities) involving highly visible industrial activities were not more likely to adopt sustainability assurance. Drawing on institutional theory, this finding is explained by the lack of pressures from coercive isomorphism, particularly the lack of requirements/recommendation/guidance regarding sustainability assurance at both country- and industry-level in China.

4.2.2 Trends in Assurance Provision

Figure 4.3 shows the proportion of sustainability assurance provided by accounting and non-accounting assurance providers for the UK N100 and China N100. It reflects trends in their market share over the three years investigated.

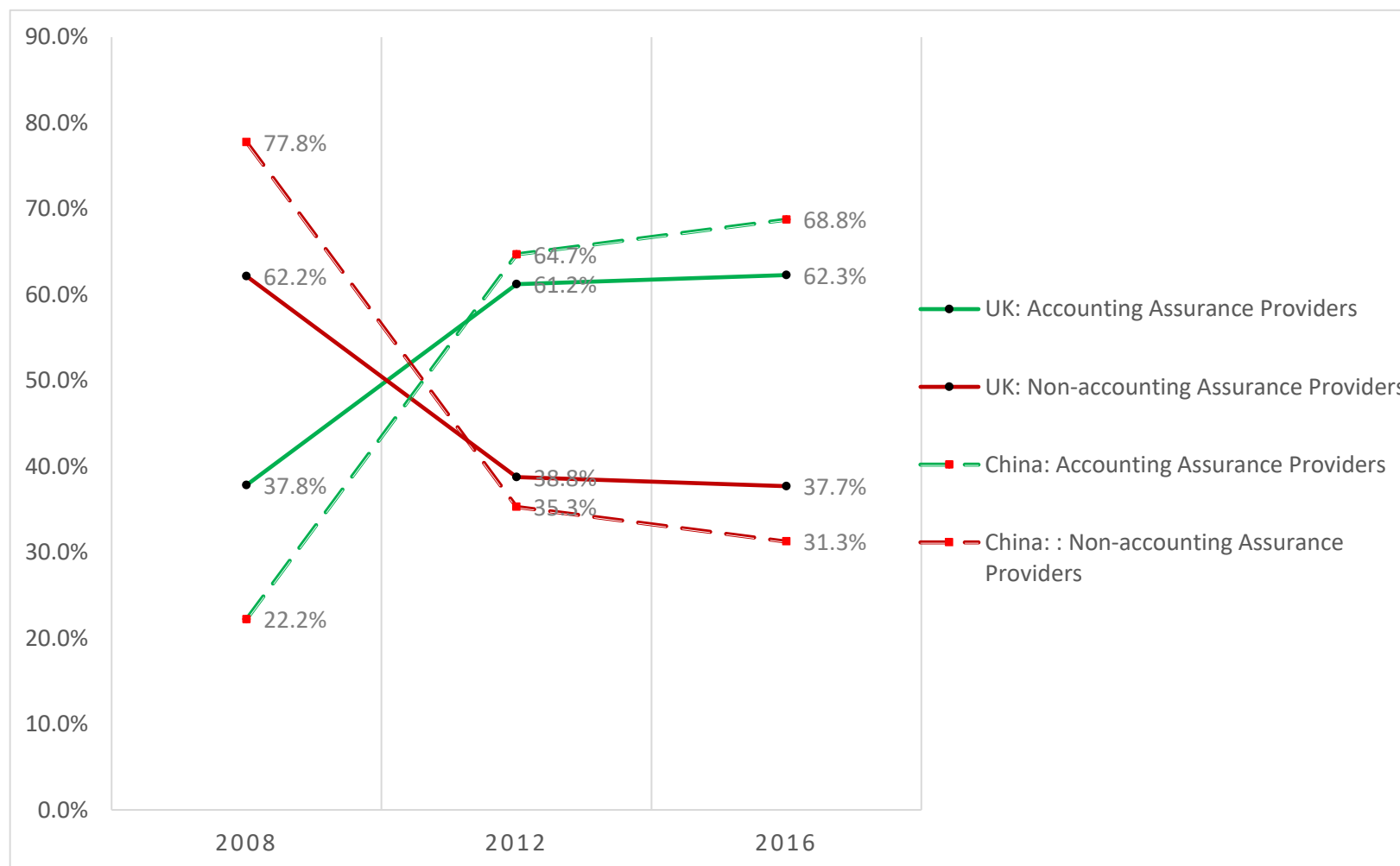
The results show that accounting assurance providers' market share increased over time in both the UK and Chinese contexts. Accordingly, non-accounting assurance providers gradually lost their market share. Accounting assurance providers provided around two-thirds of the total number of the UK and Chinese 2016 sustainability

⁶⁹ The decreasing assurance rates were partly related to the discontinuation of CSR reporting as a whole and partly because the discontinuation of investing in sustainability assurance only. A further explanation of this finding is in Chapter Six, where some Chinese interviewees provided reasons for the discontinuation of CSR reporting and the reluctance to adopt sustainability assurance.

assurance statements. The results revealed the sample companies' increasing preference for accounting assurance providers. Consistent with KPMG (2015), major accountancy organisations (accounting assurance providers, namely Big-four firms) dominate the market for third-party sustainability assurance among N100 companies.

The domination of accounting assurance providers can be attributed to several reasons. First, accounting assurance providers have competitive advantages such as their brand name, financial auditing expertise, and well-developed international assurance standards. (Martínez-Ferrero and García-Sánchez, 2017; 2018; Perego, 2009; Simnett *et al.*, 2009). Second, some companies prefer having one assurance provider for both financial audit and sustainability assurance. This helps them maintain a long-term business relationship with the auditor (Park and Brorson, 2005) and saves time and assurance fees (Huggins *et al.*, 2011). Third, Martínez-Ferrero and García-Sánchez (2017) find a significant decrease in a company's cost of capital when a top-tier accountancy firm, rather than an engineering or consultancy firm, provides the sustainability assurance. Therefore, companies seeking lower costs may choose an accounting assurance provider.

Figure 4.3 The Proportion of Sustainability Assurance Provided by Accounting and Non-accounting Assurance Providers



Source: Author.

4.2.3 Trends in Assurance Standard Adoption

The content analysis of sustainability assurance statements reveals the assurance standards used in the assurance engagements. The results indicate various patterns of assurance standard adoption across the three years investigated, as Figure 4.4 shows. Almost all the assurance statements (the UK sample: 116/118, 98.3%; the Chinese sample: 40/40, 100.0%) referred to at least one assurance standard. This evidence reveals a significant improvement in clearly mentioning standard(s) in sustainability assurance statements, compared to previous studies (Bepari and Mollik, 2016; Deegan et al., 2006; O'Dwyer and Owen, 2005, 2007; Perego and Kolk, 2012).

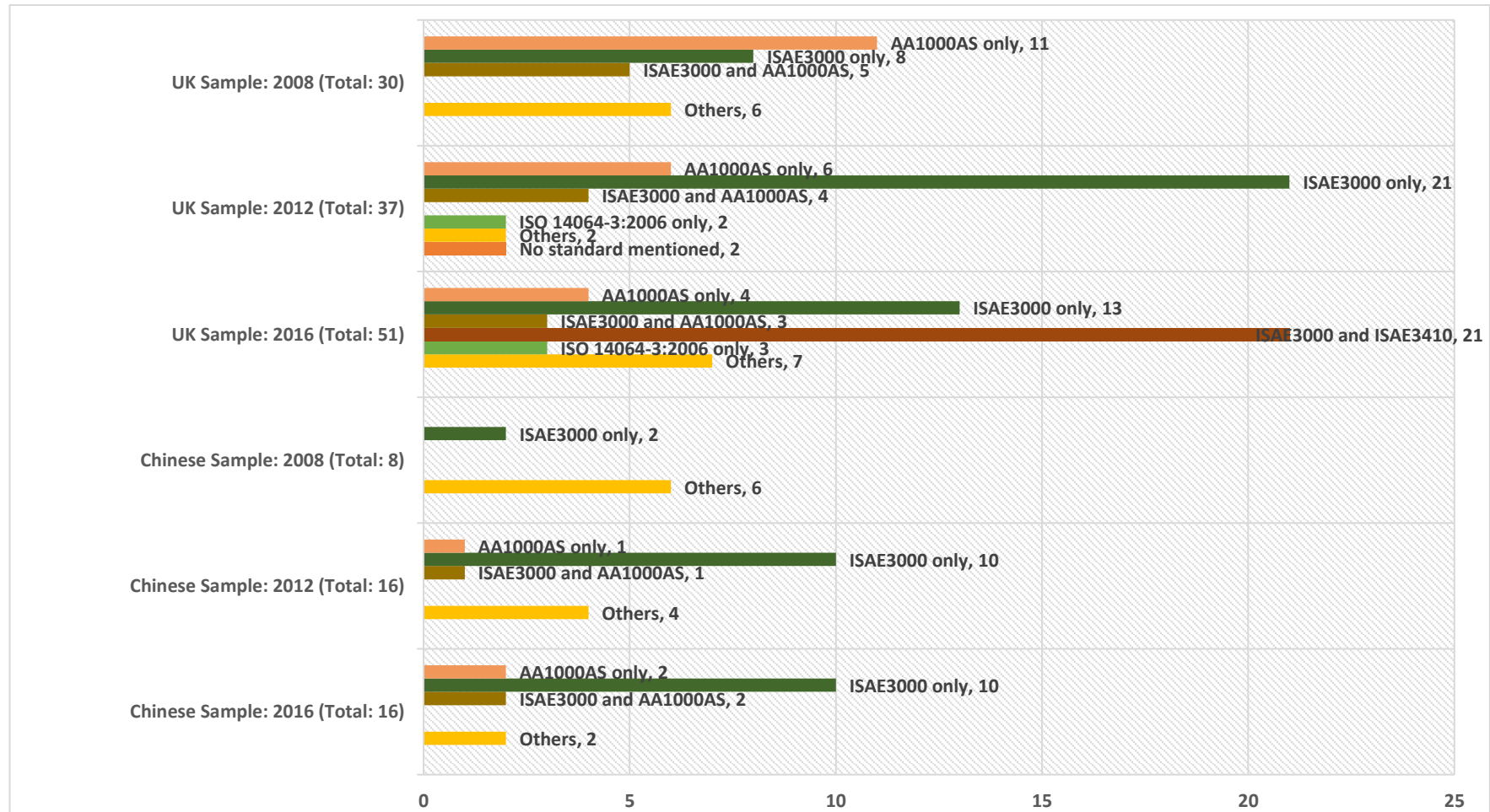
The UK assurance statements exhibited more variations in the adoption pattern of assurance standards than the Chinese assurance statements. In 2008, the most frequently adopted assurance standard was AA1000AS, with 10 (33.3%) UK assurance statements referring to it. This is followed by "ISAE 3000 only" (eight, 26.7%) and "Others"⁷⁰ (six, 20.0%). In 2012, ISAE 3000 (20, 54.1%) became the most frequently adopted assurance standard, followed by "AA1000AS only" (five, 13.5%) and "ISAE 3000 and AA1000AS" (four, 10.8%). The year 2016 highlighted an increasing preference for "ISAE 3000 and ISAE 3410", with 21 (41.2%) UK assurance statements referring to it. "ISAE 3000 only" (13, 25.5%) ranked as the second most frequently adopted standard, followed by "Others" (seven, 13.7%). The

⁷⁰ The Category "Others" includes where the combination of three or more standards is used in one assurance engagement. It also includes assurance methodologies designed based on assurance providers' professional experience and international assurance standards (for example, DNV GL's assurance methodology, named VeriSustain™).

evidence indicates that ISAE 3000 and ISAE 3410 have gained increasing popularity among the UK sample across the three years investigated.

The Chinese sample exhibited much less variation in the adoption pattern of assurance standards. In 2008, six (75.0%) Chinese assurance statements referred to “Others,” and two (25.0%) referred to ISAE 3000 only. In 2012, the most frequently adopted assurance standard is ISAE 3000 (10, 62.5%), followed by “Others” (four, 25.0%). In 2016, “ISAE 3000 only” (10, 62.5%) remained as the most frequently adopted assurance standard, followed by “AA1000AS only” (three, 18.8%) and “ISAE 3000 and AA1000AS” (two, 12.5%). The results indicate that ISAE 3000 has become the most frequently adopted assurance standard over the years in the Chinese context.

Figure 4.4 Assurance Standards Mentioned in the UK and Chinese Assurance Statements

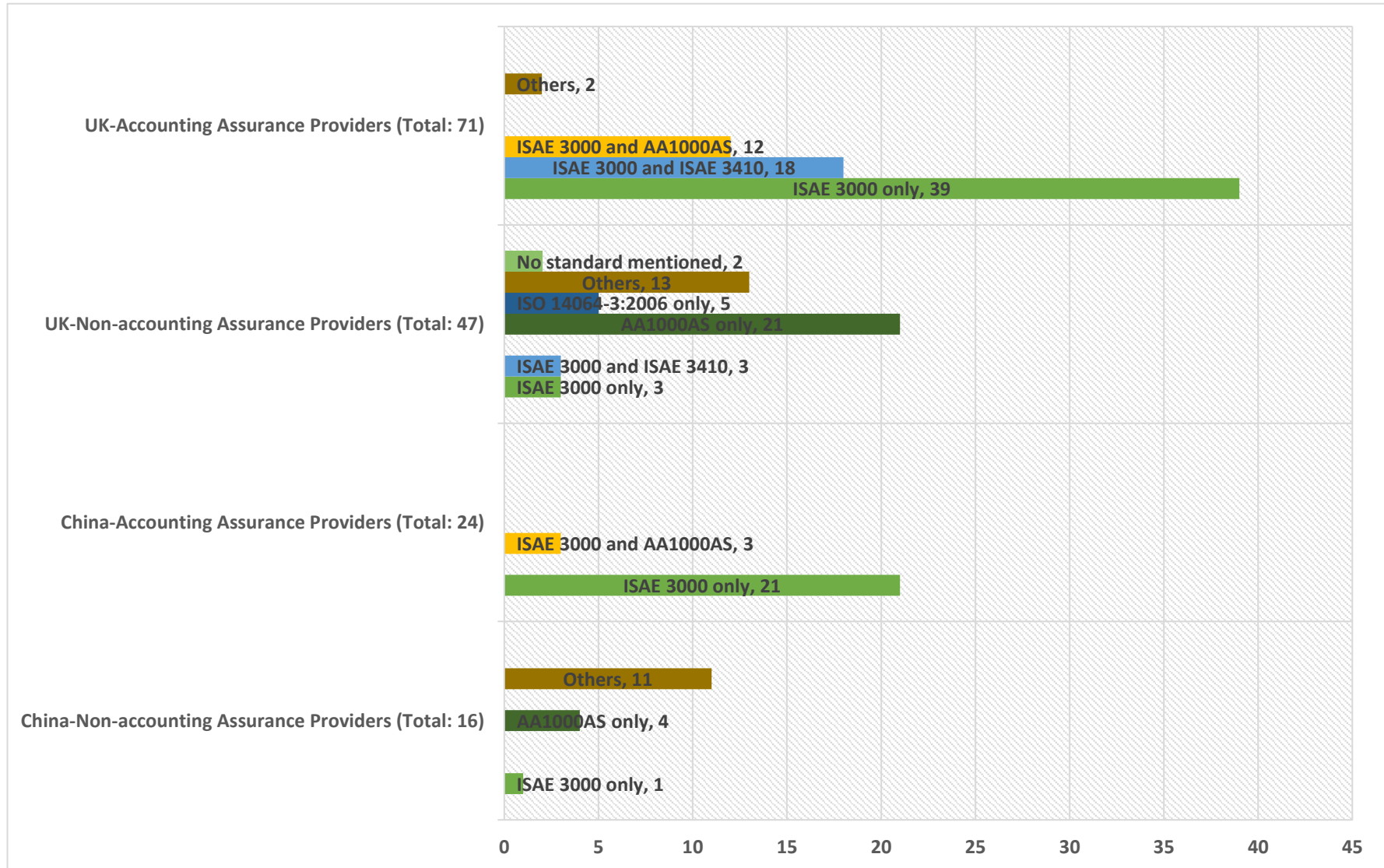


Source: Author.

Figure 4.5 further shows the connection between assurance provider type and the standard(s) adoption. It reveals UK accounting assurance providers' preference for ISAE 3000, as 54.9% (39) of their assurance statements (total: 71) referred to "ISAE 3000 only", 25.3% (18) to "ISAE 3000 and ISAE 3410", and 16.9% (12) to "ISAE 3000 and AA1000AS". Non-accounting assurance providers showed a scattered picture in assurance standard(s) adoption. 44.7%% (21) of their assurance statements (total: 47) referred to "AA1000AS only". 27.7% (13) of the assurance statements referred to more than two standards or their own assurance methodology⁷¹ ("Others"). 10.6% (five) of the assurance statements referred to ISO 14064-3:2006. ISAE 3000 was either adopted alone ("ISAE 3000 only", three, 6.4%) or combined with ISAE 3410 ("ISAE 3000 and ISAE 3410", three, 6.4%).

⁷¹ For example, DNV-GL's assurance statement to Marks and Spencer Group plc mentioned that the assurance work was performed according to *DNV GL's assurance methodology VeriSustainTM* which was based on DNV GL's professional experience, international assurance best practice including AA1000AS and ISAE 3000, and GRI Sustainability Reporting Guidelines (DNV-GL, *Independent Assurance Statement to the Management of Marks and Spencer Group plc*, In *M&S Plan A 2016*, p. 38).

Figure 4.5 Assurance Standards Adopted by Accounting and Non-accounting Assurance Providers



Source: Author.

In the Chinese sample, 21 (87.5%) of the assurance statements issued by accounting assurance providers (total: 24) referred to “ISAE 3000 only”, and three (12.5%) referred to “ISAE 3000 and AA1000AS”. Moreover, the majority (11, 68.8%) of the assurance statements issued by Chinese non-accounting assurance providers (total: 16) referred to more than two standards or their own assurance methodology (“Others”). The non-accounting assurance providers also referred to “AA1000AS only” (four, 25.0%) and “ISAE 3000 only” (one, 6.3%). The results reveal accounting assurance providers’ preference for ISAE 3000. Non-accounting assurance providers tend to combine various assurance standards.

The evidence indicates the recent popularity of ISAE 3000. The accounting assurance providers in the UK and China preferred ISAE 3000. Drawing on Farooq and De Villiers (2019), accounting assurance providers are obliged to use approved assurance standards (such as ISAE 3000) only and are reluctant to adopt other standards and methodologies. Moreover, the promotion of using only ISAE 3000 is related to what Larrinaga *et al.* (2020, p. 67) note as accounting assurance providers’ “circumstantial—but relevant—carrier role” in determining what “assurance” means. By adopting and promoting ISAE 3000, accounting assurance providers can leverage their social capital as experts in audit and assurance and thus gain a competitive advantage over non-accounting assurance providers (Battilana *et al.*, 2009; Farooq and De Villiers, 2019b).

The non-accounting assurance providers also increasingly drew on ISAE 3000. This is related to their flexibility in the choice of assurance standards (Farooq and De

Villiers, 2019b). Non-accounting assurance providers tend to employ a more “eclectic” knowledge base by adopting a wider range of standards including AA1000AS, ISAE 3000, or ISO standards (Channuntapipat *et al.*, 2020, p. 14). Moreover, the IAASB has opened ISAE 3000 (previously restricted to accounting assurance providers) to non-accounting assurance providers in 2013. This decision is seen as an effort to achieve wider acceptance of the assurance standards developed by the accounting profession (Channuntapipat *et al.*, 2020), which further encourages non-accounting assurance providers to adopt ISAE 3000. Therefore, the recent popularity of ISAE 3000 reveals that accounting assurance providers attempt to pursue competitive dynamics (Channuntapipat *et al.*, 2020), develop “the assurance norm” (Larrinaga *et al.*, 2020, p. 67), and influence the institutionalisation of the evolving sustainability assurance field (Farooq and De Villiers, 2019b).

Notably, ISAE 3000 is a generic standard not explicitly designed for sustainability assurance engagements and primarily based on traditional financial audit methodologies (O’Dwyer *et al.*, 2011; Farooq and De Villiers, 2019b). The recent prevalence of ISAE 3000 implies a tendency to accept assurance standards and methodologies originating from the accounting profession without questioning their relevance (Bepari and Mollik, 2016; Gürtürk and Hahn, 2016). This points to what Boiral *et al.* (2019a) note as the paradigmatic position of the financial audit, which has shaped the sustainability assurance practice.

4.2.4 Trends in Assurance Statement Contents

This section discusses trends in assurance statement contents, based on the detailed analysis of the 67 (51 UK⁷² and 16 Chinese⁷³) assurance statements issued in 2016. Beyond merely checking the disclosure and non-disclosure of assurance statement elements, this detailed analysis focuses on the contents of the assurance statements based on five themes (elaborated in Section 3.3.3) derived from the Assurance Statement Content Index (Table 3.6 in Chapter Three). The trends are identified in the contents of (1) the UK assurance statements and (2) the Chinese assurance statements, which are discussed below respectively.

4.2.4.1 The Contents of the UK Assurance Statements

The detailed analysis indicated the homogeneity of the UK sustainability assurance statements, which was reflected in three aspects. First, the dominance of accounting assurance providers. The results showed that accounting assurance providers (all Big-four firms) provided 64.7% of the UK assurance statements in 2016. This preference for Big-four firms indicated isomorphism in the UK N100's choice of assurance provider. Drawing on previous literature, Big-four firms have dominated the sustainability assurance market due to their brand name and professional competence (Martínez-Ferrero and García-Sánchez, 2017; 2018; Perego, 2009;

⁷² 33 (64.7%) UK assurance statements were provided by accounting assurance providers and 18 (35.3%) were by non-accounting assurance providers (see Table 3.5 in Chapter Three).

⁷³ 11 (68.8%) Chinese assurance statements were provided by accounting assurance providers and five (31.3%) were by non-accounting assurance providers (see Table 3.5 in Chapter Three).

Simnett *et al.*, 2009). These competitive advantages help them “establish a cognitive base and legitimation for their occupational autonomy” (DiMaggio and Powell, 1983, p. 152).

Second, the dominance of ISAE 3000. The results showed that all the UK assurance statements provided by accounting assurance providers referred to ISAE 3000. Specifically, 18 (35.3%) assurance statements provided by accounting assurance providers referred to “ISAE 3000 and ISAE 3400”, 11 (21.6%) referred to “ISAE 3000 only”, and three (5.9%) referred to “ISAE 3000 and AA1000AS”. Three (5.9%) assurance statements provided by non-accounting assurance providers referred to “ISAE 3000 and ISAE 3400”, and two (3.9%) referred to “ISAE 3000 only”. Notably, ISAE 3000 was also referred to where the non-accounting assurance providers adopted more than two standards or used their own assurance methodology. The dominance of ISAE 3000 is related to the dominance of accounting assurance providers in the assurance market in 2016. Moreover, the prevalence of ISAE 3000 indicates isomorphism in assurance providers’ choice of assurance standards. Referring to “the recent popularity of ISAE 3000” (discussed in Section 4.2.3), this finding reveals the accounting assurance providers’ attempt to influence the institutionalisation of the evolving sustainability assurance field (Farooq and De Villiers, 2019b).

Third, the similar language used in the assurance statements. The results showed that 48 (94.1%) of the UK assurance statements mentioned the independence of the assurance provider. 45 (88.2%) statements were titled as being “independent.”

Moreover, 32 (62.7%) assurance statements issued by Big-four firms referred to the *Code of Ethics* (International Ethics Standards Board for Accountants, 2020). For example:

We have complied with *the Code of Ethics* for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes *independence* and other requirements founded on *fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour* [*Emphasis added*]. (KPMG for Anglo American plc⁷⁴, 2016, p.74).

There were non-accounting assurance providers who also demonstrated their application of the *Code of Ethics*. For example:

Bureau Veritas has implemented and applies a *Code of Ethics*, which meets the requirements of the International Federation of Inspections Agencies (IFIA) across the business to ensure that its employees maintain *integrity, objectivity, professional competence and due care, confidentiality, professional behaviour* and high ethical standards in their day-to-day business activities [*Emphasis*

⁷⁴ KPMG, Independent Assurance Provider's Assurance Report on Selected Sustainable Development Information, in Anglo American plc Sustainability Report 2016, p. 74.

added]. (BV for Rolls Royce Holdings⁷⁵, 2016, p.2).

Comparing the above two quotes, BV used a similar expression to what was used by KPMG while demonstrating its independence. Notably, BV referred to integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. These five fundamental principles are derived from *The International Code of Ethics for Professional Accountants* (International Ethics Standards Board for Accountants, 2020).

The detailed analysis further showed that in 29 (56.9%) UK assurance statements, an unqualified opinion was offered in a negative form of expression. Further, 19 of the 29 assurance statements were provided by accounting assurance providers who used the standard and terse form of wording required by ISAE 3000. For example:

Based on the work we have performed and the evidence we have obtained, *nothing has come to our attention that causes us to believe that the Selected Information has not been properly prepared*, in all material respects, in accordance with the Reporting Criteria
[*Emphasis added*]. (KPMG for Segro⁷⁶, 2016, p.1).

There were ten (19.6%) assurance statements provided by non-accounting assurance providers using a similar expression. For example:

⁷⁵ BV, Independent Limited Assurance Statement, for Rolls Royce Holdings 2016 Annual Report, p. 2.

⁷⁶ KPMG, Independent Limited Assurance Report to SEGRO plc, for Segro Annual Report and Accounts 2016, p.1.

Based on the procedures we have performed and the evidence we have obtained, *nothing has come to our attention that causes us to believe that the Selected Information is not fairly stated and has not been prepared*, in all material respects, in accordance with the Criteria [*Emphasis added*]. (DNV-GL for Wm Morrison Supermarkets PLC⁷⁷, 2015/16, p. 30).

The above two quotes show that DNV-GL used the same language as KPMG. Drawing on the previous literature, the evidence of similar language used in the UK assurance statements indicates that the non-accounting assurance providers tend to imitate accounting assurance providers' practice in sustainability assurance (Bepari and Mollik, 2016; Gürtürk and Hahn, 2016).

4.2.4.2 The Contents of the Chinese Assurance Statements

In the Chinese sample, the detailed analysis revealed several different features of the accounting and non-accounting assurance providers. In terms of assurance standard adoption, all the assurance statements issued by the accounting assurance providers (11, 68.8%) referred to ISAE 3000. Specifically, nine (56.3%) of them referred to "ISAE3000 only" and two (12.5%) to "ISAE3000 and AA1000AS". In comparison, non-accounting assurance providers showed considerable variation in the assurance standard adoption. One (6.3%) assurance statement referred to "ISAE3000 only",

⁷⁷ DNV-GL, Independent Data Assurance Report to the Directors of Wm Morrison Supermarkets PLC, in Wm Morrison Supermarkets PLC Corporate Responsibility Review 2015/16, p. 30.

two (12.5%) referred to “AA1000AS only”, and two (12.5%) referred to their own assurance methodology. The results indicated that the non-accounting assurance providers were more flexible adopting assurance standards. This flexibility in assurance standard adoption is regarded as an advantage of non-accounting assurance providers as they compete against accounting assurance providers (Dillard, 2011; Farooq and De Villiers, 2019b; O’Dwyer, 2011), since using only ISAE3000 is typically discredited as “out of touch with sustainability objectives” (Farooq and De Villiers, 2019b, p. 307).

The detailed analysis showed that all the accounting assurance providers (11, 68.8%) made some reference to their independence and competence. Eight (50.0%) referred to the *Code of Ethics* (International Ethics Standards Board for Accountants, 2020), and seven (43.8%) referred to *International Standards on Quality Control 1* (IAASB, 2010). For example:

We apply *International Standard on Quality Control 1* and accordingly *maintain a comprehensive system of quality control*, including documented policies and procedures regarding compliance with *ethical requirements*, professional standards and applicable legal and regulatory requirements [*Emphasis added*]. (PwC for China Construction Bank⁷⁸, 2016, p. 39).

⁷⁸ PwC, Certified Public Accountant Independent Assurance Statement, in China Construction Bank Social Responsibility Report 2016, p. 39.

The standardised and terse jargon quoted above was often used by the accounting assurance providers in their assurance statements. In comparison, the non-accounting assurance providers typically provided more details of their independence. For example:

TÜV ... is *independent* of China Minmetals. It confirms that there is *no conflict of interests with the organisation, any of its subsidiaries or its stakeholders* when performing the assurance engagement. ... TÜV was *not involved in the preparation of* any part of the Report [*Emphasis added*]. (TÜV NORD for China Minmetals⁷⁹, 2016, p.107).

The above quote shows that TÜV NORD elaborated the non-existence of any interest conflicts with its client. This elaboration emphasises the independence of TÜV NORD as an external assurance provider.

The detailed analysis further revealed that all the accounting assurance providers (11, 68.8%) offered an unqualified opinion in a negative form, without explanatory comments or recommendations. In comparison, all the non-accounting assurance providers (five, 31.3%) provided explanatory assurance opinion and suggestions for improvement. Consistent with the prior literature, the results shows that the accounting assurance providers tend to use terse expression and technical jargon in

⁷⁹ TÜV NORD, Assurance Statement of Corporate Social Responsibility Report, in China Minmetals Sustainability Report 2016, p.107.

their assurance statements, which draw heavily on the standardised jargon used in financial audit reports (Bepari and Mollik, 2016; Deegan *et al.*, 2006; O'Dwyer and Owen, 2005; Perego and Kolk, 2012). In comparison, the non-accounting assurance providers are more likely to provide elaborate and informative assurance conclusions and recommendations (Bepari and Mollik, 2016; Deegan *et al.*, 2006; O'Dwyer and Owen, 2005; Perego, 2009; Perego and Kolk, 2012).

4.3 Trends in Assurance Quality

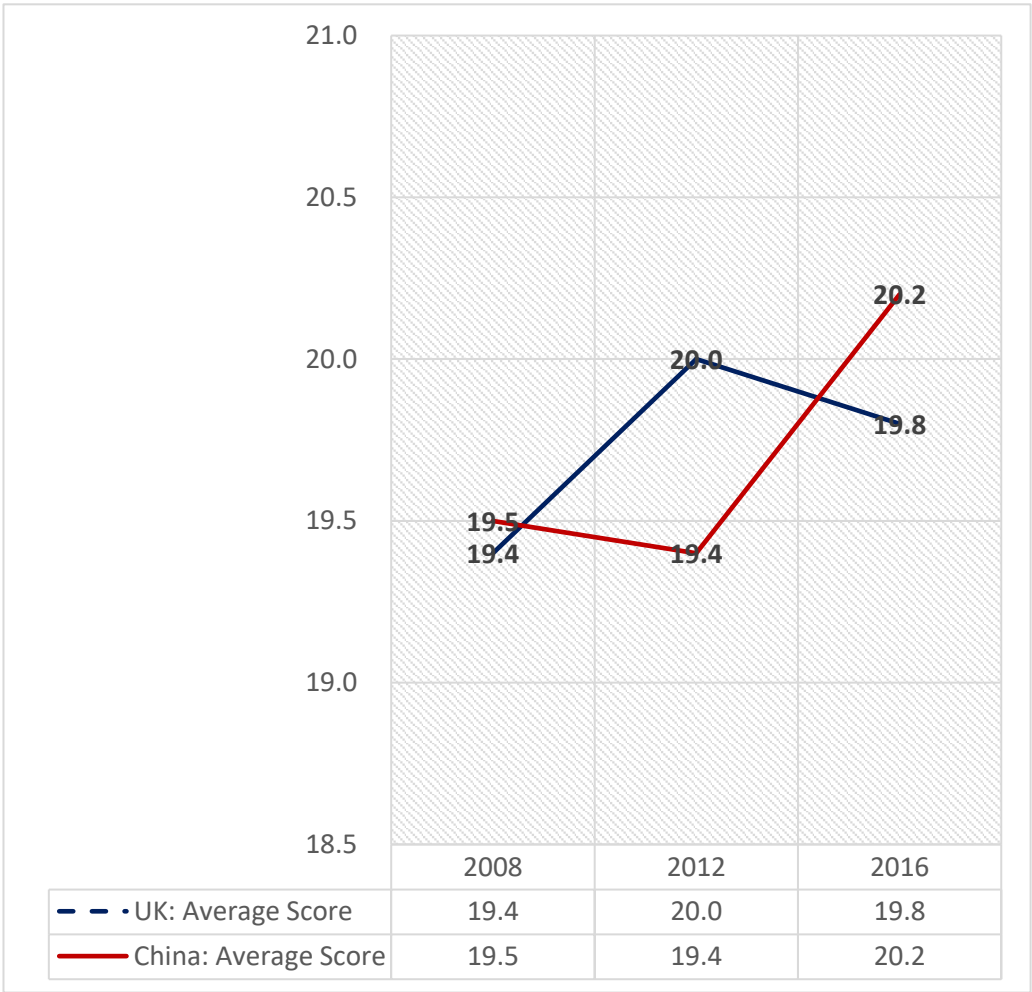
This section analyses trends in assurance quality based on the results of the content analysis of the sustainability assurance statements published by the UK and China N100 in 2008, 2012, and 2016. The assurance quality is represented by the scores earned by the assurance statements, measured in accordance with the Assurance Statement Content Index (Table 3.6 in Chapter Three). The results are shown in Appendix 2, detailing the mean scores for each analytical category by country. This section discusses trends in assurance quality (1) at country-level, (2) at industry-level, and (3) by assurance provider.

4.3.1 Assurance Quality at Country Level

Figure 4.6 shows the average quality scores of the assurance statements in the three years investigated. The average quality score of the UK assurance statements increased from 19.4 in 2008 to 20.0 in 2012 and then decreased to 19.8 in 2016. The average quality score of the Chinese assurance statements decreased slightly from 19.5 in 2008 to 19.4 in 2012 and then increased to 20.2 in 2016. The results indicate

that the quality of the UK and Chinese assurance statements improved over the years. However, all the average quality scores remained relatively low, given the maximum score possible (30 points). This finding points to significant room for improvement in the quality of the assurance statements.

Figure 4.6 Assurance Quality: Average Scores per Country/year



Source: Author.

The results show fluctuations in the average quality scores of the UK and Chinese assurance statements. The differences between the average quality scores were irregular across the three years investigated. In 2008, the Chinese average quality

score (19.5) was slightly higher than the UK average quality score (19.4). Later, the UK average quality score (20.0) exceeded the Chinese average quality score (19.4). In 2016, the Chinese average quality score (20.2) was again higher than the UK average quality score (19.8).

The fluctuations in the average quality scores did not reveal apparent connection between the assurance quality and the country of origin (whether they were UK or Chinese assurance statements). Moreover, the UK average quality score was not always higher than the Chinese score across the three years. This finding is inconsistent with Seguí-Mas *et al.* (2015) who find the best quality scores in the UK. Although the UK N100 showed significant higher sustainability assurance rate than the China N100 in the three years investigated, the quality of the UK assurance statements was not necessarily better than that of the Chinese assurance statements. The finding implies that the quality of the UK and Chinese assurance statements is not significantly influenced by the country of origin.

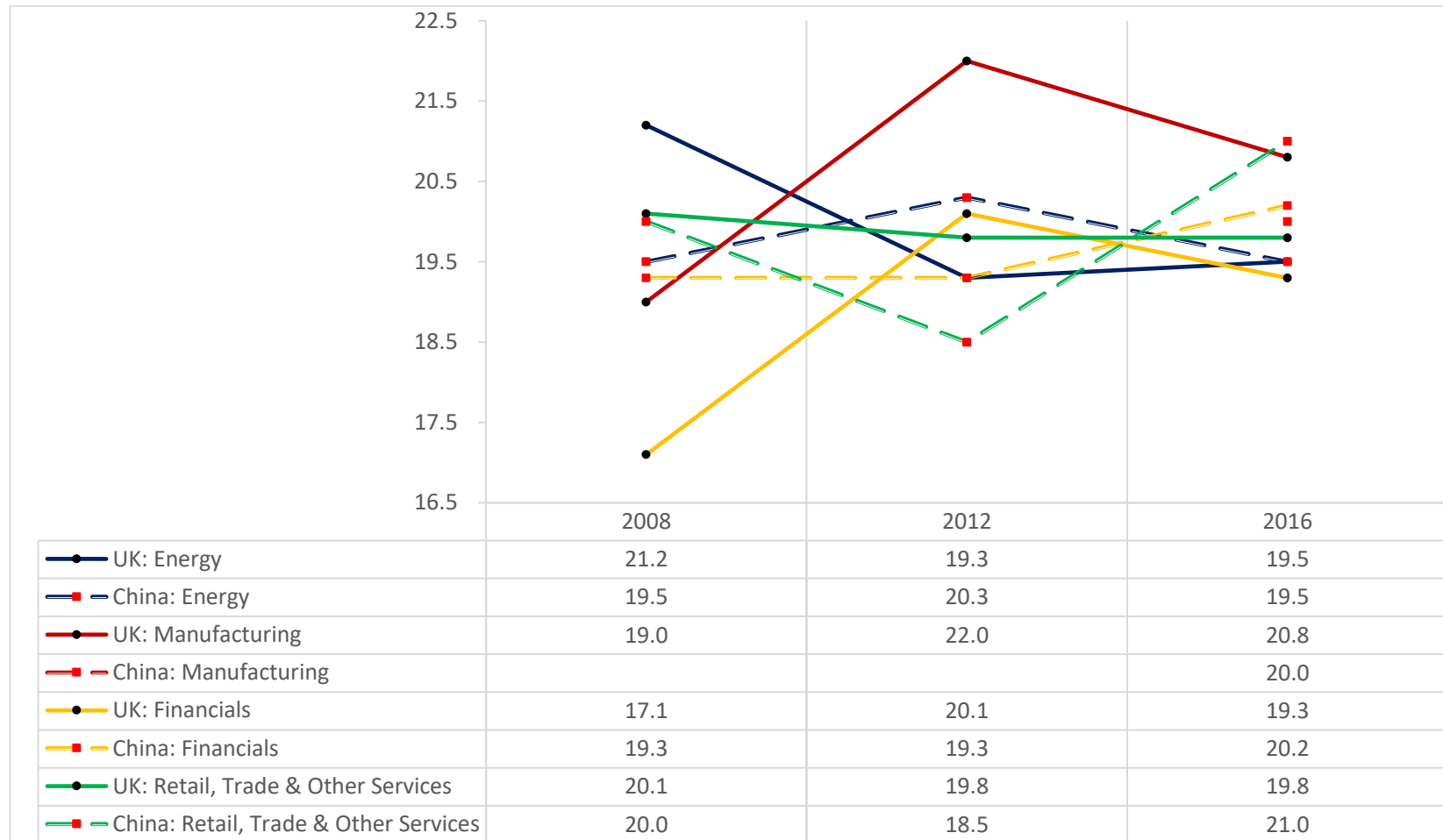
4.3.2 Assurance Quality at Industry Level

Figure 4.7 shows the average quality scores of the UK and Chinese sustainability assurance statements per industrial group, which experienced different patterns of fluctuation over the three years.

In the UK sample, Manufacturing and Financials showed an up-and-down line, whereas Energy showed a down-and-up line. Retail, Trade and Other Services remained relatively stable. In the Chinese sample, Energy showed an up-and-down

line, Financials experienced an upward trend, and Retail, Trade and Other Services showed a down-and-up line. Companies belonging to Manufacturing did not publish assurance statements in 2008 and 2012 and achieved an average quality score of 20.0 in 2016. Figure 4.7 reveals the irregularity of the average quality scores over the three years, within both the UK and Chinese samples by industrial group.

Figure 4.7 Assurance Quality: Average Scores by Industrial Group/year



Note: no assurance statement issued by Chinese companies belonging to Manufacturing in 2008 and 2012.

Source: Author.

The highest UK average quality score belonged to Energy (21.2) in 2008, and Manufacturing in 2012 (22.0) and 2016 (20.8). Moreover, Manufacturing showed much higher average quality scores in 2012 (22.0) and 2016 (20.8) than the other three groups. The results indicate a connection between industrial groups having direct impacts and higher assurance quality, in line with Seguí-Mas *et al.* (2015) finding that companies in environmentally sensitive sectors achieve the highest quality scores. However, the connection was not apparent in the Chinese sample, as the highest Chinese average quality score belonged to Retail, Trade and Other Services (20.0) in 2008, Energy (20.3) in 2012, and Retail, Trade and Other Services (21.0) in 2016. This finding indicates that the quality of sustainability assurance statements issued by the China N100 is not significantly influenced by their industry membership (namely, whether a company belongs to a sector having direct or indirect environmental and social impacts).

4.3.3 Assurance Quality by Assurance Provider

Figure 4.8 shows the average quality scores of the UK and Chinese sustainability assurance statements provided by accounting and non-accounting assurance providers over the three years investigated.

The average quality score of the UK assurance statements provided by accounting assurance providers decreased from 20.2 in 2008 to 19.6 in 2012 and then to 19.1 in 2016. The average quality score of the UK assurance statements provided by non-accounting assurance providers increased from 18.7 to 20.8 and then to 20.9. The

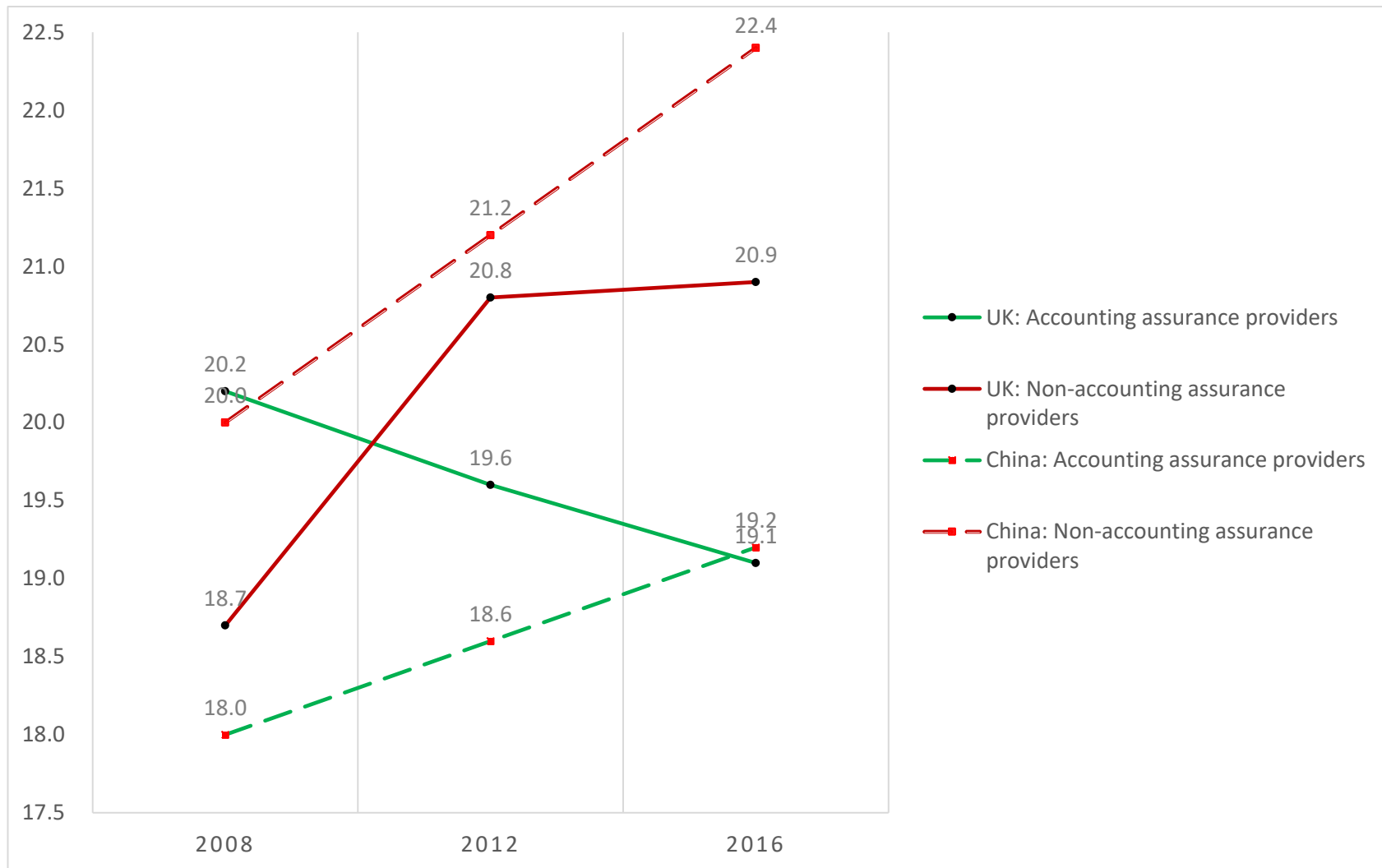
average quality score of the Chinese assurance statements provided by accounting assurance providers increased from 18.0 in 2008 to 18.6 in 2012 and then 19.2 in 2016. The average quality score of the Chinese assurance statements provided by non-accounting assurance providers increased from 20.0 to 21.2 and then to 22.4.

In both the UK and Chinese sample, the gaps between the accounting (green lines) and non-accounting (red lines) assurance providers are evident, particularly in 2012 and 2016. The gaps reflect variations in the quality of the assurance statements according to the type of assurance provider. Drawing on Perego and Kolk (2012), this finding indicates that the quality of sustainability assurance statements depends on the type of assurance provider.

In the UK sample, the non-accounting assurance providers achieved higher average quality scores in 2012 and 2016, compared with the accounting assurance providers.

In the Chinese sample, the non-accounting assurance providers achieved higher average quality scores across the three years investigated. The results are in line with prior studies which find that non-accounting assurance providers provide higher quality sustainability assurance services (Gürtürk and Hahn, 2016; O'Dwyer and Owen, 2005; Seguí-Mas *et al.*, 2015) with elaborate assurance statements (Deegan *et al.*, 2006; O'Dwyer and Owen, 2007; Perego, 2009; Perego and Kolk, 2012).

Figure 4.8 Assurance Quality: Average Scores by Assurance Provider/year



Source: Author.

4.4 Limitations of Sustainability Assurance Engagements

This section discusses limitations of sustainability assurance engagements, based on the detailed analysis of the 67 (51 UK⁸⁰ and 16 Chinese⁸¹) assurance statements issued in 2016. Beyond merely checking the disclosure and non-disclosure of assurance statement elements, the detailed analysis focuses on the contents of the assurance statements based on five themes (elaborated in Section 3.3.3) derived from the Assurance Statement Content Index (Table 3.6 in Chapter Three). This section begins with a discussion of limitations stated in the assurance statements by the assurance providers. It is followed by an analysis of additional limitations observed, including (1) unspecified/restricted addressee(s), (2) limited assurance level and scope, (3) limited assurance procedures, (4) symbolic nature of assurance opinion offered, and (5) doubt about assurance provider independence.

4.4.1 Limitations Stated by Assurance Providers in Assurance

Statements

There were assurance providers who clearly stated limitations in their assurance reports to inform readers of the nature and extent of the assurance work performed. The limitations included (1) areas not assured, (2) limitations of assurance methodology, (3) absence of established practice and accepted standards, and (4) the nature of non-financial data, as Table 4.1 shows. The details are discussed below.

⁸⁰ 33 (64.7%) UK assurance statements were provided by accounting assurance providers and 18 (35.3%) were by non-accounting assurance providers (see Table 3.5 in Chapter Three).

⁸¹ 11 (68.8%) Chinese assurance statements were provided by accounting assurance providers and five (31.3%) were by non-accounting assurance providers (see Table 3.5 in Chapter Three).

Table 4.1 Details of the Limitations Stated in the Assurance Statements

Limitations Stated	The number of Assurance Statements stating the limitation	
	UK Sample (51, 100.0%)	Chinese Sample (16, 100.0%)
Areas Not Assured	44 (86.3%)	15 (93.8%)
Limitations of Assurance Methodology	8 (15.7%)	1 (6.3%)
Absence of Established Practice and Accepted Standards	17 (33.3%)	5 (31.3%)
The Nature of Non-financial Data	5 (9.8%)	0 (0.0%)

Source: Author.

Areas Not Assured. 44 (86.3%) of the UK assurance statements and 15 (93.8%) of the Chinese assurance statements mentioned that the assurance engagement scope was limited during the reporting period. The areas not assured were outlined, typically including “financial data”, “forward-looking information”, “information for earlier periods”, “the maintenance and integrity of the website”, and “the effectiveness of internal controls”.

Limitations of Assurance Methodology. Eight (15.7%) UK assurance statements and one (6.3%) Chinese assurance statement mentioned the inherent limitations of the assurance methodology adopted. The following quotes exemplify:

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected

[*Emphasis added*]. (Deloitte for Glencore Plc ⁸², 2016, p.127).

This limited assurance engagement relies on *a risk-based selected sample of sustainability data and the associated limitations* that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist [*Emphasis added*]. (BV for Rolls Royce Holdings⁸³, 2016, p.2).

Absence of Established Practice and Accepted Standards. Seventeen (33.3%) UK assurance statements and five (31.3%) Chinese assurance statements mentioned the undermining of information comparability between reporting entities and over time due to the absence of established practice and accepted standards. The following quotes elaborate:

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time [*Emphasis added*]. (PwC for Shanghai Pudong Development Bank⁸⁴, p.53).

Data of this nature can be subject to *variations in definitions, collection and reporting methodology with no consistent, accepted standard*. This may result in non-comparable information between organisations and from year to year within

⁸² Deloitte, Independent Assurance Report to Glencore Plc on Selected Information in its 2016 Sustainability Reporting, in Glencore Sustainability Report 2016, p.127.

⁸³ BV, Independent Limited Assurance Statement, for Rolls Royce Holdings 2016 Annual Report, p.2.

⁸⁴ PwC, Certified Public Accountant Independent Assurance Statement, Shanghai Pudong Development Bank Corporate Social Responsibility Report 2016, p.53.

an organisation as methodologies develop [*Emphasis added*].

(*Deloitte for Centrica plc*⁸⁵, 2016, p.2).

The Nature of Non-financial Data. Five (9.8%) UK assurance statements further mentioned that non-financial data might be subject to more inherent uncertainty than financial data because of incomplete scientific knowledge/methods used for calculating, estimating and determining such data.

Overall, the analysis indicates that the current sustainability assurance practice is subject to severe limitations such as the limited assurance scope, the absence of generally accepted standards, and the absence of established practice/knowledge of non-financial data measurement. These limitations would potentially undermine the effectiveness of sustainability assurance in enhancing the credibility of CSR reporting. Moreover, drawing on O'Dwyer and Owen (2007), the assurance providers intended to downplay report readers' high expectations for the assurance statements by explicitly mentioning limitations of assurance engagements.

4.4.2 Other Limitations Observed

The detailed analysis revealed additional limitations of sustainability assurance engagements in both the UK and Chinese contexts. The limitations included (1) unspecified/restricted addressee(s), (2) limited assurance level and scope, (3) limited assurance procedures, (4) symbolic nature of assurance opinion offered, and (5) doubt about assurance provider independence. The details are discussed below.

4.4.2.1 Unspecified/restricted Addressee(s)

The analysis showed that 48 (94.1%) of the 51 UK assurance statements identified

⁸⁵ Independent Assurance Statement by Deloitte LLP to Centrica plc on the Responsible Business Update and the Responsible Business Update section of the Annual Report and Accounts 2016, p.2.

addressee(s). This result indicated a significant improvement in identifying an addressee in assurance statements, compared to prior studies (Deegan *et al.*, 2006; O'Dwyer and Owen, 2005; 2007). Specifically, the majority of the UK assurance statements were addressed to internal stakeholders such as “board directors” (mentioned 21 times), “management” (10 times), and “the Company” (14 times). In 10 UK assurance statements, “stakeholders” were the addressee. Notably, some assurance statements were addressed to more than one stakeholder group. For example, PwC’s statement for Antofagasta⁸⁶ was addressed to “shareholders” and “directors”. Denkstatt GmbH addressed its assurance statement ⁸⁷ “to the management and stakeholders of Coca-Cola Hellenic Bottling Company AG”. Compared to Deegan *et al.* (2006) and O'Dwyer and Owen (2005) who find that no sustainability assurance statement was addressed to external stakeholders, this analysis indicated an improvement in terms of identifying “stakeholders” as the addressee.

As for the Chinese sample, the results show that all accounting assurance providers (11, 68.8%) addressed their assurance statements to board directors. Three (18.8%) non-accounting assurance providers addressed their assurance statements to “stakeholders” and two (12.5%) to “the Company”. In line with the previous literature (Deegan *et al.*, 2006; O'Dwyer and Owen, 2005; 2007), the results indicated that the non-accounting assurance providers were more likely to address their assurance statements to external stakeholder groups.

Twenty-two (43.1%) UK and ten (62.5%) Chinese assurance statements mentioned that the assurance report was for the use of board directors or “the Company” only. Moreover, thirty-three (70.6%) UK and twelve (75.0%) Chinese assurance

⁸⁶ PwC, Independent Professionals Report, in Antofagasta Minerals Sustainability Report 2016, p.73.

⁸⁷ Denkstatt GmbH, Independent Assurance Statement on the 2016 Integrated Annual Report, in Coca-Cola Hellenic Bottling Company AG 2016 Integrated Annual Report, p. 206.

statements mentioned that the assurance provider had no responsibility for any other parties. For example:

This report is made *solely to BAE Systems* in accordance with our letter of engagement for the purpose of the directors' governance and stewardship. Our work has been undertaken so that we might *state to the Company those matters* we are required to state to them in this report and *for no other purpose*. To the fullest extent permitted by law, *we do not accept or assume responsibility for anyone other than BAE Systems* for our work, for this report, or for the conclusions we have formed [*Emphasis added*]. (Deloitte for BAE Systems plc⁸⁸, 2016, p.2).

The statement above indicated that the assurance provider was cautious in their responsibility for the assurance engagement. They accepted sole responsibility for the reporting entity. Moreover, the assurance statement was made for the directors' governance and stewardship only.

Overall, the analysis indicated that most of the UK and Chinese assurance statements were addressed to internal stakeholders such as board directors and management. Some were addressed to "the Company," which was a somewhat ambiguous expression as no specific addressee was nominated at all. Consistent with the previous literature, the findings indicated that the assurance providers were hesitant to address their assurance statements to external stakeholders (Bepari and Mollik, 2016; Deegan *et al.*, 2006; O'Dwyer and Owen, 2005; 2007). Moreover, the external assurance tends to be an internal tool responding to corporate governance and stewardship, primarily for the use of directors and management (Bepari and Mollik,

⁸⁸ Independent Assurance Statement by Deloitte LLP to BAE Systems plc on the Corporate Responsibility (CR) of the BAE Systems website for the year ended 31 December 2016 and corresponding performance indicators on pages 15, 22, 54, 55, 56 and 57 of the BAE Systems 2016 Annual Report, p.2.

2016; Boiral *et al.*, 2019a; Cooper and Owen, 2014; O'Dwyer and Owen, 2005; 2007).

4.4.2.2 Limited Assurance Level and Scope

As Table 4.2 shows, 41 (80.4%) of the 51 UK assurance statements mentioned that a limited assurance engagement was provided. Three (5.9%) assurance statements mentioned that limited assurance and reasonable assurance were provided for different subject matter in the same assurance engagement. Only one (2.0%) statement stated reasonable assurance. Four (7.8%) assurance statements stated a moderate level of assurance, and two (3.9%) stated a high level of assurance (in accordance with AA1000AS 2008).

Table 4.2 Details of the Assurance Level Stated in Assurance Statements

Assurance Level	The number of Assurance Statements	
	UK Sample (51, 100.0%)	Chinese Sample (16, 100.0%)
Limited assurance	41 (80.4%)	12 (75.0%)
Reasonable assurance	1 (2.0%)	0 (0.0%)
Limited and reasonable assurance	3 (5.9%)	0 (0.0%)
A moderate level of assurance	4 (7.8%)	4 (25.0%)
A high level of assurance	2 (3.9%)	0 (0.0%)

Source: Author.

Twelve (75.0%) Chinese assurance statements stated limited assurance and four (25.0%) stated moderate assurance. Consistent with prior studies, most of the sustainability assurance engagements provided were limited (Bepari and Mollik, 2016; O'Dwyer and Owen, 2005; 2007).

Thirty-one (60.8%) UK assurance statements mentioned the differences between limited and reasonable assurance engagements. For example:

The procedures performed in a limited assurance engagement vary in nature and timing, and are *less in extent than for a reasonable assurance engagement*. Consequently the level of assurance obtained in a limited assurance engagement is *substantially lower than* the assurance that would have been obtained had a reasonable assurance engagement been performed [*Emphasis added*]. (KPMG for BHP Billiton⁸⁹, 2016, p.64).

The quote above indicated that the assurance provider explained the nature of a limited assurance engagement to avoid possible misunderstanding, as report users might expect the assurance engagement to provide a high level of confidence. It revealed the assurance provider's intention to downplay the users' expectations for the assurance level obtained (O'Dwyer and Owen, 2007).

Forty-six (90.2%) UK assurance statements indicated a limited scope assurance engagement. The information frequently selected and assured was key performance indicators such as greenhouse gas emissions, water consumption, and employee diversity data. Only five (9.8%) UK assurance engagements (all provided by non-accounting assurance providers) indicated that the whole CSR report was assured.

All the Chinese assurance statements provided by accounting assurance providers (11, 68.8%) focused on checking selected CSR indicators only. In comparison, all the non-accounting assurance providers (5, 31.3%) assured the CSR management process and the data and text in the CSR report. Consistent with the previous literature, the accounting assurance providers focused on data accuracy and were reluctant to go beyond, whereas the non-accounting assurance providers were more

⁸⁹ KPMG, Independent Assurance Report to the Directors and Management of BHP Billiton, in BHP Billiton Sustainability Report 2016, p.64.

likely to provide wider-scope assurance engagements (Manetti and Toccafondi, 2012; O'Dwyer and Owen, 2005; 2007).

The findings revealed extensive limitations in the level and scope of assurance engagements within both the UK and Chinese samples. Drawing on Bepari and Mollik (2016), the dominance of limited assurance engagements points to organisational focus on data accuracy rather than broader social accountability. The “partial scope limitation” (Bepari and Mollik, 2016, p. 671) undermines “the intensity of the assurance process” (Hummel *et al.*, 2019, p. 736) and the value of the assurance exercise.

4.4.2.3 Limited Assurance Procedures

The analysis showed that 49 (96.1%) UK assurance statements mentioned that a data validation was performed. Specifically, the data checking procedures included limited substantive testing on a selective basis of the selected information, analytical review procedures over the aggregated selected information, and reperforming a selection of aggregated calculations. Moreover, 20 (39.2%) UK assurance statements mentioned that the presentation of CSR data was reviewed to ensure consistency. Forty-four (86.3%) UK assurance statements mentioned that an evaluation of the CSR reporting process was conducted, and 25 (49.0%) mentioned that the site visit was performed. Thirty-eight (74.5%) assurance statements mentioned management interview and 20 (39.2%) mentioned staff interview/inquiry. Only two (3.9%) UK assurance statements mentioned that external stakeholders had been interviewed.

All Chinese assurance statements mentioned that a data validation was performed. Seven (43.8%) Chinese assurance statements mentioned that the inspection of documentary evidence was performed. Five (31.3%) mentioned that an evaluation of the CSR reporting process was conducted. Fourteen (87.5%) mentioned that staff interviews were conducted. Notably, none of the assurance statements mentioned

external stakeholder interviews.

The results revealed that the assurance providers preferred inquiry and analytical procedures and focused on data-checking. They used limited assurance procedures (for example, limited sampling) to gather a limited depth of evidence. The limited assurance procedures are related to the level of assurance (Deegan *et al.*, 2006). Less extensive evidence is gathered in a limited/moderate assurance engagement emphasising the plausibility, rather than the reliability, of information (AccountAbility, 2008). Furthermore, the analysis indicated that stakeholder inclusivity remained minimal during the assurance process, as most of the assurance providers interviewed management and staff but not external stakeholders. In line with the prior literature, external stakeholder engagement is a low priority in sustainability assurance engagements (Bepari and Mollik, 2016; Manetti and Toccafondi, 2012; O'Dwyer and Owen, 2005; 2007).

4.4.2.4 Symbolic Nature of Assurance Opinion Offered

The results showed that in 29 (56.9%) UK assurance statements and 11 (68.8%) Chinese assurance statements, an unqualified assurance opinion was offered in a negative form. Further, the term “true and fair,” frequently used in the financial audit, was completely missing here. Drawing on the previous literature, the assurance providers may find it difficult to define terms such as “true and fair” in sustainability assurance where generally accepted standards are absent, and thus are reluctant to use the terms (Bepari and Mollik, 2016; Deegan *et al.*, 2006; O'Dwyer and Owen, 2005; 2007).

The analysis showed that an unqualified assurance opinion was typically offered without further explanation or comments. However, an assurance opinion like this fails to reveal anything about the reporting entity's performance or commitment to organisational transparency and stakeholder accountability (Bepari and Mollik,

2016). Moreover, where an explanatory conclusion was provided, identified weaknesses and suggestions were demonstrated in a section named “observations and areas for improvement”. For example:

Observations and areas for improvement [...] Although these fatalities have been publicly reported, Associated British Foods do not report contractor injuries at a Group level. In order to improve transparency in contractor safety, Associated British Foods should consider reporting performance in this area across their operations [Emphasis added]. (EY for Associated British Foods plc⁹⁰, 2016, p.92).

Observations and recommendations [...] Several sites are not currently reporting all of the waste that they generate, due to a lack of available source information. In these instances, applying a consistent estimation would help to avoid gaps in the waste data [Emphasis added]. (BV for WPP⁹¹, 2016/2017, p.106).

The above examples indicated that the assurance providers discovered the incompleteness of the data reported but did not demonstrate it as a basis for a qualified opinion. Consistent with Bepari and Mollik (2016), the assurance providers were reluctant to issue a qualified opinion and avoided it by specifying deficiencies in CSR disclosures and providing recommendations for improvement.

Table 4.3 shows the number of assurance statements with commentary on completeness, materiality, inclusivity, and responsiveness. Six (11.8%) UK assurance statements included commentary on the completeness of CSR reporting,

⁹⁰ EY, Independent Assurance Statement to the Director of Associated British Foods plc, in Associated British Foods plc Corporate Responsibility Report 2016, p.92.

⁹¹ BV, Independent Verification Statement, WPP Sustainability Report 2016/2017, p.106.

11 (21.6%) on materiality, nine (17.6%) on inclusivity, and nine (17.6%) on responsiveness. Moreover, two (12.5%) Chinese assurance statements included commentary on completeness, and six (37.5%) on materiality, five (31.3%) on inclusivity, and five (31.3%) on responsiveness.

Table 4.3 The number of assurance statements with commentary

Commentary on ...	The number of assurance statements	
	UK sample (51, 100.0%)	China sample (16, 100.0%)
Completeness	6 (11.8%)	2 (12.5%)
Materiality	11 (21.6%)	6 (37.5%)
Inclusivity	9 (17.6%)	5 (31.3%)
Responsiveness	9 (17.6%)	5 (31.3%)

Source: Author.

The results indicated that most assurance providers were reluctant to comment on whether a CSR report had covered all material aspects. This reluctance was related to the narrow scope of the assurance engagements (Bepari and Mollik, 2016). As narrow assurance scopes do not consider whether all material issues are included in CSR reporting, the value of the assurance exercise is undermined. Moreover, most of the assurance providers did not check the process of identifying materiality, enabling inclusivity, and responding to stakeholder concerns. This evidence indicates that stakeholder demand is not prioritised during the assurance process.

4.4.2.5 Doubt about Assurance Provider Independence

The analysis showed that only eight (15.7%) UK assurance statements mentioned that the assurance provider had no conflict of interest with the client. Seven (13.7%) mentioned that the assurance provider was not involved in report or data preparation.

Seventeen (33.3%) UK assurance statements mentioned that no other (prohibited) services were provided. Only one (2.0%) UK assurance statement explicitly stated the other services provided and their impact on the assurance provider's independence:

LRQA is BT's certification body for ISO 9001, ISO 14001, ISO 27001, ISO 22301, ISO 20000 and OHSAS 18001. We also provide BT with a range of training services related to management systems. The verification and certification assessments, together with the training, are the only work undertaken by LRQA for BT and as such does not compromise our independence or impartiality [Emphasis added]. (LRQA for BT Group plc⁹², 2016, p.54).

Only three (18.8%) Chinese assurance statements mentioned that the assurance provider had no conflict of interest with the client. Four (25.0%) mentioned that the assurance provider was not involved in report or data preparation. Two (12.5%) mentioned no events or prohibited services provided, which could impair the assurance provider's independence. Notably, none of the Chinese assurance statements mentioned other services provided and their impact on independence.

Assurance providers are expected to clarify the provision of other (prohibited) services which potentially compromise their independence (O'Dwyer and Owen, 2007). However, this analysis indicated most assurance providers remained silent on the provision of other CSR-related services. A possible interpretation of the silence is that the assurance providers (particularly the accounting assurance providers) must comply with the *Code of Ethics* (International Ethics Standards Board for Accountants, 2020) and independent policies that prohibit them from providing

⁹² LRQA Statement, in BT Group plc Delivering our purpose 2015/16 Report, p.54.

services that may impair their independence or impartiality. The assurance providers implied that they were independent and had not provided other prohibited services by referring to the *Code of Ethics* in their assurance statements. However, it was also possible that the assurance providers did provide other services but deliberately avoided clarifying them because they were not required to do so. Therefore, the silence on the provision of other services casts doubts about assurance provider independence and may undermine the credibility of the assurance work.

4.5 Summary of Study One Findings

Study One findings address RQ3 (*what are the similarities and differences between the UK and China in terms of sustainability assurance practice?*). Table 4.4 summarises the key findings of Study One and shows a comparison between the UK and China samples.

The content analysis showed a considerable increase in CSR reporting rates of the UK N100 and China N100 from 2008 to 2016. The CSR reporting rate of the UK N100 increased continuously and exceeded 90.0% in 2016. The results are in line with KPMG surveys of corporate responsibility reporting (KPMG, 2008; 2011; 2013; 2015; 2017; 2020) which show that the UK has long been a leading country in CSR reporting rate. The CSR reporting rate of the China N100 increased from 43.0% to 77.0% and then remained stable at 76.0%. Because some of the Chinese companies had adopted CSR reporting in the early years but discontinued it recently, the CSR reporting rate decreased in 2016. Informed by institutional theory, the results imply a lack of pressures driving some of the China N100 to continue CSR reporting. The Chinese companies are primarily driven by coercive isomorphism (for example, external pressure from reporting requirements/recommendations) in adopting CSR reporting (Marquis and Qian, 2014; Zhao, 2012; Zhu and Zhang, 2015). Once the pressure from coercive isomorphism mitigates, the companies may discontinue CSR

reporting if the pressures from mimetic and normative isomorphism are also lacking.

Table 4.4 Key findings of Study One: A comparison between the UK and Chinese assurance statements

		UK Sample	China Sample
Trends in Sustainability Assurance Practice	Trends in Sustainability Assurance Adoption	Increasing adoption of sustainability assurance.	Limited adoption of sustainability assurance.
		The connection between industry membership and sustainability assurance adoption is weakening.	Companies in the Financials group are more likely to adopt sustainability assurance than companies in other industrial groups.
	Trends in Assurance Provision	An increasing preference for accounting assurance providers.	
	Trends in Assurance Standard Adoption	Both accounting and non-accounting assurance providers increasingly refer to ISAE 3000.	Accounting assurance providers prefer using ISAE 3000 only, whereas non-accounting assurance providers prefer combining different standards.
	Trends in Assurance Statement Contents	The homogeneity of the assurance statements indicates a significant influence of traditional financial auditing practices on sustainability assurance.	The heterogeneity of the assurance statements reveals the differences between accounting and non-accounting assurance providers in assurance approaches.
Trends in Assurance Quality	Assurance Quality at Country-level	The quality score of an assurance statement is not significantly influenced by the country of origin.	
	Assurance Quality at Industry-level	Companies in industrial groups having direct impacts are more likely to earn a higher quality score.	The quality score of an assurance statement is not significantly influenced by the industry membership.
	Assurance Quality by Assurance Provider	<p>The type of assurance provider significantly influences the quality score of an assurance statement.</p> <p>The assurance statements provided by non-accounting assurance providers are more likely to earn higher quality scores.</p>	
Limitations of Sustainability	Limitations Stated by Assurance	Assurance providers state the inherent limitations of sustainability assurance engagements, including (1) areas not assured,	

Assurance Engagements	Providers in Assurance Statements	(2) the limitations of assurance methodology, (3) the absence of established practice and accepted standards, and (4) the nature of non-financial data, to downplay CSR report readers' expectations for the assurance statements.
	Other Limitations Observed	The assurance engagements are narrow-scoped and remain a data-checking exercise, significantly influenced by traditional financial auditing practices. The external assurance exercise largely remains an internal management tool, pointing to the managerial capture in the assurance process.

Source: Author.

The sustainability assurance rate of the UK N100 increased continuously and reached 67.0% in 2016. In line with KPMG (2015), the assurance of sustainability information has become a major practice for the UK N100. In comparison, the assurance rate of the China N100 remained low (around 21.0%) over the three years investigated, indicating the lack of pressure driving the Chinese companies to adopt sustainability assurance. The Chinese companies are primarily driven by coercive isomorphism in the CSR reporting and assurance practice (Marquis and Qian, 2014; Shen *et al.*, 2017; Zhu and Zhang, 2015). As sustainability assurance remains a voluntary practice in China, the China N100 were less likely to adopt sustainability assurance due to the lack of external pressure from coercive isomorphism.

The content analysis further revealed differences between the four industrial groups in the adoption of sustainability assurance. In the UK sample, Energy and Manufacturing had higher assurance rates in 2008, compared with Financials and Retail, Trade and Other Services. However, the assurance rates of Financials and Retail, Trade and Other Services increased over time and caught up with the assurance rates of Energy and Manufacturing in 2016. The results show a weaker relation between industrial groups with direct impacts (Energy and Manufacturing) and high assurance rates in 2016 than in 2008. Drawing on Perego and Kolk (2012), a possible explanation for the weakening relation is that the UK companies from different sectors have increasingly been involved in the CSR reporting and assurance

practice. Consequently, the connection between industry membership (whether a company belongs to a sector with direct environmental and social impacts) and sustainability assurance adoption is weakening.

In the Chinese sample, the companies belonging to Financials were more likely to adopt sustainability assurance than the companies belonging to the other three industrial groups. The high assurance rate achieved by the Chinese financial companies is related to the CSR guidance issued by the China Banking Association in 2009, which encouraged the independent assurance of CSR disclosures. Drawing on institutional theory, the companies in the Financials group are more likely to adopt sustainability assurance due to the external pressure from coercive isomorphism. Moreover, inconsistent with previous studies (Fernandez-Feijoo *et al.*, 2015; Fonseca, 2010; Mock *et al.*, 2013; Simnett *et al.*, 2009), the China N100 belonging to sectors (such as Energy and Utilities) involving highly visible industrial activities were not more likely to adopt sustainability assurance. This inconsistency can be explained by the lack of pressures from coercive isomorphism (the lack of governmental or industrial requirements regarding sustainability assurance).

The content analysis showed an increasing preference for accounting assurance providers in both the UK and Chinese samples. The increase in the proportion of accounting assurance providers led to the recent popularity of ISAE 3000, as the accounting assurance providers were obliged to use approved assurance standards (such as ISAE 3000) and reluctant to adopt other standards (Farooq and De Villiers, 2019b). Moreover, in the UK sample, the non-accounting assurance providers increasingly referred to ISAE 3000, indicating the broader acceptance of the assurance standards developed by the accounting profession (Channuntapipat *et al.*, 2020). In the Chinese sample, the accounting assurance providers preferred ISAE 3000 only, whereas non-accounting assurance providers preferred combining various standards. The choice of assurance standards points to the differences

between the accounting and non-accounting assurance providers in their assurance approaches.

The content analysis revealed the homogeneity of UK assurance statements, which was reflected in three aspects: (1) the dominance of accounting assurance providers, (2) the dominance of ISAE 3000, and (3) the frequent use of similar language originating from financial auditing practices. The homogeneity indicates a significant influence of traditional financial auditing practices on the sustainability assurance statements, which can be explained by institutional theory. Drawing on DiMaggio and Powell (1983), due to the absence of generally accepted standards and established practice, the assurance providers tend to imitate their successful competitors' practices to deal with the uncertainty within the sustainability assurance field. With accounting assurance providers (Big-four firms) becoming dominant in the sustainability assurance market, other assurance providers tend to imitate the standards, procedures, and jargon used by the Big-four (Gürtürk and Hahn, 2016).

In comparison, the analysis revealed the heterogeneity of Chinese assurance statements provided by the accounting and non-accounting assurance providers. The accounting assurance providers drew heavily on the financial auditing practices, relied on ISAE 3000 only, focused on data checking, and provided terse assurance statements. The non-accounting assurance providers referred to various standards and provided elaborate assurance statements. The findings imply that the accounting and non-accounting assurance providers in China follow different assurance approaches and enhance their distinctive advantages in providing sustainability assurance engagements.

The content analysis showed the trends in assurance quality. The assurance quality was represented by the scores earned by the assurance statements (according to the Assurance Statement Content Index, Table 3.6 in Chapter Three). The results

showed that the UK average quality score was not always higher than the Chinese score across the three years. Although the UK N100 had significant higher sustainability assurance rates than the China N100 in the three years investigated, the quality of the UK assurance statements was not necessarily better than that of the Chinese assurance statements. Moreover, the results indicated a connection between industrial groups having direct impacts and higher quality scores in the UK sample, in line with Seguí-Mas *et al.* (2015) finding that companies in environmentally sensitive sectors achieve the highest quality scores. However, this connection was not apparent in the Chinese sample. The quality scores of the assurance statements issued by the China N100 was not significantly influenced by their industry membership (namely, whether a company belongs to a sector having direct or indirect environmental and social impacts).

The type of assurance provider significantly influences the quality score of an assurance statement. For both the UK and Chinese samples, the average quality scores of non-accounting assurance providers' assurance statements were higher than that of accounting assurance providers. Accounting assurance providers earned lower quality scores because they typically provided limited assurance, rarely offered explanatory conclusions, and seldom referred to stakeholder engagement. The findings indicate that compared with accounting assurance providers, non-accounting assurance providers are more likely to earn a higher score on the Assurance Statement Content Index, in line with the prior literature (Bepari and Mollik, 2016; Deegan *et al.*, 2006; O'Dwyer and Owen, 2005; 2007; Perego, 2009; Perego and Kolk, 2012).

The content analysis revealed the limitations of sustainability assurance engagements in both the UK and Chinese samples. The inherent limitations explicitly stated by the assurance providers in the assurance statements included (1) areas not assured, (2) the limitations of assurance methodology, (3) the absence of

established practice and accepted standards, and (4) the nature of non-financial data. The clarification of these limitations implies the assurance providers' intention to downplay report readers' high expectations for their assurance statements.

The content analysis further revealed additional limitations. Most of the assurance statements were addressed to board directors (and management) or an unspecified addressee ("the Company"). Some of the assurance providers stated that they accepted sole responsibility for the reporting entity, and the assurance statements were made for the directors' governance and stewardship only. The findings suggested that the assurance providers were effectively accountable for board directors and corporate managers and were reluctant to report to stakeholders. Drawing on the previous literature (Bepari and Mollik, 2016; Deegan *et al.*, 2006), the underlying premise in CSR reporting is that organisations have accountability to a wide range of stakeholders. CSR reports and assurance statements should be prepared for and addressed to the stakeholders. Therefore, the findings imply that stakeholder information demand is ignored, and the assurance exercise remains a management tool (Deegan *et al.*, 2006; O'Dwyer and Owen, 2005).

Most of the assurance engagements provided were limited and subject to "partial scope limitation" (Bepari and Mollik, 2016, p. 671). The assurance providers mainly focused on the accuracy of CSR indicators selected by the reporting companies and used limited assurance procedures to collect a limited depth of evidence. Seldom were external stakeholders involved in the assurance process. Moreover, the assurance providers avoided offering qualified opinions and were reluctant to comment on a CSR report's completeness. They also rarely commented on the materiality, inclusivity, and responsiveness of the CSR report. Furthermore, the assurance providers were reluctant to elaborate on their independence as an external party and remained silent on the provision of other CSR-related services.

Drawing on the previous literature (Bepari and Mollik, 2016; Boiral *et al.*, 2019a; Cooper and Owen, 2014; O'Dwyer and Owen, 2005; 2007), the analysis findings point to a large degree of managerial capture in the assurance process and imply the superficial nature of the sustainability assurance engagements in both the UK and Chinese samples. With the assurance providers effectively accountable for corporate management, the assurance exercise remains an internal management tool with limited value-added from the broader stakeholder perspectives (Bepari and Mollik, 2016). Moreover, the level of stakeholder engagement remains minimal. In line with the previous literature (Bepari and Mollik, 2016; Gürtürk and Hahn, 2016; O'Dwyer and Owen, 2005), the findings reveal that stakeholder accountability remains a low priority, as wider stakeholder groups are largely detached from the assurance process. The managerial capture and the lack of stakeholder engagement significantly undermine the effectiveness of the sustainability assurance statements in enhancing organisational transparency and stakeholder accountability.

4.6 Conclusion

This chapter discussed the results of Study One, the qualitative content analysis of sustainability assurance statements issued by the UK N100 and China N100 in 2008, 2012, and 2016. The above Section 4.5 summarised the key findings and addressed RQ3 (*what are the similarities and differences between the UK and China in terms of sustainability assurance practice?*). This qualitative content analysis generated a rich description of assurance statements and provided important background information about the sustainability assurance practice in the UK and China. The findings of Study One inform the empirical analysis of Study Two and Study Three. The next chapter discusses the results of Study Two, two surveys investigating the sustainability assurance practice in the UK and Chinese contexts.

CHAPTER FIVE

SUSTAINABILITY ASSURANCE: MOTIVATION AND CHALLENGES

5.1 Introduction

This chapter discusses the results of Study Two, which consists of two surveys investigating sustainability assurance practices in the UK and Chinese contexts. Survey One⁹³ (see Appendix 3 and 4) was sent to CSR reporting entities. A total of 15 UK companies responded to Survey One, with 13 (86.7%) stating that they disclosed CSR information and two (13.3%) stating that they did not. Ten Chinese companies responded to Survey One, and eight (80.0%) stated that they disclosed CSR information. Survey Two⁹⁴ (Appendix 5) collected opinions of sustainability assurance providers, accounting professional bodies, and corporate reporting experts. A total of 18 questionnaires were returned. The analysis of the survey results focuses on (1) the motivation for sustainability assurance adoption, and (2) challenges to the sustainability assurance practice. The analysis sheds light on RQ1 (*what are the institutional factors that influence companies' sustainability assurance decisions in the UK and China?*) and RQ2 (*what are the institutional factors that influence the quality of sustainability assurance?*).

The findings of Study Two complement the findings of Study One. Study One was based on the contents of the UK and Chinese sustainability assurance statements, which revealed trends in sustainability assurance adoption and limitations of sustainability assurance engagements. However, it remains unclear why the

⁹³ See Table 3.7 in Chapter Three for the detailed description of Survey One respondents.

⁹⁴ See Table 3.7 in Chapter Three for the detailed description of Survey Two respondents.

companies adopt sustainability assurance and what challenges may lead to the limitations of the sustainability assurance practice. To address these questions, engaging with organisations is required to collect opinions from CSR reporting entities, assurance providers, sustainability experts, and so on. In Study Two, the opinions were collected via questionnaires. The analysis of the questionnaire responses sheds light on the motivation and challenges and thus complements the findings of Study One. Moreover, the findings of Study Two informed the design of interview questions (in Study Three). The questions about the motivation for sustainability assurance adoption and challenges to the sustainability assurance practice were asked to gain deeper insights into the process of sustainability assurance. The interview evidence complements the findings of Study Two. The key findings of Study Three are discussed in Chapter Six.

Notably, for both Survey One and Survey Two, the number of questionnaires returned were low, leading to a very small sample in Study Two. Therefore, little can be generalised from such a small sample. The description of the key findings is kept concise in this chapter. The limitations of Study Two are further discussed in Chapter Seven Conclusion.

5.2 Motivation for Sustainability Assurance Adoption

According to the responses to Survey One, nine UK and two Chinese companies had their CSR disclosures assured. The respondents⁹⁵ answered the questions related to sustainability assurance practice (see Section 4 in Appendix 3 Survey One). The results revealed the motivation for sustainability assurance adoption. The respondents were asked to judge the importance of each of the listed factors in

⁹⁵ The respondents included seven (of the nine) UK and two Chinese companies seeking sustainability assurance service. Among the 13 UK respondents stating that they currently disclose CSR information, two of them failed to complete the relevant sections because an incorrect skip logic was followed.

Question 15, using a five-scale of “extremely important” (5), “very important” (4), “somewhat important” (3), “not very important” (2), and “not at all important” (1).

As shown in Table 5.1, the top reasons for the UK companies to seek sustainability assurance were “to enhance completeness and credibility of CSR reporting” (mean: 4.6) and “to build trust with stakeholders” (4.6). “To enhance the robustness of the accounting system” (4.4) and “to enhance the accuracy of quantitative data” (4.3) were also important drivers. However, “to mitigate stakeholder pressure” (3.3), “to attract new customers” (3.3) and “to keep up with competitors” (3.3) seemed less relevant to the decision of seeking sustainability assurance. The Chinese respondents indicated that “CEO/Board commitment” (4.0), “to enhance the accuracy of quantitative data” (4.0), “to enhance completeness and credibility of CSR reporting” (4.0), “to comply with industrial, national and international regulations” (4.0), “to build trust with stakeholders” (4.0), and “to attract new customers” (4.0) were equally important. However, “to mitigate stakeholder pressure” (3.0) seemed less relevant to the decision of seeking sustainability assurance.

The results indicated that sustainability assurance was primarily used to ensure data accuracy and thus enhance the credibility of CSR reporting and build trust with stakeholders. In line with Kostova *et al.* (2008)’s basic neo-institutional tenets (organisational field, isomorphism, decoupling, and *legitimacy*) and Simoni *et al.* (2020), this evidence revealed that sustainability assurance was primarily used to maintain sound relations with stakeholders, gain legitimacy, and signal sustainability performance. It provided corporate management and directors with confidence in publishing CSR information. Moreover, the results showed that the companies were under less pressure from regulations, competitors, and other stakeholders in adopting sustainability assurance. This was related to the fact that sustainability assurance remained a voluntary practice in both the UK and China, as discussed in Section 2.4 Research Contexts.

Table 5.1 Motivation for Sustainability Assurance Adoption⁹⁶

Survey One Results			
Question 15: How important are each of the following factors to your company in deciding to seek external assurance for CSR reporting?	UK (n=7)	Question 15: How important are each of the following factors to your company in deciding to seek external assurance for CSR reporting?	China (n=2)
	Mean		Mean
To build trust with stakeholders	4.6	CEO/Board commitment	4.0
To enhance the completeness and credibility of CSR reporting	4.6	To attract new customers	4.0
To enhance the robustness of the accounting system	4.4	To build trust with stakeholders	4.0
To enhance the accuracy of quantitative data	4.3	To comply with industrial, national and international regulations	4.0
CEO/Board commitment	4.1	To enhance the accuracy of quantitative data	4.0
To comply with industrial, national and international regulations	3.6	To enhance the completeness and credibility of CSR reporting	4.0
To stay ahead of potential future regulatory requirements	3.6	To enhance the robustness of the accounting system	3.5
To keep up with competitors	3.3	To keep up with competitors	3.5
To attract new customers	3.3	To stay ahead of potential future regulatory requirements	3.5
To mitigate stakeholder pressure	3.3	To mitigate stakeholder pressure	3.0

Source: Author.

⁹⁶ For detailed results please see Appendix 5.

Drawing on DiMaggio and Powell (1983) and De Villiers and Alexander (2014), the companies' sustainability assurance decisions were less driven by coercive isomorphism and mimetic isomorphism, due to the lack of governmental requirements on sustainability assurance, stakeholder pressures, and peer pressure.

The responses to Survey Two also revealed the motivation for sustainability assurance adoption. Table 5.2 shows the factors driving reporting companies to adopt sustainability assurance, from the perspectives of sustainability assurance providers, accounting professional bodies, and corporate reporting experts. The results indicated that the top driver was "management/Board commitment" (4.4). "Enhancing reputation" (4.2) and "enhancing the credibility of CSR reporting" (3.9) were also important drivers. However, "mitigating the pressure from stakeholders" (3.3) and "staying ahead of potential future regulatory requirements" (3.4) seemed the less popular reasons.

These results were in line with what was observed in Survey One (Table 5.1). Reporting companies adopted sustainability assurance to enhance the credibility of CSR reporting, manage corporate reputation, and fulfil management/Board commitment, and thus to gain legitimacy in their institutional environments (Kostova *et al.*, 2008). However, the companies faced less pressure from coercive isomorphism (regulatory requirements and stakeholder demands) (De Villiers and Alexander, 2014; DiMaggio and Powell, 1983) in terms of sustainability assurance adoption.

Table 5.2 The Motivation for Adopting Sustainability Assurance

Survey Two Results	
Question 1: How important are each of the following factors in driving a reporting company's adoption of CSR assurance?	Mean (n=18)
Management/Board commitment	4.4
Enhancing reputation	4.2
Enhancing the credibility of CSR reporting	3.9
Compliance with national/international/industrial regulations	3.8
Enhancing corporate transparency	3.8
Keeping up with competitors	3.7
Enhancing stakeholder accountability	3.6
Staying ahead of potential future regulatory requirements	3.4
Mitigating the pressure from stakeholders	3.3

Source: Author.

The responses Survey One further revealed that some of the drivers for sustainability assurance were similar to those for CSR reporting. Table 5.3⁹⁷ shows the motivation for adopting CSR reporting. The UK respondents perceived “CEO/Board commitment” (4.6), “to increase visibility to stakeholders” (4.4), and “to enhance the company’s reputation” (4.3) as key drivers. Also, regulatory compliance was an important driver, with “to comply with national, international or industrial regulations” scoring 4.1. However, “To keep up with competitors” (2.9) and “To attract new customers” (3.4) seemed the least popular reasons. The Chinese respondents perceived “CEO/Board commitment” (4.3), “to enhance corporate transparency” (4.3), and “to enhance the company’s reputation” (4.1) as key drivers. Also, regulatory compliance was an important driver, with “to comply with national, international or industrial regulations” and “to stay ahead of potential future regulatory requirements” scoring 4.0. Additionally, “to increase visibility to stakeholders” (4.0) and “to meet the expectation of existing customers” (4.0) were important. However, “to mitigate the pressure from stakeholder groups” (3.1) and

⁹⁷ Among the 13 UK respondents stating that they currently disclose CSR information, 11 of them completed Section 2 and 3 of Survey One. Two UK respondents failed to complete the sections because an incorrect skip logic was followed.

“to mitigate the impacts of negative events” (3.4) seemed the least popular reasons.

The results showed that CSR reporting played an important role in enhancing corporate reputation and increasing visibility to stakeholders. Therefore, the companies adopted CSR reporting to gain their legitimacy and survival capabilities (Kostova *et al.*, 2008). Furthermore, CSR information disclosure was regarded as a CEO/Board commitment. The companies adopted CSR reporting to fulfil the commitment. However, it was unclear to whom the commitment was. This question could be further explored in semi-structured interviews.

The results further revealed that the companies published CSR reports to respond to relevant governmental requirements, pointing to an element of coercive isomorphism (DiMaggio and Powell, 1983). The coercive isomorphism was related to the pressure from increasing CSR reporting requirements within both the UK and China. Notably, as mentioned in Section 2.4 Research Contexts, the UK features growing momentum towards mandatory disclosures of certain types of sustainability information, which continuously drives the sustainability reporting level (KPMG, 2020). The growing momentum towards mandatory sustainability disclosures may further drive UK companies to adopt sustainability assurance. This point is elaborated in Chapter Six.

Table 5.3 Motivation for CSR Reporting Adoption⁹⁸

Survey One Results			
Question 5: How important are each of the following reasons in driving your company's adoption of CSR reporting?	UK (n=11)	Question 5: How important are each of the following reasons in driving your company's adoption of CSR reporting?	China (n=8)
	Mean		Mean
CEO/Board commitment	4.6	CEO/Board commitment	4.3
To increase visibility to stakeholders	4.4	To enhance corporate transparency	4.3
To enhance the company's reputation	4.3	To enhance the company's reputation	4.1
To comply with national, international or industrial regulations	4.1	To comply with national, international or industrial regulations	4.0
To enhance corporate transparency	4.0	To increase visibility to stakeholders	4.0
To integrate CSR practices into business strategy	4.0	To meet the expectation of existing customers	4.0
To mitigate the impacts of negative events	4.0	To stay ahead of potential future regulatory requirements	4.0
To mitigate the pressure from stakeholder groups	3.8	To integrate CSR practices into business strategy	3.9
To meet the expectation of existing customers	3.6	To keep up with competitors	3.8
To stay ahead of potential future regulatory requirements	3.6	To attract new customers	3.5
To attract new customers	3.4	To mitigate the impacts of negative events	3.4
To keep up with competitors	2.9	To mitigate the pressure from stakeholder groups	3.1

Source: Author.

⁹⁸ For detailed results please see Appendix 6.

Table 5.4 Benefits and negative repercussions of CSR reporting adoption

Survey One Results				
	UK (%) (n=11)		China (%) (n=8)	
Question 6: Please select THREE of the most relevant benefits to your company of adopting CSR reporting.	Building trust	63.6%	Building trust	100.0%
	Enhancing reputation	63.6%	Facilitating stakeholder engagement	75.0%
	Establishing a better risk-identification and value creation process	54.5%	Enhancing reputation	37.5%
	Reflecting broader stakeholder accountability	45.4%	Establishing a better risk-identification and value creation process	37.5%
	Facilitating stakeholder engagement	36.4%	Reflecting broader stakeholder accountability	37.5%
	Other	27.3%	Attracting the best staff	0.0%
	Attracting the best staff	9.1%	Mitigating negative publicity	0.0%
	Mitigating negative publicity	0.0%	Reducing compliance cost	0.0%
	Reducing compliance cost	0.0%	Other	0.0%
Notes: Other: (1) “meeting major customers' requirement” (UK-8); (2) “Expressing what the company really is about with our own words and not the statutory financial reporting limitations” (UK-14); (3) “For external benchmarks and indices reliant on published data” (UK-15).				
Question 7: Has your company’s CSR reporting triggered any negative internal or external repercussions?	Yes	9.1%	Yes	12.5%
	No	72.7%	No	87.5%
	Not sure	18.2%	Not sure	0.0%
Notes: (1) Negative repercussion: “unnecessary confusion because of lacking knowledge about the reporting process” (CN-2).				

Source: Author.

Understanding the benefits that a company perceives in adopting CSR reporting may help non-reporting companies in their decisions to adopt CSR reporting in the future (Thorne *et al.*, 2014). Table 5.4 shows responses to the question “the most relevant benefits to your company of adopting CSR reporting”. Respondents were asked to select three from the listed elements or stated other benefits they had observed.

The UK respondents indicated that “building trust” (63.6%) and “enhancing reputation” (63.6%) were the most important perceived benefits. “Establishing a better risk-identification and value creation process” (54.5%) and “reflecting broader stakeholder accountability” (45.4%) were also relevant benefits. Some UK respondents selected “facilitating stakeholder engagement” (36.4%) and “attracting the best staff” (9.1%). One respondent commented that CSR reporting was made “for external benchmarks and indices reliant on published data” (UK-15). It helped “meeting major customers’ requirement” (UK-8). UK-14 commented that CSR reporting expressed “what the company really is about” in a company’s “own words and not the statutory financial reporting limitations”. The Chinese respondents indicated that “Building trust” (100.0%) was the most important perceived benefit. “Facilitating stakeholder engagement” (75.0%) was also a relevant benefit. Some Chinese respondents also highlighted “enhancing reputation” (37.5%), “establishing a better risk-identification and value creation process” (37.5%), and “reflecting broader stakeholder accountability” (37.5%).

Combining with the results in Table 5.2, “enhancing reputation” was both a significant driver and perceived benefit of adopting CSR reporting. This evidence indicated that the companies regarded CSR reporting as an essential mechanism to manage corporate reputation/impression (Miles and Ringham, 2020; Pflugrath *et al.*, 2011) and gain legitimacy (Kostova *et al.*, 2008).

Table 5.3 further shows that most UK respondents (72.7%) did not observe any

negative repercussions from adopting CSR reporting. Only one UK respondent noted that there had been negative repercussions in the past. Most Chinese respondents (87.5%) did not observe any negative repercussions. Only one Chinese respondent (12.5%) stated negative repercussions and commented that people might have “unnecessary confusion because of lacking knowledge about the reporting process” (CN-2). Therefore, there was minimal, if any, negative repercussion from adopting CSR reporting. The results showed that adopting CSR reporting generated various benefits but minimal negative impacts. The benefits may drive companies to continue the reporting practice.

In summary, in the adoption of CSR reporting and sustainability assurance, the intention to enhance corporate reputation appeared an essential driver. Drawing on Kostova *et al.* (2008), the companies adopted CSR reporting and sustainability assurance in their institutional environments not necessarily for efficiency, but rather for enhancing their legitimacy. The legitimacy was achieved primarily through isomorphism, particularly coercive isomorphism (increasing CSR reporting requirements) (DiMaggio and Powell, 1983; De Villiers and Alexander, 2014; Kostova *et al.*, 2008).

Table 5.5 Reasons for not Seeking Sustainability Assurance

Survey One Results			
Question 25: Why does your company currently choose not to assure CSR information disclosed? Please choose THREE of the most relevant reasons.	UK (%) (n=4)	Question 25: Why does your company currently choose not to assure CSR information disclosed? Please choose THREE of the most relevant reasons.	China (%) (n=6)
Has used other methods to ensure the credibility of the reports	100.0%	No legal requirement	66.7%
No legal requirement	75.0%	Has used other methods to ensure the credibility of the reports	33.3%
No perceived benefit	25.0%	Too costly	33.3%
No stakeholder pressure	25.0%	Lack of relevant knowledge	16.7%
Lack of relevant knowledge	0.0%	Other	16.7%
Other	0.0%	No perceived benefit	0.0%
Too costly	0.0%	No stakeholder pressure	0.0%
Too much time and effort	0.0%	Too much time and effort	0.0%
Notes: (1) “Has used other methods to ensure the credibility of the reports”: “the company’s current reporting process is robust so that the reliability and accuracy of the data disclosed can be ensured” (CN-1). (2) “Other”: “there is no demand for third-party assurance” (CN-2).			

Source: Author.

The responses to Survey One further showed that of the companies that disclosed CSR information, four UK companies did not seek sustainability assurance. Table 5.5 shows the reasons. All the UK respondents stated that they had “used other methods to ensure the credibility of the reports”. Three UK respondents (75.0%) stated that there was “no legal requirement” of having CSR disclosures assured. 25.0% of the respondents stated that there was “no stakeholder pressures” pushing the company to do so. 25.0% did not recognise the benefit of sustainability assurance. Six Chinese companies disclosed CSR information but did not seek sustainability assurance. Table 5.5 shows that the top reason was “no legal requirement” (66.7%). 33.3% of the Chinese respondents also stated that sustainability assurance was “too costly”. Additionally, CN-1 and CN-3 had “used other methods to ensure the credibility of the reports”. CN-1 commented that “the company’s current reporting process is robust so that the reliability and accuracy of the data disclosed can be ensured”. Moreover, CN-6 indicated the “lack of relevant knowledge” about sustainability assurance. CN-2 selected “other” and commented that “there is no demand for third-party assurance”.

The responses indicated that the UK companies were not motivated to seek sustainability assurance because they faced less pressure from regulators, policymakers, and other stakeholder groups. Also, they did not consider sustainability assurance beneficial. Moreover, they had used other mechanisms to ensure the credibility of CSR disclosures, such as internal audit, robust internal control system, and expert review. Therefore, these UK companies had limited demand for sustainability assurance. The responses also revealed the Chinese companies’ limited demand for sustainability assurance due to the absence of legal requirement, high assurance cost, and the lack of knowledge.

None of the four UK and six Chinese companies had adopted sustainability assurance practice before. When being asked “how likely is it that your company

will purchase CSR assurance service in the future” (Question 28 in Survey One), three UK respondents (75.0%) stated that they were “not sure”, and one UK respondent (25.0%) selected “not very likely”. One Chinese respondent (16.7%) stated “very likely”, three (50.0%) stated “somewhat likely”, and two (33.3%) selected “not very likely”.

In summary, the results revealed a lack of pressure from coercive isomorphism (particularly from legal requirements) (DiMaggio and Powell, 1983) driving the companies to adopt sustainability assurance. The responses indicated that the companies currently not adopting sustainability assurance would only adopt it if they were required to do so. Drawing on De Villiers and Alexander (2014), coercive isomorphism is the primary driver of adopting sustainability assurance at a formative phase of the institutionalisation of the assurance field. The findings point to the demand for legal requirements regarding the assurance of CSR reporting. Moreover, the results revealed that the high assurance cost discouraged some companies from adopting sustainability assurance. They thought that sustainability assurance was costly without perceived benefits. The high assurance fee is an essential factor influencing companies’ sustainability assurance decisions. This point is further elaborated in Chapter Six.

It is also worth noting that UK-9, UK-11, CN-9, and CN-10 stated that they did not disclose CSR information. Following the skip logic of Survey One, they answered questions in Section 5 (for details see Appendix 3). They were asked to select three of the most relevant reasons explaining why they did not report CSR information. The UK respondents indicated that there was “no legal requirement” (100.0%) and “no stakeholder pressure” (100.0%) to disclose CSR information. Other reasons included “no perceived benefit (50.0%) and “too much time and effort” required (50.0%). The Chinese respondents selected “CSR is not a high enough priority” (100.0%), “no perceived benefit” (100.0%), “no legal requirement” (50.0%), and “no

stakeholder pressure” (50.0%). None of the respondents disclosed CSR information in the past. Moreover, UK-9, UK-11, and CN-9 stated that they were “somewhat likely” to adopt CSR reporting in the future. CN-10 selected “not sure”.

The results indicated that UK-9, UK-11, CN-9, and CN-10 were under less pressure from stakeholder groups and legal requirements in adopting CSR reporting. Moreover, they thought CSR reporting was costly without perceived benefits. Furthermore, CN-9 and CN-10 did not consider CSR as a priority for their business. Drawing on previous literature, company size is positively related to CSR reporting adoption (Ali *et al.*, 2017; Brammer and Pavelin, 2008; Bouten *et al.*, 2011; Chih *et al.*, 2010; Hou and Reber, 2011; Reverte, 2009). CSR reporting requires additional resources, time, and effort, which small companies can hardly afford (Brammer and Pavelin, 2006; Dienes *et al.*, 2016). Given that UK-9, UK-11, CN-9, and CN-10 were small and unlisted companies, they were less motivated to adopt CSR reporting as they faced less pressure from regulators, policymakers, and other stakeholder groups. Also, they viewed CSR reporting as costly without apparent payback. Cost is an essential factor influencing companies’ decisions to adopt CSR reporting and assurance practice. This point is further elaborated in Chapter Six. Notably, with CSR reporting becoming increasingly prevalent and regulated, small and unlisted companies may also consider adopting it in the future.

5.3 Challenges to Sustainability Assurance Practice

The responses to Survey Two revealed challenges to sustainability assurance practice from the perspectives of sustainability assurance providers, accounting professional bodies, and corporate reporting experts. The challenges included limited budget for assurance fee, the selection of assurance scope, and the vague boundaries between auditing, other assurance, and non-assurance services.

The limited budget for assurance fee was regarded as the most significant limitation

in sustainability assurance. Table 5.6 shows how significant is each of the listed limitations in sustainability assurance. The results indicated that the most significant limitation was “limited budget for assurance fee” (3.6). Also, “the lack of stakeholder engagement in the assurance process” (3.5) and “the lack of generally accepted CSR reporting criteria/standards/guidelines” (3.4) were also significant. However, “simplified assurance procedures” (2.9) was perceived as a less significant limitation. “Limited assurance level” (2.8) was the least significant limitation.

Table 5.6 Limitations in Sustainability Assurance

Survey Two Results	
Question 4: How significant is each of the following limitations in sustainability assurance engagements?	Mean (n=18)
Limited budget for assurance fee	3.6
The lack of stakeholder engagement in the assurance process	3.5
The lack of generally accepted CSR reporting criteria/standards/guidelines	3.4
The lack of generally accepted CSR assurance standards	3.2
Limited assurance scope	3.2
Various data measurement techniques	3.0
Simplified assurance procedures	2.9
Limited assurance level	2.8

Source: Author.

The limited budget for assurance fee was further regarded as the most significant challenge in improving the quality of sustainability assurance engagements. As Table 5.7 shows, the most significant challenge was the “limited assurance practitioner’s fee” (3.5). “The difficulty of determining the materiality level of non-financial data” (3.5) and “the difficulty of gathering appropriate evidence due to deficient internal control systems” (3.4) were also perceived as significant. Other challenges included “the difficulty of assessing the completeness of CSR reporting” (3.3) and “the difficulty of involving external stakeholder groups” (3.3). However, challenges such as “the difficulty of expanding assurance scope” (2.9) and “the lack of skilled assurance practitioners” (2.9) were less concerned. Combining the results shown in Table 5.6 and Table 5.7, the issue of limited assurance fee was perceived as both a

limitation and challenge of current sustainability assurance practice.

Table 5.7 Challenges in Improving Assurance Quality

Survey Two Results	
Question 5: How significant are each of the following challenges in improving the quality of sustainability assurance practice?	Mean (n=18)
Limited assurance practitioner's fee	3.5
The difficulty of determining the materiality level of non-financial data	3.5
The difficulty of gathering appropriate evidence due to deficient internal control systems	3.4
The difficulty of involving external stakeholder groups	3.3
The difficulty of assessing the completeness of CSR reporting	3.3
The difference between reasonable and limited assurance	3.2
The absence of generally accepted CSR assurance standards	3.1
The demand for multi-disciplinary assurance teams	3.0
The difficulty of finding reliable assurance evidence on non -financial data	3.0
The difficulty of expanding assurance scope	2.9
The lack of skilled assurance practitioners	2.9

Source: Author.

The respondents thought that CSR reporting companies' investment in sustainability assurance was generally limited. Drawing on Boiral *et al.* (2019b), the limited budget for assurance fees would generate commercial pressures on assurance providers. Given the client-service provider relationship between CSR reporting company and assurance provider, the negotiation of the assurance service is under pressure to lower assurance fee and keep the client satisfied (Boiral *et al.*, 2019b). Further, the low assurance fee means that resources invested in the assurance engagement would be restricted. The assurance provider could merely provide limited assurance, assure selected CSR data, use more of analytical, rather than substantial, assurance procedures, and interview/consult limited number of stakeholders (mainly managers and staff members responsible for CSR reporting). Therefore, the limited budget for assurance fee restricts the depth of the assurance process and thus undermines the quality of the assurance exercise. Assurance fee is an essential factor influencing CSR reporting companies' sustainability assurance decisions (including decisions to adopt sustainability assurance, select assurance scope, and choose assurance

provider). This point is further elaborated in Chapter Six.

The selection of assurance scope was another challenge to sustainability assurance practice, which was reflected in two aspects. First, the scope of an assurance engagement was determined by corporate managers/directors rather than stakeholder groups. Table 5.8 shows that having a “discussion with the sustainability managers/directors of the reporting company” (4.2) was the most important procedure in determining an assurance engagement scope. “Views of the key stakeholders of the reporting company” (3.8) and “discussion with the Audit Committee of the reporting company” (3.8) were regarded as less important procedures.

Given the client-service provider relationship between CSR reporting company and assurance provider, the latter tend to keep the former satisfied (Boiral *et al.*, 2019b). In planning an assurance engagement and determining the assurance scope, the assurance provider effectively responds to the demand of corporate managers/directors. Drawing on O’Dwyer and Owen (2005), the corporate managers/directors can restrict the assurance scope and control the assurance process by selecting assured data for their own sake. For example, they can intentionally avoid selecting data that are inaccurate or made up. Consequently, it would be less likely for the assurance provider to discover or report problematic issues in the client’s CSR reporting. The client can easily obtain an unqualified assurance opinion affirming the credibility of their CSR reporting. Therefore, the narrow-scoped and manipulated assurance exercise undermines assurance quality and points to the symbolic nature of current sustainability assurance practice.

Table 5.8 Determining the Assurance Scope

Survey Two Results	
Question 2: How important are each of the following in determining the scope of an assurance engagement?	Mean (n=18)
Discussion with the sustainability managers/directors of the reporting company	4.2
Views of the key stakeholders of the reporting company	3.8
Discussion with the Audit Committee of the reporting company	3.8

Source: Author.

Second, there were difficulties in establishing a robust materiality process for the scoping of sustainability assurance engagements. One respondent left the following comment:

“Establishing an effective scope of CSR reporting assurance is critical. Using a robust materiality process and the material issues as a basis for a rolling assurance program represents an effective approach.”

This opinion pointed to the importance of materiality assessment in effectively setting up the assurance scope. However, the key findings of Study One (discussed in Chapter Four) revealed that the process of materiality assessment was generally missing in the assurance engagements and not specified in the final assurance statements. Previous literature points out difficulties in assessing the materiality in sustainability assurance “characterised by ambiguous qualitative data” and “unsupported by environments suited to financial audit techniques” (Canning *et al.*, 2019, p.2). Moreover, the development of criteria/guidance assisting the materiality assessment of narrative CSR information is limited (Canning *et al.*, 2019; Cohen and Simnett, 2015; O’Dwyer, 2011). Therefore, although “a robust materiality process” represents an effective approach for establishing sustainability assurance scope, there are difficulties in achieving it in practice.

The vague boundaries between auditing, other assurance, and non-assurance services were also regarded as challenge to sustainability assurance practice. Table 5.9 shows how concerned are the respondents regarding the listed ethical issues within sustainability assurance practice. The results showed that “the boundaries between auditing, other assurance and non-assurance services” (3.4) was the most concerning issue. Specifically, the ambiguity between sustainability assurance and consulting services is reflected in three situations, as discussed in Section 2.2.2.5. First, a sustainability assurance provider is effectively assuring their own work while involved in preparing and verifying the same reporting process. Second, a sustainability assurance provider also provides other consulting services to a client bringing in a substantial stream of revenue or concerned with the work being verified. Third, the combination of a consultancy function with a separate assurance exercise.

The first situation points to a self-review threat to assurance provider independence due to the apparent difficulty of maintaining objective (Boiral and Gendron, 2011; Boiral *et al.*, 2019b; Sharma and Sidhu, 2001). The second situation points to a self-interest threat (from a fear of losing important clients) to assurance provider independence. In the third situation, the integrity of the assurance exercise is compromised (Cooper and Owen, 2014) as the assurance provider is perceived as having “dual identities” (an assessor/data verifier and a consultant/service provider) (Channuntapipat, 2021, p.784). Overall, the vague boundaries between auditing, other assurance, and non-assurance services can cause a potential conflict of interest and threaten assurance provider independence (Boiral *et al.*, 2019b).

Table 5.9 Ethical Issues within the Sustainability Assurance Practice

Survey Two Results	
Question 3: How concerned are you in respect of each of the following independence or ethical issues related to sustainability assurance engagements?	Mean
The boundaries between auditing, other assurance, and non-assurance services	3.4
The rigour of the verification process	3.3
Competitive and commercial pressures on assurance providers	3.3
Familiarity with reporting companies	2.7

Source: Author.

Table 5.9 further shows that “The rigour of the verification process” (3.3) and “competitive and commercial pressures on assurance providers” (3.3) were also concerned. Drawing on Boiral *et al.* (2019b), these ethical issues were interrelated and further related to “familiarity with reporting companies” (2.7). The competition between assurance providers leads to the pursuit of commercial objectives, customer satisfaction, and comfort in the assurance process (Boiral *et al.*, 2019b). Under competitive pressure, assurance providers tend to develop familiarity with their clients. The familiarity threatens their professional scepticism and critical thinking, which further undermines the rigour of the assurance process and the possibility for the assurance providers to discover and report problematic issues in their clients’ CSR reporting. Therefore, all the ethical issues cast doubt about assurance provider independence and undermine the quality of sustainability assurance engagements.

5.4 Conclusion

This chapter discussed the results of Study Two, two surveys investigating the sustainability assurance practice in the UK and Chinese contexts. The analysis of the survey results focused on (1) the motivation for sustainability assurance adoption, and (2) challenges to sustainability assurance practice. The discussion of the key findings was kept concise in this chapter, given the small number of questionnaire responses returned.

The questionnaire responses revealed that the intention to ensure data accuracy and build trust with stakeholders drove the CSR reporting companies to adopt sustainability assurance. This pointed to a legitimacy motive for sustainability assurance adoption (Kostova *et al.*, 2008; Simoni *et al.*, 2020). Moreover, the companies were less driven by pressures from regulations, competitors, and stakeholder groups, indicating less pressures from coercive isomorphism and mimetic isomorphism in sustainability assurance adoption. This was related to the fact that sustainability assurance remained a voluntary practice in both the UK and China. The results highlighted the essential role of governmental requirements in driving the adoption of sustainability assurance. Furthermore, the questionnaire responses indicated that the companies published CSR reports to enhance corporate reputation and increase visibility to stakeholders. Therefore, similar to the adoption of sustainability assurance, the adoption of CSR reporting was also driven by the legitimacy motive. Notably, the pressure from governmental requirements was another key driver of CSR reporting. The growing momentum towards mandatory sustainability disclosures tends to drive both the reporting and assurance level. This point is further elaborated in Chapter Six.

The results also revealed challenges to sustainability assurance practice from the perspectives of sustainability assurance providers, accounting professional bodies, and corporate reporting experts, including limited budget for assurance fees, the selection of assurance scope, and the vague boundaries between auditing, other assurance, and non-assurance services. The limited budget for assurance fee would generate commercial pressures on assurance providers (Boiral *et al.*, 2019b) and restrict resources invested in assurance engagements, thus restricting the depth of the assurance process and undermining the quality of the assurance exercise. Moreover, the selection of assurance scope by corporate managers/directors would lead to narrow-scoped, manipulated, and symbolic assurance exercise. Also, there were difficulties (including the ambiguity of qualitative data, the lack of techniques, and

the absence of guidance for materiality assessment in sustainability assurance). Furthermore, the vague boundaries between auditing, other assurance, and non-assurance services, intertwined with the lack of rigour of assurance process, competitive and commercial pressures on assurance providers, and familiarity with reporting companies, would cause ethical issues that potentially threaten assurance provider independence and undermine the quality of sustainability assurance engagements. Notably, assurance fee is an essential factor influencing CSR reporting companies' sustainability assurance decisions (including the adoption of sustainability assurance, the selection of assurance scope, and the choice of assurance provider). The scoping of sustainability assurance engagements and independence of assurance providers are important elements influencing the quality of sustainability assurance exercise and reflecting the degree of managerial capture in the assurance process. These points are further elaborated in Chapter Six (the analysis of interview data).

The limitations of Study Two should not be ignored. The findings from Study Two is subject to a very small sample. Consequently, little can be generalised from such a small sample. The limitations of Study Two are discussed in detail in Chapter Seven Conclusion. However, given that the findings of Study Two complement the findings of Study One and inform the design of Study Three (as explained in 5.1 Introduction), they are considered beneficial. The next chapter discusses the key findings of Study Three.

CHAPTER SIX

SUSTAINABILITY ASSURANCE: CONTEXTS, DECISIONS, AND MANAGERIAL CAPTURE

6.1 Introduction

This chapter discusses key findings of Study Three, based on a thematic analysis of 33 semi-structured interviews with UK and Chinese CSR reporting directors/managers, sustainability assurance providers, CSR consultants, and CSR/sustainability experts. It addresses RQ1 (*what are the institutional factors that influence companies' sustainability assurance decisions in the UK and China?*) and RQ2 (*what are the institutional factors that influence the quality of sustainability assurance?*).

As noted in Chapter Three (Section 3.5.3 and Figure 3.4), the analysis of the interview data is based on five themes: (1) Theme 1: CSR reporting and assurance: awareness, motivation, and future direction, (2) Theme 2: CSR reporters' understanding of CSR reporting, (3) Theme 3: the choice of assurance provider, (4) Theme 4: assurance approach, managerial control, and assurance providers' conservatism, and (5) Theme 5: the independence of assurance provider. The coding scheme (derived from Figure 3.4) and key findings for each specific code arising from the interview data are summarised in Appendices 9 and 10.

The first part of this chapter focuses on the context of sustainability assurance and reveals interviewee perspectives on CSR reporting practice in the UK and China. It indicates how different types of institutional forces influence the development of CSR reporting. It also reveals that the UK and Chinese companies are at different phases in terms of the development of CSR reporting, which further impacts the

companies' sustainability assurance decisions.

The second part of the discussion focuses on sustainability assurance decisions and explores the motivation for sustainability assurance adoption and the choice of sustainability assurance providers. The interview findings explain the difference between the UK and China N100 in terms of sustainability assurance rates (a key finding of Study One, Chapter Four). The findings also shed lights on how accounting assurance providers (Big-four firms) and non-accounting assurance providers institutionalise sustainability assurance while competing against each other.

The third part of the discussion focuses on the managerial capture in sustainability assurance process. The managerial capture is reflected in several limitations of sustainability assurance engagements, in line with what has been found in Study One (Chapter Four). The interview data further indicates how the limitations undermine the quality of sustainability assurance.

The final section of this chapter summarises the key findings of Study Three, answers RQ1 and RQ2, and elaborates practical implications.

6.2 The Context of Sustainability Assurance

This section discusses interviewee perspectives on CSR reporting practice in the UK and China, respectively. Perspectives on this emerged through questions posed about the motivation for CSR reporting, the reporting process, difficulties and challenges, and future direction. Responses to these questions were categorised and analysed under Theme 1: CSR reporting and assurance: awareness, motivation, and future direction and Theme 2: The process of CSR reporting. The interviewee perspectives on CSR reporting practice formed the setting for sustainability assurance in the UK and Chinese contexts, so that the sustainability assurance practice could be fully

analysed and understood. For example, the motivation for CSR reporting is related to the motivation for sustainability assurance (as also noted in Study Two, Chapter Five). A company's attitude towards CSR reporting influences its sustainability assurance decision. How the company managing the process of CSR reporting also influences its sustainability assurance decision. The details are discussed below.

6.2.1 CSR Reporting Practice: UK Evidence

The UK interviewees identified the reasons for the UK companies' adoption of CSR reporting. The data revealed that the adoption of CSR reporting was driven by a combination of coercive pressures, normative isomorphism, and internal contextual factors.

As noted in Chapter Two, coercive drivers originate from external pressures from institutions a company is dependent on (De Villiers and Alexander, 2014; DiMaggio and Powell, 1983), such as regulations and governmental requirements. UK-FIN-1-(2) noted that corporate responsibility activities were becoming regulated:

“Some of the corporate responsibility activities are now becoming a bit more regulated than they were before ... Five years ago, we did not have a legal requirement to disclose information on human rights or community or people etc. but now we do ... So there is ... also an element of compliance to it.”

(Group Sustainability Analyst, UK-FIN-1-(2)).

In response to increasing legislation, companies were “making sure that they are ahead of the curve” (UK-EXP-1-(1)). However, UK-EXP-1-(1) noted that legislation was no longer the primary driver of CSR reporting, as there was a growing awareness that if corporations were not transparent, others would not “see them in the light that they want to be seen” (UK-EXP-1-(1)). Companies also faced pressures from

stakeholders and societal expectations to disclose CSR information and enhance organisational transparency.

“From a stakeholder perspective, there was an expectation for us to be communicating this stuff very clearly ... we were slightly ahead of the curve because these days we had a huge amount of requests from clients [and] investors for information on things like our gender diversity and our carbon footprint.” (Sustainability Program Manager, UK-OTH-1-(1)).

“This is really relevant and important for our business ... to give an example based on our TCFD disclosure ... 20% of our wholesale lending business as the global banking markets for corporate banking is to higher carbon sectors ... we want to help our customers through that transition and support them buy sustainable finance products and services.” (Chief Financial Officer: Sustainable Finance, UK-FIN-2-(1)).

In response to the growing information demand of stakeholder groups, including investors, clients, and customers, the companies' CSR reporting had to “be better ... more comprehensive and have more KPIs” (UK-OTH-1-(1)).

The data also revealed that the adoption of CSR reporting was driven by normative isomorphism. The proliferation of CSR reporting via normative isomorphism is revealed when management puts forward ideas originating from knowledge acquired from professions (Bhimani *et al.*, 2016) or when companies seek professional CSR reporting guidance from consultants (De Villiers and Alexander, 2014). The interviewees (UK-FIN-1-(1); UK-FIN-1-(2); UK-FIN-2-(1); UK-OTH-1-(1)) indicated that their companies had a sustainability/CSR team consisting of several full-time staff (internal experts). Simultaneously, the companies sought external

expertise to help with CSR management and reporting. Therefore, the practice of CSR reporting was internalised as a corporate norm within the UK sample. The evidence pointed to normative isomorphism and the internalisation of the CSR reporting process. Moreover, the diffusion of ideas and guidance from professional bodies manifested normative isomorphism. A typical example was implementing and institutionalising GRI reporting standards that underlined societal norms (De Villiers and Alexander, 2014; Nikolaeva and Bicho, 2011). UK-OTH-1's sustainability reports referred to selected GRI Standards and demonstrated adherence to the norms, pointing to normative isomorphism. Companies increasingly follow the GRI Standards because they think this is the right thing to gain legitimacy as responsible corporate citizens (De Villiers and Alexander, 2014; Nikolaeva and Bicho, 2011).

Apart from coercive (increasing regulations, stakeholder pressures, and societal expectations) and normative drivers (professionalisation and standardisation), the interviewees indicated some internal contextual factors influencing their CSR reporting adoption. First, the awareness and attitudes of board directors and top managers. UK-OTH-1-(1) noted that their previous CEO was always very connected to sustainability and global issues. This attitude was a solid driver to ensure that they were cutting the edge of taking a corporate stance on CSR issues:

“Our previous CEO, he was always very connected to sustainability and global issues like environmental change, gender, etc. So there was always a strong driver to make sure that we were ... behaving in the right way and changing our practices to be more progressive.” (Sustainability Program Manager, UK-OTH-1-(1)).

Second, a strong belief that corporation should be responsible and an internal desire

to demonstrate the relationship between the business and material CSR issues:

“Companies ... differ in their priority, but it ranges from the company believing that ... it has ... responsibility to society and to the economy [it] exists in ... therefore ... it wants to explain how that happens and why.” (Chair of the Supervisory Board, UK-EXP-1-(1)).

For example, UK-FIN-1-(1) said that they continuously reported on CSR due to their own desire to “actively tell a story around” responsible and sustainable business issues material to both their business and stakeholders (UK-FIN-1-(1)).

Consistent with Adams (2002), apart from external pressures, internal contextual factors also influence the extensiveness, quality, quantity and completeness of corporate social, environmental and ethical reporting. The CEO concerned about CSR issues had driven UK-OTH-1’s CSR reporting. This evidence indicated that while CSR is typically considered as a strategy for a company’s commercial interest (for example, corporate image building, brand promotion, and reputation risk management), it is not always the case (Hemingway and MacLagan, 2004; Mamic, 2005; Pedersen, 2006; Sánchez *et al.*, 2017). Senior managers can facilitate CSR projects and disclosures, address their personal moral concerns, and make a difference within an organisation (Hemingway and MacLagan, 2004). Moreover, CSR reporting serves organisations’ communication of values and belief internally and externally. Drawing on Christensen (1997) and Spence (2009), organisations need to first convince themselves by creating a desirable and responsible image internally before it can convince external audiences.

Asked the future direction of their CSR reporting practice, UK-FIN-1-(1), UK-FIN-1-(2), and UK-FIN-2-(1) responded that CSR issues would be further integrated into the whole business and CSR reporting would be further integrated into other types

of corporate reporting. Moreover, UK-FIN-1-(1) noted that more topical elements would be included in CSR management and disclosures, such as sustainable development goals (SDGs). He also highlighted the importance of “simplicity and easy access of CSR disclosures for more stakeholders” because the democratisation of information was “not just about availability” but “also whether or not a layperson is able to interpret that data” (UK-FIN-1-(1)). Consequently, UK-FIN-1 was making efforts to find more dynamic and lively ways to promote CSR information.

In summary, the UK interviewee perspectives on CSR reporting practice revealed that the adoption of CSR reporting was driven by a combination of coercive pressures, normative isomorphism, and internal contextual factors. Notably, legislation (an element of coercive isomorphism) was no longer the primary driver of CSR reporting. For the UK sample, the internalisation of norms (for example, a well-established CSR team and an internalised CSR reporting process) and values (for example, top managers’ attitudes towards sustainable development and CSR, a strong belief that corporation should be responsible, and an internal desire to address material CSR issues) also played an essential role in driving the CSR reporting practice. Drawing on De Villiers and Alexander (2014), the UK sample companies were at a maturing (not mature yet) phase of the development of CSR reporting, where the elements of normative and coercive isomorphism coexist. The maturing of CSR reporting practice within the UK companies influenced their sustainability assurance decisions. For example, with the CSR reporting practice maturing, the UK companies proactively adopted sustainability assurance, even though they were not required by regulations. Their sustainability assurance decisions were driven by other elements rather than requirements regarding assurance (an element of coercive isomorphism). The details are discussed in Section 6.3.1.

6.2.2 CSR Reporting Practice: Chinese Evidence

This section discusses Chinese interviewee perspectives on CSR awareness in China, the drivers of CSR reporting, and the management of CSR reporting. The perspectives on CSR reporting in the Chinese context formed the setting for sustainability assurance. The CSR awareness, drivers of CSR reporting, and management of CSR reporting indicated the Chinese companies' attitude towards CSR reporting, which further influenced their sustainability assurance decisions. The details are discussed below.

6.2.2.1 CSR Awareness

The data revealed that the CSR awareness in China featured considerable governmental influence, which was reflected in two aspects: (1) governmental signals promoting CSR reporting practice and (2) the pioneering role of SOEs in implementing CSR commitment and adopting CSR reporting practice.

All Chinese interviewees linked governmental signals with CSR awareness growth in China, indicating that Chinese policymakers promoted CSR awareness by requiring CSR reporting. CN-OTH-2-(1) noted that “for most Chinese companies, writing CSR reports is partly about disclosing information and partly about disseminating CSR awareness”. CN-MAN-2-(1) viewed CSR reporting as the start of CSR awareness awakening:

“In the past, many companies had implemented CSR activities but not necessarily in a systematic way. That is why SASAC decided to start with [requiring companies to compile] CSR reports.” (Head of Corporate Responsibility, CN-MAN-2-(1)).

CN-MAN-2-(1) further noted that they had gradually realised the importance of constructing a systematic CSR managing system after producing CSR reports for

years:

“By producing CSR reports, companies started to sort out their CSR managing system, because you do need a sound managing system to implement CSR reporting.” (Head of Corporate Responsibility, CN-MAN-2-(1)).

The leading role of SOEs in CSR further revealed the governmental influence on CSR awareness in China. CN-MAN-1-(1) saw Central Enterprises as “top SOEs”, which could “invest resources to meet the demand of the country, the people, and the society, regardless of the cost”. Due to their national governance role, Central Enterprises and other SOEs shoulder significant political responsibilities and play an essential role in China’s sustainable development progress. Moreover, some interviewees (CN-CON-2-(1); CN-ENE-1-(2); CN-ENE-3-(1); CN-EXP-2-(1); CN-MAN-1-(1)) noted that SOEs took the lead in CSR reporting and represented the best practice. Their adoption and dissemination of CSR reporting further promote CSR awareness in China.

Despite the continuing growth of CSR awareness, most interviewees appeared to have a superficial understanding of CSR. CN-ENE-1-(2) prioritised economic objective and noted that “a company needs to survive before building its social image”. Similarly, CN-MAN-2-(1) saw “the value maintenance and appreciation of state-owned assets” as the essential task for SOEs and stressed that they could not “prioritise philanthropy and ignore business profits”:

“For a company, especially for a Central Enterprise, the most important task is to ensure the value maintenance and appreciation of state-owned assets ... [We] cannot prioritise philanthropy and ignore business profits. We [should first] achieve economic development, and then give back to society.”

(Head of Corporate Responsibility, CN-MAN-2-(1)).

Moreover, CSR reporting was “a traditional and irreplaceable means of” promoting the corporate reputation and brand image (CN-MAN-2-(1)). It “summarised what a company had achieved in sustainable development” (CN-OTH-2-(1)) and helped the company to win the trust of stakeholder groups (CN-ENE-1-(1); CN-ENE-2-(1); CN-ENE-3-(1); CN-OTH-1-(1)). The evidence indicates that CSR is primarily viewed as philanthropy, and CSR reporting aims at enhancing corporate image. Furthermore, there was evidence that only positive information contributing to a favourable corporate image was disclosed and promoted:

“Each year, we do disclose some [negative information], but we dare not disclose more ... If much negative information goes out, it will definitely be exaggerated once disseminated. The CSR report will then lose its value in facilitating the communication between the company and the society.” (Manager of CSR reporting, CN-ENE-1-(2)).

Likewise, CN-OTH-1-(1) noted that they did “intentionally avoid [disclosing negative information] for sure” while producing a CSR report. Moreover, for any negative aspects disclosed, such as customer complaints, they would “tell another [positive] story accordingly to fix” their brand image (CN-OTH-1-(1)). CN-CON-1-(1) expressed that almost all Chinese companies’ CSR reports aimed at brand promotion and social image construction, which contained much irrelevant information. He added that few Chinese companies linked CSR reporting to corporate governance. “Both the people who write [CSR] reports and who assure the reports” did not take this practice seriously (CN-CON-1-(1)). CN-EXP-2-(1) was also critical of many Chinese companies’ indifference about CSR reporting and noted that they still had “no idea how to write a good CSR report”. She said that

“although the number of CSR reports published by Chinese companies” had increased, “the quality of the reports” remained at “a low level” (CN-EXP-2-(1)).

6.2.2.2 Drivers of CSR Reporting

All the Chinese interviewees agreed that the pressure from governmental and listing requirements was the primary factor driving Chinese companies to adopt CSR reporting. CN-ENE-3-(1) indicated the pressure from CSR requirements issued by SASAC:

“As a Central Enterprise, we started [to publish CSR reports] from the 2000s. SASAC had issued [CSR] recommendations [in 2008], and then many Central Enterprises started [to publish CSR reports] from that time.” (Manager of CSR reporting, CN-ENE-3-(1)).

CN-EXP-2-(1) linked Central Enterprises’ “excellent performance in CSR reporting” to SASAC’s years of “advocacy”:

“Central Enterprises’ excellent performance [in CSR reporting] is highly related to SASAC’s advocacy in recent years. Since their regulatory authority places a great emphasis on CSR reporting, Central Enterprises have to implement it, and achieve good results.” (Associate Head, CN-EXP-2-(1)).

Some interviewees⁹⁹ indicated that they published CSR reports annually in response to stock exchanges’ requirements. Notably, CN-EXP-2-(1) indicated that companies listed on HKEX faced stricter CSR/ESG reporting requirements than those listed on

⁹⁹ CHN-ENE-2-(1); CHN-FIN-1-(1); CHN-FIN-2-(1); CHN-FIN-3-(1); CHN-FIN-4-(1); CHN-OTH-1-(1); CHN-OTH-2-(1).

the Shanghai and Shenzhen Stock Exchanges:

“HKEX has mandatory [ESG reporting] regulations, whereas Shanghai and Shenzhen Stock Exchanges merely have voluntary guidelines. Companies listed on Shanghai and Shenzhen are subject to less regulatory constrain [in CSR reporting]. (Associate Head, CN-EXP-2-(1)).

Consequently, “compared with Chinese companies listed on HKEX, companies listed on Shanghai and Shenzhen [Stock Exchanges] generally report CSR at a lower quality level” (CN-EXP-2-(1)). In line with Yin *et al.* (2019), the quality of CSR reports issued by Chinese companies listed on HKEX is higher than that of reports issued by companies listed on the Shanghai and Shenzhen stock exchanges. Therefore, the findings imply that requirements drive CSR reporting adoption, and stricter requirements contribute to better CSR reporting. Furthermore, some interviewees (CN-ENE-1-(2); CN-FIN-1-(1); CN-MAN-1-(1)) predicted that CSR reporting would become mandatory in the future. Therefore, they kept reporting to stay ahead of potential regulations.

The adoption of CSR reporting was also related to pressure from other stakeholder groups, particularly investors. CN-CON-3-(1) noted that foreign institutional investors were increasingly caring about Chinese companies’ ESG performance:

“Foreign institutional investors have become increasingly caring about the ESG performance of Chinese companies ... Many rating agencies and indexes providers now design and measure ratings for listed companies, and then the institutional investors will make decisions based on the ratings.” (Project Manager, CN-CON-3-(1)).

CN-FIN-4-(1) also enhanced that many ESG rating agencies started to “collect and use companies’ publicly available information”, and if the companies did not “disclose CSR information”, they would “get low ratings”. She added that the value of CSR reports was gradually recognised since 2016, as more investors read them. There was also evidence that the adoption of CSR reporting was in response to pressure from the public, media, suppliers, and customers that preferred a favourable corporate social image (CN-ENE-2-(1); CN-EXP-2-(1); CN-OTH-2-(1)).

Peer pressure is another factor that drives CSR reporting adoption as the companies intend to keep up with their competitors (Nikolaeva and Bicho, 2011). It points to mimetic factors that drive companies to copy successful others’ practice within a new and uncertain field (Bhimani *et al.*, 2016; De Villiers and Alexander, 2014). CN-FIN-4-(1) said that their first CSR report was inspired by one competitor who had already published a CSR report in 2006:

“I remember at that time [i.e. in 2006], [a Chinese company in the Financials sector] had already produced its first CSR report. Then we thought: why can’t we also have one? Then, my manager and I studied and produced our first CSR report for the year 2006. It was published in 2007.” (Manager of CSR reporting, CN-FIN-4-(1)).

Some interviewees (CN-FIN-1-(1); CN-FIN-4-(1); CN-FIN-5-(1)) said that they were learning the best practice and experience from foreign competitors to ensure that they were closely following the latest trend in CSR reporting. Further, CN-OTH-2-(1) indicated that CSR reporting was an effective tool to communicate with existing and potential international business partners, facilitating CN-OTH-2’s international business strategy. CN-ENE-4-(1) said that CSR reporting was “an internationally recognised means of communication” and “a general norm and rule

of doing business globally”.

Apart from the external drivers noted above, there was evidence of internal factors driving CSR reporting adoption. CN-FIN-1-(1) and CN-OTH-1-(1) both noted that their chairmen’s positive attitude towards CSR reporting was crucial in adopting CSR reporting:

“Our chairman had advanced CSR awareness ... our company absorbed the experience and new ideas of corporate governance from international companies. Hence, attention was also paid to the production of CSR reports.” (Head of Public Relationship Department, CN-FIN-1-(1)).

“At that time, the Chairman ... placed a great emphasis on the company’s social image. In 2007, we planned to join [an industrial association] ... We paid serious attention to social image, and then published a CSR report.” (Head of Publicity Department, CN-OTH-1-(1)).

Likewise, CN-MAN-1-(1) stressed that “leaders’ attitude” was “overwhelming” in any corporate decision-making within Central Enterprises. The continuous publication of CSR reports would not be possible without “the support of the leaders” (CN-MAN-1-(1)). Moreover, the value of CSR reporting had been gradually recognised over the years. CN-ENE-1-(2) and CN-ENE-2-(1) noted that CSR reports enhanced organisational transparency, helping the public and society understand a company better. CN-ENE-3-(1) said that their annual CSR report was reviewed by the CSR Board Committee, which influenced board directors and senior managers’ decision-making. CN-MAN-2-(1) noted that employees’ self-awareness, loyalty, and dedication were enhanced through regularly engaging in CSR activities and reading CSR reports. Thus, CSR reporting “contributed to a growing CSR awareness

within the company” (CN-MAN-2-(1)).

6.2.2.3 CSR Management and Reporting

Most Chinese interviewees indicated that they did not have a separate department in charge of CSR. Instead, the duty was allocated to a “relevant” department¹⁰⁰, such as the Corporate Culture Department, Brand Promotion Department, Publicity Department, Public Relationship Department, or General Affair Office. CHN-AP-NONA-1-(1) noted that these departments could “hardly make their voice heard within large corporations”. Moreover, the data revealed that within the “relevant” department, only one person was in charge of CSR reporting and this person also had other job duties. For example, CN-FIN-5-(1) noted that she managed the whole writing and publishing process of annual CSR reports, which only accounted for one-third of her job duties. Her primary duty was “advertising and brand promoting” (CN-FIN-5-(1)). The evidence points to the companies’ indifferent attitude to CSR reporting and lack of systematic CSR management.

There was evidence that the writing of CSR reports was usually outsourced. The interviewees¹⁰¹ noted that they relied on CSR consultants in materiality assessment, data analysis, and report writing. They further indicated the difficulties in compiling CSR reports by themselves, including (1) the time pressure to complete the task, (2) the lack of historical CSR data, (3) the lack of internal CSR specialists and relevant knowledge, and (4) long-winded communications with other departments to collect data and documents. By cooperating with the CSR consultants, they obtained professional advice on CSR performance management and information disclosures. Moreover, the companies tended to gradually improve their CSR management

¹⁰⁰ The details of the department in each Chinese sample can be found in Chapter Three, Table 3.11.

¹⁰¹ CN-ENE-1-(2); CN-ENE-3-(1); CN-FIN-2-(1); CN-FIN-4-(1); CN-FIN-5-(1); CN-MAN-1-(1); CN-MAN-2-(1); CN-OTH-1-(2); CN-OTH-2-(1).

system after working with the CSR consultants for years:

“Usually, we provide the CSR report writing service for a company in the first several years ... In the following years, as the company's awareness increases, we are asked to provide extra CSR-related services regarding business strategy or stock market index.” (Project Manager, CN-CON-3-(1)).

CN-CON-3-(1) further noted that their clients typically “opened the door” of CSR management by producing CSR reports for years and then gradually paid more attention to the relationship between CSR and their business. The evidence implies that CSR consultants have played an essential role in educating their clients in CSR management and information disclosures.

Asked the future direction of the CSR reporting practice, the majority of the Chinese interviewees responded that they did not foresee the integration of CSR and annual reports because they were utterly different in nature and style (CN-ENE-2-(1); CN-ENE-3-(1); CN-ENE-4-(1); CN-FIN-1-(1); CN-FIN-6-(1); CN-MAN-1-(1)). CN-MAN-1-(1) further explained that CSR reports summarised a company's CSR performance and achievements, typically engaging and reader-friendly. In contrast, annual reports presented the company's financial performance with complex quantitative data and were dull and challenging to read (CN-MAN-1-(1)). Further, CSR reports were for a wide range of stakeholders, while annual reports were primarily for shareholders and investors (CN-MAN-1-(1)). Therefore, the differences in nature, style, and intended users distinguished CSR and annual reports. Moreover, CN-EXP-2-(1) stressed that most Chinese companies were at an early stage where they even had no idea how to write a quality stand-alone CSR report, let alone an integrated report. Some interviewees viewed integrated reporting as the future trend, though with no idea when it would come true. CN-OTH-2-(1) looked

forward to integrating CSR and annual reporting as this would provide a comprehensive view of their financial and sustainability performance for information users simultaneously. CN-OTH-1-(1) noted that an integrated report would help avoid the overlap of non-financial information included in both CSR and annual reports. CN-FIN-4-(1) highlighted that integrated reporting would only be widely adopted once it became a regulatory requirement. Overall, the data revealed that most Chinese companies would remain to publish stand-alone CSR reports in the foreseeable future. New to CSR reporting, they were still familiarising themselves with how to disclose CSR information as required by governmental and listing requirements. Publishing a stand-alone CSR report was regarded as a clear signal that the company was comply with the reporting requirements.

In summary, the Chinese interviewee perspectives on CSR reporting revealed an essential role of the Chinese government in promoting CSR awareness and driving reporting adoption. Chinese companies published CSR reports annually in response to governmental and listing requirements (an element of coercive isomorphism). The adoption of CSR reporting was also driven by stakeholder pressures (particularly the pressure from investors) (an element of coercive isomorphism), peer pressure (mimetic isomorphism), and internal pressure to conform to societal expectations (an element of coercive isomorphism). Moreover, there was evidence indicating that CSR consultants played an important role in educating the Chinese companies in CSR reporting and management (an element of normative isomorphism). Drawing on De Villiers and Alexander (2014), the Chinese companies were at a formative phase of the development of CSR reporting, where coercive isomorphism predominates but the three types of isomorphic forces operate simultaneously. The formative phase was further reflected in the absence of a separate CSR department, the lack of internal CSR specialists and relevant knowledge, and the lack of systematic CSR management. The formative phase of CSR reporting influenced the Chinese companies' sustainability assurance decisions. For example, the Chinese

interviewees indicated that most Chinese companies were reluctant to adopt sustainability assurance due to the absence of relevant regulatory requirements. This reveals that in the Chinese contexts, the primary driver of sustainability assurance is coercive isomorphism, identical to the primary driver of CSR reporting. The details are discussed in Section 6.3.2.

6.3 Sustainability Assurance Decisions

This section discusses interviewee perspectives on sustainability assurance decision. Perspectives on this emerged through questions posed about the motivation for and process of sustainability assurance, the choice of sustainability assurance provider, difficulties and challenges, and future direction. Responses to these questions were categorised and analysed under Theme 1: CSR reporting and assurance: awareness, motivation, and future direction and Theme 3: The choice of assurance provider.

6.3.1 Sustainability Assurance Decisions: UK Evidence

UK interviewee perspectives reflected that (1) the UK sample companies adopted sustainability assurance even though they were not required, and (2) Big-four firms dominated the sustainability assurance market.

There were increasing pressures that drove the UK sample companies to ensure data accuracy. First, the pressures from stakeholders, particularly investors. UK-OTH-1-(1) noted that investors were concerned about the credibility of financial and non-financial information disclosed and required an independent assurance statement:

“Particularly from the investor perspective, they want to know that what we are putting out there is trustworthy ... they actually have a question on whether your sustainability reports and your annual report accounts sustainability sections have an

independent assurance statement attached to them, and they ask you to upload it.” (Sustainability Program Manager, UK-OTH-1-(1)).

Likewise, UK-FIN-1-(1) highlighted that institutional investors and ESG analysts were important audiences for their sustainability assurance statements. Second, the pressures from relevant non-financial reporting requirements. UK-AP-BIG FOUR-1-(1) highlighted carbon reporting as a typical example:

“The Carbon Reduction Commitment required companies to disclose and report and pay for their carbon emissions from a UK perspective ... which then meant the companies again ... asking 'is this data accurate?', because if I need to pay money now against this, let's get some assurance.” (Global Sustainability Assurance Leader, UK-AP-BIG FOUR-1-(1)).

Third, the pressures from companies’ audit committees responsible for ensuring the accuracy of corporate disclosures. Since they were "increasingly placing emphasis on all form of information publicly disclosed", both external and internal audits were required to check the data accuracy (UK-AP-BIG FOUR-1-(1)). In line with KPMG (2017, p. 27), “the growing awareness and engagement of investors, audit committees and management” are key drivers behind the growth in the assurance of corporate responsibility data.

The interviews further revealed that sustainability assurance was viewed as “an important part of reputation and risk management”, which added “value in terms of internal performance improvement” (UK-FIN-1-(1)). Sustainability assurance ensured data accuracy and contributed to “better decision-making and target-setting processes”, and thus companies used it in setting “robust baseline and targets of potential reductions or future efficiency on particular areas” (UK-AP-BIG FOUR-1-

(1)). UK-FIN-1-(2) and UK-FIN-2-(1) indicated that sustainability assurance represented an external view on the accuracy of numbers disclosed and provided them with more confidence in reporting.

The evidence above revealed that the development of CSR reporting influenced the companies' sustainability assurance decisions (as noted in Section 6.2.1). With increasing attention paid to non-financial information disclosures, the companies were under much pressure to disclose accurate and credible information, which drove their demand for sustainability assurance. Drawing on DiMaggio and Powell (1983) and De Villiers and Alexander (2014), increased regulations (for example, the Carbon Reduction Commitment reporting requirements) and societal expectations (for example, stakeholder pressures) caused coercive isomorphism in the CSR reporting field over time. The increasing coercive isomorphism in CSR reporting drove the companies to seek sustainability assurance and ensure accurate and credible information disclosures. Therefore, the UK sample companies adopted sustainability assurance even though they were not required. The interview findings further explain why sustainability assurance has become a major practice for the UK N100 (as found in Study One, Chapter Four) while assuring sustainability information remains voluntary in the UK. As noted in Section 2.4.1, the UK context features increasing mandatory social and environmental reporting requirements (an element of coercive isomorphism) and high stakeholder pressures (an element of coercive isomorphism). The development of the CSR reporting field drives the adoption of sustainability assurance. When asked about UK companies' choice of sustainability assurance provider, UK-EXP-2-(1) responded that big companies "almost automatically" choose Big-four because this was "safer". He added that no one could "get fired for hiring ... KPMG or Ernest & Young or whatever" (UK-EXP-2-(1)). UK-FIN-1-(2) noted that their sustainability assurance provider (a Big-four firm) was "very specialist and normative", who was "quite well known as a ... corporate responsibility assurance provider". UK-EXP-1-(1) said that Big-four firms

had obtained reputation and credibility as auditors to big companies worldwide and were “perfectly capable of” providing sustainability assurance. UK-AP-BIG FOUR-1-(1) highlighted that companies preferred their international brand and widely recognised assurance standards (ISAE 3000). In line with Martínez-Ferrero and García-Sánchez (2018), CSR reporting companies prefer Big-four firms because they have accumulated considerable reputational capital from their international brand name, audit expertise, and rigour assurance standards.

The interviews also revealed that Big-four firms’ provision of sustainability assurance was related to their role as financial auditors. UK-FIN-1-(1) noted that it made “a lot of sense” to use “the same provider” who was auditing the annual report:

“Our argument is obviously the CR [and] sustainability issue should be properly integrated into the main core business, the way the business runs [and] the way the business discloses ... Therefore, it makes a lot of sense ... using the same provider who is auditing the annual report ... to do the ... assurance for the CR data.” (Head of Group Corporate Responsibility, UK-FIN-1-(1)).

UK-FIN-2-(1) explained that they used their external financial auditor to assure carbon emissions and sustainable finance commitments because the auditor was “very familiar with” their business. Moreover, UK-FIN-1-(1) noted that there were “good economies of scale of using the same provider” to audit both annual and CSR reporting. UK-EXP-2-(1) pointed out that Big-four firms undertook most of the extra assurance exercises for many companies because they were trying to cross-sell from the accounting business and often offered a discount rate (UK-EXP-2-(1)). In line with the previous literature, reporting companies using a Big-four firm as their external financial auditor tend to use the same auditor to do sustainability assurance

(Fernandez-Feijoo *et al.*, 2016; Gillet, 2012). Using the same auditor (a Big-four firm) to assure both the financial and sustainability reporting, the reporting company can maintain a long-term relationship with the Big-four firm (Park and Brorson, 2005) and save assurance cost and time (Huggins *et al.*, 2011). Meanwhile, the Big-four firm can acquire a comprehensive understanding of the reporting company (Park and Brorson, 2005). Further, the interview data revealed that the CSR managers viewed sustainability assurance as a logical extension of financial audits (Jones and Solomon, 2010).

UK-OTH-1 used a non-accounting assurance provider for sustainability assurance, and UK-OTH-1-(1) explained the reason for this choice:

“We wanted a smaller consultancy firm because ... the Big-four ... can be very mechanistic ... We wanted ... a gentle approach to get our financial controllers and finance teams used to sustainability assurance ... [UK-OTH-1’s sustainability assurance provider] is still pretty big, but they provided more ... engagement-focused approach to assurance” (Sustainability Program Manager, UK-OTH-1-(1)).

The quote revealed that UK-OTH-1 was familiarising themselves with the sustainability assurance process by working with a non-accounting assurance provider as they were relatively new to practice. The non-accounting assurance provider had an advantage over Big-four firms in terms of “more engagement-focused” assurance approach. Notably, UK-OTH-1-(1) further indicated that since they became more familiar with ensuring CSR data, they were considering engaging a Big-four firm to bring in additional rigour and standard. This opinion showed a potential transition from a non-accounting assurance provider to a Big-four firm with the sustainability assurance process maturing, implying that Big-four firms were

more rigorous assurance providers.

Notably, UK-AP-BIG FOUR-1-(1) stressed that the assurance engagements provided by non-accounting firms were not robust due to their assurance standards adopted, lack of auditing expertise, and the low assurance fee charged. Instead of checking the data and supporting documentation, non-accounting firms only went through a process to understand material issues and stakeholder engagement programs, according to assurance standards not widely recognised (UK-AP-BIG FOUR-1-(1)). The opinions revealed that UK-AP-BIG FOUR-1-(1) believed that Big-four's assurance approach was the most appropriate and undermined non-accounting assurance providers, their assurance approach, and preferred assurance standards. Given that Big-four and non-accounting firms are competitors, the former tends to undermine the latter's legitimacy as sustainability assurance providers, thus disrupting non-accounting assurance providers' institutional efforts in the sustainability assurance market (Channuntapipat *et al.*, 2020; Farooq and De Villiers, 2019b). This finding explains why the market share of Big-four firms has expanded whereas the market share of non-accounting assurance providers has reduced over time (as found in Study One, Chapter Four). Drawing on Larrinaga *et al.* (2020), in the earlier stage of the institutionalisation of sustainability assurance, non-accounting assurance providers significantly influence the diffusion of sustainability assurance norms, whereas in later stages, Big-four firms tend to considerably influence the development of assurance norms and play a carrier role in defining "assurance". Big-four firms institutionalise sustainability assurance and compete against non-accounting assurance providers by supporting a single provider for financial audit and sustainability assurance (Farooq and De Villiers, 2019b), drawing on traditional financial audit methodologies (Channuntapipat *et al.*, 2020; Farooq and De Villiers, 2019b), claiming the robustness of their assurance procedures and standards (Channuntapipat *et al.*, 2020), and undermining non-accounting assurance providers (Channuntapipat *et al.*, 2020; Farooq and De Villiers, 2019b). In line with

Channuntapipat *et al.* (2020, p. 14), this research finds that Big-four firms have successfully gained popularity in the sustainability assurance field by promoting an image of “agile all-round professionals” with unique knowledge of both assurance and sustainability.

There was evidence that a company may use different assurance providers to assure different areas of CSR disclosures. As one interviewee put it:

“We will generally use a Big-four ... [for] numbers ... included in our Annual Report and Accounts ... There are other areas where other types of expertise are needed ... [For] sustainable development goals bonds, we actually use [a non-accounting firm] to provide that assurance, an ESG rating agency ... They have deep expertise in... social impacts.” (Chief Financial Officer: Sustainable Finance, UK-FIN-2-(1)).

The quote above indicated that the company sought help from various external experts to assist material CSR disclosures, internal data management, and sustainability/CSR-related business.

6.3.2 Sustainability Assurance Decisions: Chinese Evidence

6.3.2.1 Sustainability Assurance: Demand, Drivers, and Providers

Few of the interviewees identified demand for sustainability assurance in the Chinese context. The data revealed several reasons for Chinese companies’ reluctance to seek assurance for CSR reporting. First, the absence of regulatory requirements. All Chinese interviewees highlighted the essential role of government and governmental actors in promoting CSR reporting and assurance practice. As long as sustainability assurance remained voluntary, most Chinese companies would not adopt it:

“The most important reason is, if it is not a requirement to assure [CSR reports] by a third party, companies are definitely not motivated to do so. This is rather realistic.” (Head of Regional Hub, CN-EXP-1-(1)).

“Say, if annual reports were not required to be assured, companies would not have their annual reports assured either ... Is [sustainability assurance] a regulation ... or a company can benefit from it? Currently, these conditions do not exist.” (CSR reporting project manager, CN-FIN-2-(1)).

The above opinions indicated that the absence of regulatory requirements was the most important reason for Chinese companies’ reluctance to adopt sustainability assurance.

Second, the lack of knowledge about sustainability assurance. Some interviewees appeared to know very little about what sustainability assurance was and why CSR reports should be assured. CN-MAN-2-(1) and CN-MAN-2-(2) said they had not heard about sustainability assurance until they were involved in this research. CN-MAN-2-(2) added that it seemed unreasonable to “scrutinise” CSR reporting because this would discourage a company from “doing good”. This evidence reflected that CSR was viewed as philanthropy and assurance as “scrutiny”. Moreover, CN-ENE-2-(1) indicated that most Chinese companies did not adopt sustainability assurance because they had not seen “obvious benefits or immediate payback”. This finding revealed that the value of sustainability assurance was not widely recognised.

Third, the unwillingness of companies, particularly SOEs, to be “scrutinised” by an external assurer (CN-CON-2-(1)). As CN-ENE-3-(1) put it:

“Big-four’s assurance standards are unsuitable for our CSR

reporting ... They may have different opinions on what data we should disclose and how to disclose them ... Given the efficiency of information disclosures, we still need to think twice regarding sustainability assurance.” (Manager of CSR reporting, CN-ENE-3-(1)).

CN-ENE-3-(1) noted that many other Chinese companies held the same opinion and refused to adopt sustainability assurance. This evidence indicated that the companies intentionally avoided their CSR data being reviewed by an external party which might “hinder” their reporting process by detecting mistakes and omissions. Drawing on institutional theory, this evidence pointed to the symbolic nature of the companies’ CSR reports. They published CSR reports annually to show the conformance to reporting requirements in their institutional environments and to enhance their legitimacy, resources, and survival capabilities (DiMaggio and Powell, 1983; Kostova *et al.*, 2008; Meyer and Rowan, 1977). However, the credibility of CSR reporting remained questionable without assurance. Their rejection of sustainability assurance implied an intention to hide the fact that their CSR information disclosed was inaccurate or manipulated.

Fourth, the high assurance fee. CN-MAN-2-(1) indicated that the cost of sustainability assurance service could be even higher than producing a whole CSR report. CN-CON-2-(1) highlighted that the cost of Big-four firms’ sustainability assurance was too high to be accepted by most Chinese companies. The opinions suggested that the high assurance fee hindered the adoption of sustainability assurance. However, CN-ENE-2-(1) and CHN-MAN-1-(1) indicated that it was not necessarily that a company would not adopt sustainability assurance only due to the high cost. CN-ENE-2-(1) highlighted that Centre Enterprises were less sensitive to a service’s cost as long as it generated value or if “they were required to purchase it”. The findings indicated that most Chinese companies did not recognise the value

of sustainability assurance and thus were reluctant to invest in it.

In summary, the interviews revealed that most Chinese companies were reluctant to adopt sustainability assurance due to the absence of relevant regulatory requirements (an element of coercive isomorphism). Without the external pressure from regulatory requirements, the companies could hardly recognise the value of sustainability assurance and thus were reluctant to adopt it. As discussed in Section 6.2.2, CSR reporting practice in China features considerable governmental influence. The Chinese sample companies were at a formative phase of the development of CSR reporting, where coercive isomorphism (particularly the pressure from governmental requirements) predominates. Therefore, the absence of governmental requirements regarding sustainability assurance explains why the Chinese companies hardly identified the demand for sustainability assurance. It further explains the low assurance rates of the China N100 in 2008, 2012, and 2016 (as found in Study One, Chapter Four). For the Chinese sample companies adopting sustainability assurance, the interviewees identified several drivers of their adoption. First, peer pressure. CN-FIN-1-(1) noted that they compared themselves with “the international or industrial best practice” in CSR reporting and learned from their foreign competitors who had adopted sustainability assurance. Drawing on DiMaggio and Powell (1983) and De Villiers and Alexander (2014), this opinion pointed to mimetic isomorphism. Second, the intention to ensure data accuracy. Some interviewees (CN-AP-BIG FOUR-1-(1); CN-AP-BIG FOUR-2-(1); CN-CON-3-(1)) indicated that the companies needed confidence in the CSR data publicly disclosed to ensure that their report users had access to accurate and reliable information. The opinions revealed internal pressure to conform to societal expectations (an element of coercive isomorphism) (De Villiers and Alexander, 2014). Third, the desire to improve CSR management and corporate governance. Some interviewees (CN-AP-BIG FOUR-2-(1); CN-AP-NONA-2-(1); CN-CON-3-(1)) noted that by detecting deficiencies in their CSR management system, sustainability assurance provided additional information for

board directors and senior managers in their decision-making process. This opinion indicated the initiation of internalisation of established norms through sustainability assurance providers' shared experience, point to normative isomorphism. In summary, the companies adopting sustainability assurance were driven by the three types of isomorphic forces. Moreover, the data indicated that although the Chinese government play "an overriding role" (Li and Belal, 2018, p. 200) in driving the adoption of CSR reporting (and assurance), this role should not be overstated. Though not required by the government, some Chinese companies still adopted sustainability assurance. Therefore, the motivation underlying the adoption of sustainability assurance tends to be multiple.

When asked the choice of sustainability assurance providers, some interviewees (CN-FIN-1-(1); CN-FIN-4-(1); CHN-FIN-6-(1)) responded that given the efficiency and confidentiality of the auditing process, they used the same external auditor (a Big-four firm) for both financial and CSR reports. Some interviewees (CN-CON-1-(1); CN-CON-2-(1); CN-FIN-6-(1)) viewed this as Big-four firms' effort to expand their market share of sustainability assurance service. As CN-CON-2-(1) put it:

"In the Chinese context, [companies] rarely purchase [sustainability assurance] service provided by the Big-four at market price ... [Companies use a Big-four firm] because it has provided other services. To maintain the relationship with their clients, the Big-four will not charge a high fee for sustainability assurance." (CSR consulting Director, CN-CON-2-(1)).

The above quote indicates that Big-four firms tend to cross-sell from their business by offering discounts to their existing clients. However, CN-AP-BIG FOUR-2-(1) stressed that the unreasonably low fee seriously undermined sustainability assurance quality due to limited assurance scope and depth. He was critical of one Big-four

firm only charging about one-third of the “normal” fee for a sustainability assurance engagement, which had “seriously damaged the assurance market” (CN-AP-BIG FOUR-2-(1)).

CN-ENE-4 and CN-MAN-1’s assurance provider choice (CN-AP-NONA-1) was related to their CSR consultant’s recommendation (CN-CON-2). Specifically, CN-CON-2-(1) indicated that they had a long-term business relationship with CN-AP-NONA-1:

“We recommend several methods enhancing reporting credibility to our clients, including sustainability assurance provided by [CN-AP-NONA-1]. Once [CN-AP-NONA-1] is chosen, the assurance service will be included in our CSR consulting service contract. We set a contract with the client and then subcontract the assurance service to [CN-AP-NONA-1]”
(CSR Consulting Director, CN-CON-2-(1)).

CN-CON-2-(1) further elaborated that their clients would not select an assurance provider by tendering because sustainability assurance was “not a core part” of CSR consulting, and “separate tendering would be too demanding”. Instead, they preferred what their CSR consultants recommended (CN-CON-2-(1)). CN-AP-NONA-1 noted that the cooperation between CSR consulting firms and non-accounting assurance providers was not uncommon. Drawing on Farooq and De Villiers (2019b), the cooperation represented an effort that the non-accounting assurance providers made to gain market share and institutionalise sustainability assurance while competing against accounting assurance providers (Big-four firms). By cooperating with CSR consulting firms, the non-accounting assurance providers institutionalise sustainability assurance as a part of CSR consulting/report writing service. However, this cooperation may generate a threat to non-accounting

assurance providers' independence, and this is further discussed in Section 6.4.

6.3.2.2 CSR Report Rating Service: A Substitute for Sustainability Assurance?

The data revealed different (or even conflicting) views on the nature and quality of CASS-CSRRC's report rating service. Some interviewees¹⁰² viewed the CASS-CSRRC as an authoritative and leading research institution and its CSR report rating service as a credibility-enhancing mechanism. They regarded the report rating as an alternative to sustainability assurance. As CN-ENE-3-(1) put it:

“We need a neutral third party to endorse [our CSR reports].

Particularly in the absence of assurance, the CSR report rating largely represents the creditability [of CSR reporting], just like [what] the assurance [can provide].” (Manager of CSR reporting, CN-ENE-3-(1)).

The adoption of CASS-CSRRC's report rating service indicated how the Chinese companies ceremonially used a credibility-enhancing mechanism of CSR reporting while decoupling “themselves from the environment” by using a more economically efficient practice (the report rating service) instead of sustainability assurance (Kostova *et al.*, 2008, p. 999). Particularly, SOEs preferred CASS-CSRRC's report rating service, and the interviewees identified several reasons for this preference. First, CN-EXP-2-(1) indicated that SOEs preferred local/domestic service providers rather than foreign/international ones given data confidentiality. Local/domestic service providers were generally considered more reliable. Second, some interviewees (CN-ENE-1-(1); CN-MAN-1-(1); CN-MAN-2-(1); CN-OTH-2-(1)) indicated that they had cooperated with the CASS-CSRRC for years and were reluctant to change given the consistency of their CSR reporting practice. CN-EXP-

¹⁰² CN-ENE-1-(2); CN-ENE-2-(1); CN-ENE-3-(1); CN-MAN-1-(1); CN-MAN-2-(1); CN-OTH-2-(1).

2-(1) noted that SOEs such as CHN-ENE-1 and CHN-ENE-3 had adopted the CSR report rating service for more than ten years. Last but most importantly, there was evidence that the CASS-CSRRC was endorsed by and maintained a good relationship with SASAC (the regulatory authority of SOEs). CN-ENE-3-(1) indicated that the CASS-CSRRC was “an authoritative organisation” cooperating with the government, which they used as a “think tank” providing both CSR consulting and rating services. Likewise, CN-MAN-2-(1) noted CASS-CSRRC’s “official and authoritative background”:

“It has a close relationship with our superior regulatory authority – SASAC. By [cooperating with] CASS-CSRRC, we can be tied up with our superior in some projects.” (Head of Corporate Responsibility, CN-MAN-2-(1)).

The above evidence revealed that the SOEs could enhance their political legitimacy and connections with the authority by cooperating with the CASS-CSRRC, thus gaining access to state resources. In summary, the findings pointed to the legitimate motive for adopting CASS-CSRRC’s report rating service. The Chinese companies tended to invest in the report rating service instead of sustainability assurance because the former was more beneficial, effectively helping them earn political legitimacy, maintain corporate reputation, and gain resources. In comparison, sustainability assurance was viewed as a costly, unreliable, and irrelevant option for enhancing the credibility of CSR reporting. The findings are connected to, and further complement, the reasons why the Chinese companies were reluctant to adopt sustainability assurance (as discussed in Section 6.3.2.1).

Some interviewees were critical of the nature, process, and quality of CASS-CSRRC’s report rating service. CN-AP-BIG FOUR-2-(1) highlighted that the CSR report rating service was “not assurance”, and the rating and assurance services were

“incomparable”. CN-EXP-2-(1) noted that the CSR report rating service and sustainability assurance were different because the former focused on the extent and quality of CSR disclosures and did not check data accuracy, whereas the latter merely focused on data accuracy. The CSR report rating service would not replace sustainability assurance, and a few Chinese companies were purchasing “CSR report rating and assurance services simultaneously” (CN-EXP-2-(1)). CN-AP-NONA-1-(1) pointed out that the process of CSR report rating was oversimplified, which was based on the text in CSR reports only, without any site visit or stakeholder engagement.

For some companies (CN-ENE-1; CN-ENE-3; CN-MAN-2), the CASS-CSRRC provided consulting, report writing, and report rating services at the same time. CN-MAN-2-(1) confirmed that the report rating was part of their CSR consulting service contract with the CASS-CSRRC. CN-AP-NONA-1-(1) was critical of the CASS-CSRRC acting as “a referee and an athlete simultaneously”:

“That is why the CASS-CSRRC has been despised [by peers] in the CSR consulting sector ... The CASS-CSRRC helps companies write CSR reports and then rates them. Consequently, the credibility [of rating] loses.” (Assurance project manager, CN-AP-NONA-1-(1))

The evidence revealed a conflict of interest where the CASS-CSRRC evaluated and rated its own work. The unclear boundary between consulting and rating services generated a self-review threat to the CASS-CSRRC’s independence as a third-party reviewer, which seriously undermined the credibility of CSR rating reports. However, the interview data revealed the companies’ indifference to CASS-CSRRC’s independence. They took it for granted that the CSR report rating was part of a CSR consulting service (CHN-CON-1-(1)). The findings suggest that the nature of CASS-

CSRRC's report rating service is symbolic, and its effectiveness is questionable in enhancing the credibility of CSR reporting. Therefore, the CSR report rating service should not be viewed as a substitute for sustainability assurance.

6.3.3 Future Directions

In both the UK and Chinese context, the interviewees held different views on the future of sustainability assurance practice. In terms of the demand for sustainability assurance, CN-AP-BIG FOUR-2-(1) said that with Chinese companies gradually recognising the value of sustainability assurance, the demand would increase, leading to the future growth of the Chinese sustainability assurance market. CHN-CON-3-(1) predicted that with CSR/ESG reporting becoming a formal requirement, regulators would also consider mandating sustainability assurance. However, CN-CON-1-(1) did not foresee that Chinese policymakers and regulators would mandate sustainability assurance. Likewise, CN-AP-NONA-1-(1) noted that mandatory sustainability assurance would be "an extra burden" for companies that thought CSR reporting was "already an existing burden". Therefore, sustainability assurance would be "a voluntary practice forever" (CN-AP-NONA-1-(1)).

UK-AP-BIG FOUR-1-(1) indicated that he "would be surprised if the UK government opted for mandatory assurance" because the UK always viewed non-financial reporting as "a market response". Conversely, UK-EXP-1-(1) said that sustainability assurance would undoubtedly become a mandatory practice in the foreseeable future, and the biggest obstacle to overcome was the lack of generally accepted assurance standards.

6.4 Managerial Capture and Assurance Quality

This section discusses managerial capture in sustainability assurance process and its influence on assurance quality. Perspectives on this emerged through questions

about the process of assurance work, the outputs of assurance engagements, assurance provider independence, and stakeholder engagement. Responses to these questions were categorised and analysed under Theme 4: Assurance approach, managerial control, and assurance providers' conservatism and Theme 5: The independence of assurance provider. The interview data revealed several limitations of sustainability assurance engagements, observed in both the UK and Chinese contexts. These limitations shed light on the key findings of Study One (as discussed in Chapter Four). The details are discussed below.

The key findings of Study One showed that sustainability assurance engagements were typically narrow-scoped, provided at limited level, and remained a data-checking exercise. The interview evidence was supportive of these findings and provided more details of the fact.

The interview data revealed that it was board directors and/or corporate managers who decided the scope of sustainability assurance engagements. Some interviewees¹⁰³ indicated the process of scoping an assurance engagement: (1) an assurance assignment was set between an assurance provider and a reporting company; (2) the assurance provider had planning meetings with the reporting company's management to discuss assurance objectives, business strategy, and KPIs; (3) the scope of the assurance was defined, often referred to as "selected information"; and (4) the assurance provider listed the "selected information" in the final assurance report to present what information had been looked. UK-AP-BIG FOUR-1-(1) noted that some companies might ask their assurance providers to assure certain numbers because the numbers were the only data they could report. Therefore, the scope of the engagements was determined by corporate management and mainly restricted to selective KPIs. This evidence pointed to the managerial

¹⁰³ UK-AP-BIG FOUR-1-(1); UK-FIN-1-(1); UK-OTH-1-(1); CN-AP-BIG FOUR-2-(1); CN-AP-NONA-2-(1); CN-FIN-1-(1); CN-MAN-1-(1).

capture during the process of sustainability assurance, consistent with previous literature (Adams and Evans, 2004; Ball *et al.*, 2000; Edgley *et al.*, 2010; O'Dwyer and Owen, 2005; 2007).

The UK and Chinese companies were reluctant to seek high-level (i.e., reasonable) assurance for CSR reporting. From a UK perspective, UK-AP-BIG FOUR-1-(1) noted that more than 95% of the sustainability assurance provided was limited, with a few occasions where reasonable assurance was undertaken on “very material indicators” only.

The UK interviewees identified several reasons for the reluctance to seek high-level (i.e., reasonable) assurance. First, the immaturity of sustainability data. UK-FIN-2-(1) noted that, unlike financial data, sustainability data were at a “much earlier stage” and “quite challenging” as they included many assumptions and estimation. Therefore, she “would much rather have a limited assurance, be clear on the assumptions and definitions used ... initially, and then build up over time for the full assurance” (UK-FIN-2-(1)). UK-AP-BIG FOUR-1-(1) indicated that most UK companies selected limited rather than reasonable assurance due to their immature systems for collecting, measuring, and disclosing CSR data:

“[T]heir systems are not particularly mature for the collection of this type of data; because there's perhaps not a standard that is internationally recognised for [them to] measure what is reporting on ... [Also] it might be that there is a lack of third-party data and third-party information.” (Global Sustainability Assurance Leader, UK-AP-BIG FOUR-1-(1)).

Second, it was not material enough to justify full assurance from the Board's perspective, “given the huge total number of CSR KPIs” (UK-OTH-1-(1)). Third, sustainability reporting should not become “a box-ticking compliance exercise”

(UK-FIN-2-(1)). Companies should be “left with some flexibility” in not assuring “every single area” as sustainability assurance was “not leading with compliance” (UK-FIN-2-(1)). The reluctance to seek high-level assurance led to the narrow assurance scope.

In China, all sustainability assurance provided was limited, and this was viewed as “a common practice” (CN-AP-BIG FOUR-2-(1)). Some interviewees (CN-FIN-1-(1); CN-FIN-1-(2); CN-FIN-5-(1)) explained that they preferred limited assurance on selected indicators given the assurance fee and the time pressure to collect data. They thought a reasonable assurance would be too costly and time-consuming. The opinions suggested that the high assurance fee hindered the adoption of high-level (i.e., reasonable) assurance. This finding could be linked to Study Two (Chapter Five) which found that the limited budget for assurance fee was considered as a challenge to sustainability assurance practice. The CSR reporting companies were reluctant to invest more resources in sustainability assurance, leading to narrow assurance scope and simplified assurance procedures.

Some Chinese interviewees indicated that as sustainability assurance remained voluntary, companies were not driven to seek the more costly and demanding option (i.e., reasonable assurance) (CN-AP-BIG FOUR-1-(1); CN-AP-NONA-1-(1); CN-CON-3-(1); CN-FIN-2-(1)). Referring to what has been discussed in Section 6.3, in the absence of specific requirements regarding sustainability assurance (an element of coercive isomorphism), the Chinese companies hardly identified the value of sustainability assurance and were reluctant to invest more money in it. Further, CN-CON-2-(1) indicated that the companies seeking sustainability assurance generally viewed the assurance statement as “a certificate” attesting the credibility of their CSR reports but were unwilling to spend too much money on “buying this certificate” as long as it was voluntary. The interviewee perspectives pointed to the symbolic nature of sustainability assurance statements. Drawing on institutional theory, the

companies adopted sustainability assurance to show that they were ahead in CSR reporting practice, thus enhancing their legitimacy in their institutional environments (Kostova *et al.*, 2008). However, they tended to get the assurance work done with the minimum amount of money and effort. Purchasing a limited assurance engagement exemplified their intention to get an easy ride in sustainability assurance. Notably, CN-AP-NONA-1-(1) indicated that all the sustainability assurance which they had provided was moderate/limited:

“We generally provide sustainability assurance for SOEs, Central Enterprises, and listed companies whose internal control systems are already thorough ... Usually, we suggest that a moderate assurance is enough. [During the assurance process], it is enough if the company can show us data sources ... We do not suspect what the company provides us is made up.” (Assurance project manager, CN-AP-NONA-1-(1)).

This evidence revealed that CN-AP-NONA-1 provides moderate assurance based on the assumption that the information was provided by their clients in good faith. However, the only reason “justifying” the assumption was that the clients were stated-owned or listed companies whose internal control systems ought to be robust. This finding revealed that CHN-AP-NONA-1 lacked professional scepticism, pointing to the superficial nature of its sustainability assurance work. Moreover, its (over)reliance on clients indicated the managerial capture during the process of sustainability assurance.

Study One (Chapter Four) found that sustainability assurance statements were typically addressed to the board directors and management of CSR reporting companies. The interview data supported this finding and further revealed what interviewees thought about this fact. For example, UK-AP-BIG FOUR-1-(1) noted

that it was usually the directors of a company who decided to get sustainability assurance:

“If the company decides to get some assurance, then effectively that is because the directors of the company have decided that. So, the engagement then is between those directors and ... the third-party company providing the assurance. So that is why the assurance report will be addressed to those directors of the company involved.” (Global Sustainability Assurance Leader, UK-AP-BIG FOUR-1-(1)).

Likewise, CN-AP-BIG FOUR-2-(1) indicated that it was the board directors who appointed a sustainability assurance provider and used the final assurance statement. CN-AP-BIG FOUR-1-(1) suggested that the assurance statement was addressed to the directors because they were responsible for any information publicly disclosed. CN-AP-NONA-1-(1) indicated that apart from an assurance statement, they also provided corporate managers with an internal report including detailed recommendations for improving CSR management and performance.

UK-AP-BIG FOUR-1-(1) also pointed out that there was no formal duty of care by the sustainability auditor to shareholders or stakeholders in the absence of a legal requirement. Therefore, the final assurance opinion was addressed to the directors. Sustainability assurance was different from the financial audit. A financial auditor had a legal duty of care to shareholders, and thus a financial audit opinion was addressed to shareholders rather than the directors (UK-AP-BIG FOUR-1-(1)).

Therefore, the interviewee perspectives revealed that sustainability assurance statements should be addressed to board directors (and management), given (1) the appointor – appointee relationship between the board directors/corporate management and the assurance provider, and (2) the absence of sustainability

assurance providers' legal duty of care to shareholders/stakeholders. Notably, the independence of sustainability assurance providers was questionable under the appointor – appointee relationship. UK-EXP-2-(1) argued that assurance providers could never be independent as long as they were being paid by CSR reporting entities, in line with previous literature pointing out the impossibility of auditor independence (Bazerman *et al.*, 1997; Richard, 2006).

The issue of independence was further highlighted in CN-AP-NONA-1's (a non-accounting assurance provider) cooperation with CN-CON-2 (a CSR consulting firm). As noted in Section 6.3.2.1, CN-CON-2 included sustainability assurance as part of their CSR consulting service contract (or package) and then subcontracted the assurance engagement to CN-AP-NONA-1. Under this circumstance, CN-AP-NONA-1 was unlikely to remain unbiased while conducting the assurance work due to the close business relationship and fee agreement with CHN-CON-2. This finding pointed to a self-interest threat to CN-AP-NONA-1's independence as an external assessor. Moreover, CN-AP-NONA-1-(1) noted that the collaboration between CSR consulting firms and non-accounting assurance providers was not uncommon. However, this kind of collaboration was not mentioned in any assurance statements analysed in Study One (Chapter Four). The silence on the close business relationship between the CSR consulting firm (the report preparer) and the assurance provider cast doubts about assurance provider independence.

Drawing on the previous literature (Boiral *et al.*, 2019b; Cooper and Owen, 2014), integrating a sustainability assurance engagement (provided by a non-accounting assurance provider) into a CSR report writing service contract (or package) (provided by a CSR consulting firm) blurred the boundary between CSR consulting and sustainability assurance, which seriously undermined the effectiveness of sustainability assurance in enhancing the credibility of CSR reporting. Further, the provision of the service package indicated that CSR reporting companies were given

an easy ride. They outsourced the report writing process to a CSR consulting firm so that they could get the process (including the assurance work) done with the minimum amount of effort, publish a CSR report as required, and enhance their legitimacy. Therefore, the evidence pointed to the symbolic nature of sustainability assurance in the Chinese context.

The interview data further revealed that stakeholder engagement remained minimal and external stakeholders were completely detached from the assurance process, in line with the key findings of Study One (Chapter Four). All the CSR reporting managers interviewed noted that their assurance providers would not approach external stakeholders during the assurance process. UK-EXP-2-(1) indicated that most reporting entities were “rather uncomfortable with” involving external stakeholders in the assurance process. Moreover, UK-AP-BIG FOUR-1-(1) explained that as an external assurance provider, the responsibility was to check management assertions rather than involve external stakeholders:

“Typically, I would expect the auditor to ... [look] at what management has done ... and how did management get comfortable [with stakeholder inclusiveness] ... The auditor would then come in and check management assertions ... rather than go out and ask ... questions for the first time.” (Global Sustainability Assurance Leader, UK-AP-BIG FOUR-1-(1)).

The above quote indicated that the sustainability assurance work mainly provided value for the board directors (and corporate management), rather than broader stakeholder groups, of CSR reporting companies. In line with the key findings of Study One, sustainability assurance providers were cautious in their responsibility for assurance engagements and accepted sole responsibility for their clients (CSR reporting companies).

In summary, the interview data revealed a large degree of managerial capture during the sustainability assurance process in both the UK and Chinese contexts, which was reflected in several aspects. First, the assurance scope was restricted to the CSR data selected by corporate management. Some companies tended to select the only data that they could report (UK-AP-BIG FOUR-1-(1)). Second, almost all the sustainability assurance provided was limited. The reluctance to seek high-level (i.e., reasonable) assurance was attributed to the high assurance fee and the immaturity of sustainability data. Moreover, as the assurance remained voluntary, CSR reporting companies were not motivated to adopt the more costly and demanding option (i.e., reasonable assurance). They tended to choose a limited assurance engagement, get the assurance work done with the minimum amount of effort, obtain the “certificate” (assurance statement) attesting the credibility of their CSR reports, and thus enhance their legitimacy in their institutional environments.

Third, the limited assurance level led to limited assurance procedures performed. As discussed in Chapter Four (Section 4.4.2.3), the assurance process remained a data-checking exercise including limited substantive testing on a selective basis of the selected information, analytical review procedures over the aggregated selected information, and reperforming a selection of aggregated calculations. Moreover, there was evidence of assurance provider’s (over)reliance on CSR reporting companies. CN-AP-NONA-1 assumed that all the information was provided in good faith and would not suspect what their clients provided was made up. This assumption indicated a lack of professional scepticism and led to oversimplified assurance procedures. Fourth, stakeholder engagement was kept minimal and external stakeholders were completely detached from the assurance process. All the CSR reporting managers interviewed noted that their assurance providers would not approach external stakeholders. Drawing on Hummel *et al.* (2019, p. 736), the narrow assurance scope and limited assurance level restricted “the intensity of the assurance process” and thus undermined the possibility for the assurance provider to

discover problematic issues.

The lack of independence further undermined the possibility that the assurance provider would discover and report problematic issues in the client's CSR reporting system. The appointor – appointee relationship between the board directors/corporate management and the assurance provider pointed to the impossibility of auditor independence (Bazerman *et al.*, 1997; Richard, 2006). The interview data further revealed the close business relationship between CN-AP-NONA-1 (a non-accounting assurance provider) and CN-CON-2 (a CSR consulting firm). The sustainability assurance engagement (provided by CN-AP-NONA-1) was integrated into the CSR consulting/report writing service package (provided by CN-CON-2). Due to the close business relationship with CN-CON-2, CN-AP-NONA-1 was unlikely to remain unbiased and challenge the work done by CN-CON-2 while conducting the assurance work. Consequently, the possibility to discover and report problematic issues was undermined.

Assurance providers typically addressed sustainability assurance statements to the board directors (and corporate management) of CSR reporting companies, given their appointor – appointee relationship. In the absence of a legal requirement, assurance providers had no duty of care to shareholders or stakeholders. The intended user of the assurance statements were the board directors and corporate management. In support of the key findings of Study One (Chapter Four), assurance providers accepted sole responsibility for their clients (CSR reporting companies) and made the assurance statements for the directors' governance and stewardship. They restricted the addressee to the board directors (and corporate management) to downplay report readers' high expectations for their assurance statements in attesting the credibility of the CSR reports. The restricted addressee led to narrower assurance statement breadth and thus undermined the quality of sustainability assurance (Hummel *et al.*, 2019).

Overall, drawing on Hummel *et al.* (2019), the interview evidence indicated that the managerial capture restricted the assurance process depth and assurance statement breadth, thus undermining assurance quality. It pointed to the superficial nature of sustainability assurance. Consistent with the previous literature, this study finds that the current sustainability assurance practice largely remains a management tool that fails to enhance organisational transparency and stakeholder accountability (Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Boiral *et al.*, 2019a; 2019b; Gray, 2000; Manetti and Toccafondi, 2012; O'Dwyer and Owen, 2005; 2007; Smith *et al.*, 2011).

6.5 Conclusion

This chapter discussed the key findings of Study Three, based on a thematic analysis of 33 semi-structured interviews with the UK and Chinese CSR reporting directors/managers, sustainability assurance providers, CSR consultants, and CSR/sustainability experts. The interview data address RQ1 (*what are the institutional factors that influence companies' sustainability assurance decisions in the UK and China?*) and RQ2 (*what are the institutional factors that influence the quality of sustainability assurance?*) and shed light on key findings from Study One (Chapter Four which addresses RQ3 *what are the similarities and differences between the UK and China in terms of sustainability assurance practice?*).

The interview data provided details of the context of sustainability assurance in the UK and China respectively and indicated that the development of CSR reporting influenced companies' sustainability assurance decisions. The UK companies were at a maturing (not mature yet) phase of the development of CSR reporting, where the elements of normative and coercive isomorphism coexist (De Villiers and Alexander, 2014). Their adoption of CSR reporting was driven by legislation (an element of coercive isomorphism), the internalisation of norms (for example, a well-

established CSR team and an internalised CSR reporting process), and the internalisation of values (for example, top managers' positive attitudes towards sustainable development and CSR, a strong belief that corporation should be responsible, and an internal desire to address material CSR issues). The maturing of CSR reporting practice influenced sustainability assurance decisions. With increasing attention paid to CSR reporting, the UK companies were under much pressure to disclose accurate and credible information. Therefore, they adopted sustainability assurance even though they were not required. The interview findings shed light on the high sustainability assurance rates of the UK N100 (as observed in Study One, Chapter Four) while assuring sustainability information remains voluntary in the UK. As noted in Section 2.4.1, the UK context features increasing mandatory social and environmental reporting requirements (an element of coercive isomorphism) and high stakeholder pressures (an element of coercive isomorphism). Increased reporting regulations and societal expectations cause coercive isomorphism in the CSR reporting field over time and further drive the UK companies to seek sustainability assurance (De Villiers and Alexander, 2014; DiMaggio and Powell, 1983) (addressing RQ1).

Chinese companies were at a formative phase of the development of CSR reporting, where coercive isomorphism predominates but the three types of isomorphic forces operate simultaneously (De Villiers and Alexander, 2014). The Chinese government played an essential role in promoting CSR awareness and driving CSR reporting adoption. Chinese companies published CSR reports annually in response to governmental and listing requirements (an element of coercive isomorphism), stakeholder pressures (particularly the pressure from investors) (an element of coercive isomorphism), peer pressure (mimetic isomorphism), and internal pressure to conform to societal expectations (an element of coercive isomorphism). There was also evidence indicating that CSR consultants played an important role in educating the Chinese companies in CSR reporting and management (an element of normative

isomorphism). The formative phase was further reflected in the absence of a separate CSR department, the lack of internal CSR specialists and relevant knowledge, and the lack of systematic CSR management. The formative phase of CSR reporting influenced sustainability assurance decisions. The Chinese interviewees indicated that most Chinese companies were reluctant to adopt sustainability assurance due to the absence of relevant regulatory requirements (an element of coercive isomorphism) (addressing RQ1). The adoption of sustainability assurance was further hindered by the lack of knowledge about sustainability assurance, the high assurance fee, and the intention to hide inaccurate or manipulated CSR information. The findings explain the companies' low demand for sustainability assurance and shed light on the low assurance rates of the China N100 in 2008, 2012, and 2016 (as observed in Study One, Chapter Four).

The interview data further revealed that the Chinese sample companies adopting sustainability assurance were driven by peer pressure (mimetic isomorphism), internal pressure to ensure data accuracy and conform to societal expectations (an element of coercive isomorphism), and the initiation of internalisation of established norms through sustainability assurance providers' shared experience (normative isomorphism). Therefore, the motivation underlying the adoption of sustainability assurance tends to be multiple, involving three types of isomorphic forces (addressing RQ1). Although the Chinese government play "an overriding role" (Li and Belal, 2018, p. 200) in driving the adoption of CSR reporting (and assurance), this role should not be overstated. Though not required by the government, some Chinese companies still adopted sustainability assurance.

There was evidence of how accounting assurance providers (Big-four firms) institutionalised sustainability assurance while competing against non-accounting assurance providers. The Big-four firms supported a single provider for financial audit and sustainability assurance, drew on traditional financial audit methodologies,

claimed the robustness of their assurance procedures and standards, and disrupted non-accounting assurance providers' institutional efforts in the sustainability assurance market. The findings explain why the market share of Big-four firms has expanded, whereas the market share of non-accounting assurance providers has reduced over time (as observed in Study One, Chapter Four). The Big-four firms have gained popularity in the sustainability assurance field by promoting an image of "agile all-round professionals" with "unique knowledge" of both assurance and sustainability (Channuntapipat *et al.*, 2020, p. 14).

There was also evidence of how non-accounting assurance providers institutionalised sustainability assurance while competing against accounting assurance providers. To obtain clients, CN-AP-NONA-1 (a non-accounting assurance provider) cooperated with CN-CON-2 (a CSR consulting firm). CN-CON-2 integrated a sustainability assurance engagement into their CSR consulting/report writing service package and then subcontracted the assurance engagement to CN-AP-NONA-1. This cooperation between CSR consulting firms and non-accounting assurance providers was not uncommon in the Chinese context. Drawing on Farooq and De Villiers (2019b), the cooperation represented the non-accounting assurance providers' effort to gain market share. The sustainability assurance engagement was institutionalised as part of the CSR consulting/report writing service provided by CSR consulting firms.

The Chinese interviewees held different (or even conflicting) views on CASS-CSRRC's report rating service. Some interviewees viewed the CASS-CSRRC as an authoritative and leading research institution and its CSR report rating service as a credibility-enhancing mechanism or even an alternative to sustainability assurance. Other interviewees were critical of the nature and quality of CASS-CSRRC's report rating service. The process of CSR report rating was oversimplified, which was based on the text in CSR reports only, without any site visit, data-checking, and

stakeholder engagement. Moreover, in some instances, the CSR report rating service was integrated into CASS-CSRRC's CSR consulting/report writing service package, pointing to a conflict of interest where the CASS-CSRRC evaluated and rated its own work. Therefore, the effectiveness of CASS-CSRRC's report rating service is questionable in enhancing the credibility of CSR reporting. The CSR report rating service should not be viewed as a substitute for sustainability assurance.

The interview data further revealed a significant degree of managerial capture during the sustainability assurance process in both the UK and Chinese contexts (addressing RQ2), in support of what has found in Study One (Chapter Four). The managerial capture was reflected in several limitations of sustainability assurance engagements: (1) narrow assurance scope (determined by corporate management), (2) limited level of assurance (favoured by corporate management), (3) limited assurance procedures performed (with an (over)reliance on corporate management), (4) minimised stakeholder engagement (detaching the involvement of external stakeholders), (5) restricted addressee of assurance statements (due to the appointor – appointee relationship between the board directors/corporate management and the assurance provider), and (6) the lack of assurance provider independence (again, due to the appointor – appointee relationship). Drawing on Hummel *et al.* (2019, p. 736), the limitations restricted the assurance process depth and assurance statement breadth, thus undermining “the joint probability that the assurator will discover and report problematic issues in the client’s” CSR reporting system. Therefore, the managerial capture undermined the quality of sustainability assurance (addressing RQ2).

The managerial capture further indicated how the companies got an easy ride in sustainability assurance. They tried to get the assurance work done and obtain an assurance statement with the minimum amount of money and effort (by getting a limited assurance engagement, restricting the assurance scope, or even purchasing a CSR report writing service package including an assurance engagement). The

assurance statement was viewed as a “certificate” showing the credibility of CSR reporting and enhancing legitimacy in institutional environments (Kostova *et al.*, 2008). However, the quality of the assurance work was questionable. Therefore, the interview findings revealed that the sustainability assurance practice was superficial and symbolic, largely remaining a management tool that failed to enhance organisational transparency and stakeholder accountability, in line with the previous literature (Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Boiral *et al.*, 2019a; 2019b; Gray, 2000; Manetti and Toccafondi, 2012; O’Dwyer and Owen, 2005; 2007; Smith *et al.*, 2011).

The interview findings have political and practical implications for the development of sustainability assurance. Policymakers and regulators may consider mandating sustainability assurance. This point is informed by the research finding that the adoption of sustainability assurance is primarily driven by pressures from coercive isomorphism (particularly from governmental requirements). Particularly, in China, the government’s essential role in promoting CSR reporting and assurance practice is highlighted. Most Chinese companies would not adopt sustainability assurance unless it becomes a formal requirement. Therefore, to enhance the credibility of sustainability/CSR reporting and provide better quality of information for stakeholders, sustainability assurance should become mandatory. Moreover, assurance providers will have a legal duty of care to shareholders (or even stakeholders) and be expected more independent if sustainability assurance is mandated. Once assurance provider independence is enhanced, the level of managerial capture will reduce, thus enhancing the quality of sustainability assurance.

Current sustainability assurance practices are considerably influenced by traditional financial auditing methodology and features a narrow focus on data accuracy and limited assurance scope. It is out of touch with key sustainable issues and ignores

the qualitative, complex, and dynamic nature of sustainability reporting (Boiral *et al.*, 2019a). The findings here point to a call for specialist assurance standards for sustainability/CSR reporting (He, 2021) and the synergy between accounting and non-accounting assurance providers. *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements* (IAASB, 2021a) represents an effort the accounting profession has made to develop specialist standards to support ISAE3000 and sustainability assurance. Moreover, once the specialist assurance standards are developed, the required expertise and skills of sustainability assessor/auditor will be more explicit. Sustainability assessor/auditor would gradually become an occupation involving prolonged training and a formal qualification (as like chartered accountant or financial auditor). The development of sustainability assessor/auditor as a profession will further promote the sustainability assurance market.

The next chapter concludes this research by discussing the key findings of Studies One, Two and Three, addressing the three research questions, and elaborating on research contributions, limitations, and future research avenues.

CHAPTER SEVEN

CONCLUSION

7.1 Introduction

This thesis increases our knowledge of sustainability assurance by exploring how different institutional contexts influence the adoption and quality of sustainability assurance. It focuses on a comparison between the UK and China and addresses the three research questions as presented in Chapter One. To address the research questions, three empirical studies were conducted. The key findings from the three studies were analysed in Chapters Five, Six, and Seven, respectively.

This chapter concludes this thesis. It first summarises the results and findings of the three empirical chapters and sequentially addresses the three research questions. This is followed by a discussion of research contributions (including implications for theory, practice, and policy), research limitations, and areas for further research.

7.2 Research Findings

This section summarises and discusses the key findings of Studies One, Two and Three. Informed by the conceptual framework of this research (Figure 2.5), the discussion merges the conclusion of each empirical chapter, addresses the three research questions, and adds to the broader argument of the research topic. This research contributes to a more nuanced understanding of the sustainability assurance research field and provides a conceptual framework to be applied to future studies (these points are elaborated in Section 7.3 Research Contributions).

7.2.1 Institutional Factors Influencing Sustainability Assurance Decision

This section discusses institutional factors influencing the sustainability assurance decision of UK and Chinese companies and addresses RQ1 (*What are the institutional factors that influence companies' sustainability assurance decisions in the UK and China?*).

The research findings indicate that in the UK context, companies tend to adopt sustainability assurance even though they are not required. The growing momentum towards mandatory sustainability disclosures drives the adoption of sustainability assurance. As the companies are increasingly required to disclose certain sustainability information (for example, carbon emissions), they are under more pressure to ensure data accuracy. Therefore, they adopt sustainability assurance to gain confidence in the sustainability information publicly disclosed. The pressure from reporting requirements points to an element of coercive isomorphism (De Villiers and Alexander, 2014; DiMaggio and Powell, 1983). Moreover, stakeholders, particularly investors, are paying more attention to companies' sustainability information disclosures which increasingly influence their decision-making process. Meanwhile, they are concerned about the credibility of the sustainability information disclosed and require external assurance. Therefore, the pressures from stakeholder information need also drive the companies to adopt sustainability assurance. The stakeholder pressures also point to an element of coercive isomorphism (societal expectation) (De Villiers and Alexander, 2014; DiMaggio and Powell, 1983). With growing attention paid to issues such as climate risks, Sustainable Development Goals, and net-zero carbon emissions, companies are expected to take action, operate responsibly, and contribute to sustainable development. Disclosing credible sustainability information is an important part of the societal expectation, where the companies report their sustainability performance, increase organisational transparency, and increase stakeholder accountability. The pressure from the societal

expectation thus drives the companies to seek sustainability assurance, enhance the credibility of sustainability reporting, and build trust with stakeholders.

The research findings further indicate that with sustainability/CSR reporting becoming internalised as a norm within companies, there is growing awareness of the importance and benefits of getting external assurance for the reporting. By adopting sustainability assurance, the companies could discover deficiencies in their internal control system, set a robust baseline of future efficiency in certain areas, and achieve internal performance improvement. Sustainability assurance is considered an important risk management element, which contributes to better decision-making and target-setting. Therefore, the growing awareness drives the companies to adopt sustainability assurance. This finding reveals that the internalisation of the CSR reporting process (typically driven by normative isomorphism) (De Villiers and Alexander, 2014) drives the adoption of sustainability assurance. This point is further elaborated in Section 7.2.3.

China features considerable governmental influence in terms of CSR reporting and assurance practice. The Chinese government, governmental actors, and SOEs play an essential role in promoting CSR reporting and awareness. Chinese companies are primarily driven by governmental and listing requirements in adopting CSR reporting, pointing to the pressure from coercive isomorphism (De Villiers and Alexander, 2014; DiMaggio and Powell, 1983). However, because sustainability assurance is currently not required, most Chinese companies are reluctant to adopt it. The research findings also reveal other reasons for the reluctance, including the lack of knowledge about sustainability assurance, the unwillingness to be “scrutinised” by an external assurance, and the high assurance fee.

Some Chinese companies, particularly SOEs, prefer the CSR report rating service provided by the CASS-CSRRC. The CASS-CSRRC is viewed as an authoritative

and leading research institution. The companies regard CASS-CSRRC's report rating service as a substitute for sustainability assurance, which effectively enhances the credibility of their CSR reports. Moreover, the CASS-CSRRC is endorsed by the SASAC (the regulatory authority of SOEs). The companies cooperate with the CASS-CSRRC to enhance their political legitimacy. This point further reflects that the Chinese CSR reporting practice features considerable governmental influence. However, given the oversimplified rating procedures, the effectiveness of the CSR report rating service in credibility-enhancing is questionable. The Chinese companies' preference for CASS-CSRRC's report rating service indicates how they adopt a credibility-enhancing mechanism of CSR reporting ceremonially while decoupling "themselves from the environment" by using the report rating service (a more economically efficient practice) instead of sustainability assurance (Kostova *et al.*, 2008, p. 999).

The Chinese companies currently adopting sustainability assurance are driven by several factors. First, peer pressure. They compare themselves with the international or industrial best practices in CSR reporting and learn from their foreign competitors that have adopted sustainability assurance. This points to the pressure from mimetic isomorphism (De Villiers and Alexander, 2014; DiMaggio and Powell, 1983). Second, pressures from stakeholders demanding accurate information. The companies adopt sustainability assurance to gain confidence in publicly disclosed CSR data and ensure that their report users have access to accurate and reliable information. This reveals pressures to conform to societal expectations (an element of coercive isomorphism) (De Villiers and Alexander, 2014). Third, as for the Chinese companies in the financial sector (where a high level of sustainability assurance adoption is observed), they are driven by *Guidance on CSR for Financial Institutions in China Banking Industry* (China Banking Association, 2009, Section Five – No.25) which encourages the independent assurance of CSR disclosures. This points to the pressure from an element of coercive isomorphism (De Villiers and

Alexander, 2014). Fourth, the desire to improve internal performance. The companies can detect deficiencies in their CSR management system through sustainability assurance and obtain additional information for board directors and senior managers' decision-making process. Notably, these factors are not considered strong drivers as the number of Chinese companies adopting sustainability assurance remains very low (KPMG, 2020; Yin *et al.*, 2019).

In summary, this research identifies a general reluctance to adopt sustainability assurance in the Chinese context due to the lack of relevant governmental requirements. Most Chinese companies will not adopt sustainability assurance unless it becomes a formal requirement. Currently, there is no clue that the external assurance of CSR reporting would become mandatory in China. Therefore, the number of Chinese companies adopting sustainability assurance will remain low in the foreseeable future.

The choice of sustainability assurance provider is also an important part of a company's sustainability assurance decision. The research findings reveal that accounting assurance providers (Big-four firms) dominate the sustainability assurance market in both the UK and China. CSR reporting companies prefer accounting assurance providers due to their international brand name (reputational capital), audit and assurance expertise, and rigour assurance standards (Martínez-Ferrero and García-Sánchez, 2018). Moreover, the companies using a Big-four firm as their financial auditor tend to use the same auditor for sustainability assurance. In this case, the companies are often offered a discount for assurance fees and sustainability assurance is viewed as a logical extension of financial audits (Jones and Solomon, 2010). It reveals accounting assurance providers' efforts to expand their market share in sustainability assurance service by cross-selling from their financial auditing business.

While competing against non-accounting assurance providers, accounting assurance providers institutionalise sustainability assurance by supporting a single provider for financial audit and sustainability assurance, drawing on traditional financial audit methodologies, claiming the robustness of their assurance procedures and standards, and undermining their competitors' legitimacy as sustainability assurance providers. In summary, this research finds that Big-four firms have successfully gained popularity in the sustainability assurance field by promoting an image of "agile all-round professionals" with unique knowledge of both assurance and sustainability (Channuntapipat *et al.*, 2020, p. 14) and disrupting non-accounting assurance providers' institutional efforts in the sustainability assurance market (Channuntapipat *et al.*, 2020; Farooq and De Villiers, 2019b).

Notably, in the Chinese context, there is evidence that some companies' choices of assurance providers are related to their CSR consultants' recommendations. A CSR consulting firm cooperates with an assurance provider (usually a non-accounting assurance provider) and includes the sustainability assurance engagement provided by this assurance provider in its CSR consulting/report writing service contract. This kind of cooperation is not uncommon in the Chinese context. It represents non-accounting assurance providers' efforts to gain market share and institutionalise sustainability assurance while competing against accounting assurance providers (Big-four firms). By cooperating with CSR consulting firms, the non-accounting assurance providers institutionalise sustainability assurance as a part of CSR consulting/report writing service.

This research further indicates that the type of assurance provider effectively influences the quality of sustainability assurance. This point is elaborated in the following section.

7.2.2 Institutional Factors Influencing Assurance Quality

This section discusses institutional factors influencing the quality of sustainability assurance and addresses RQ2 (*What are the institutional factors that influence the quality of sustainability assurance?*).

The research findings indicate that the type of assurance provider influences the quality of sustainability assurance. Drawing on Hummel *et al.* (2019), the assurance quality depends on the assurance provider's approach to discovering issues (related to the depth of assurance process, considering assurance level, assurance scope, assurance procedures performed, and recommendations given) and approach to reporting issues (related to the breadth of assurance statement, considering the disclosure and non-disclosure of a list of assurance statement elements). The results of Study One show that compared with accounting assurance providers, non-accounting assurance providers are more likely to issue higher-quality assurance statements. In line with previous studies, this research finds that non-accounting assurance providers tend to adopt multiple assurance standards and flexible assurance methods (Channuntapipat *et al.*, 2020; Farooq and De Villiers, 2019b; Gürtürk and Hahn, 2016), provide elaborate assurance statements (Deegan *et al.*, 2006; O'Dwyer and Owen, 2007; Perego, 2009; Perego and Kolk, 2012), and thus are associated with higher assurance quality (Gürtürk and Hahn, 2016; O'Dwyer and Owen, 2005; Seguí-Mas *et al.*, 2015).

Accounting assurance providers' approach features considerable influence from financial auditing methodology, reflected in two aspects. First, ISAE 3000 is increasingly adopted among sustainability assurance providers. Study One shows that in both the UK and Chinese contexts, accounting assurance providers typically use ISAE 3000 only. The interviewees from Big-four firms (UK-AP-BIG FOUR-1-(1), CN-AP-BIG FOUR-1-(1), CN-AP-BIG FOUR-2-(1)) promote the use of ISAE

3000 by highlighting its robustness, international reputation, and wide recognition. They are also critical of the standards used by non-accounting assurance providers being unrecognised. While non-accounting assurance providers tend to use their own assurance methodology or combine multiple assurance standards, there is evidence that they draw on ISAE 3000 when developing assurance methodologies and conducting assurance work. The increasing adoption of ISAE 3000 represents “an institutionalised practice” (Gürtürk and Hahn, 2016, p.38) – the general acceptance of accounting assurance providers’ approach to sustainability assurance (Channuntapipat *et al.*, 2020).

Second, sustainability assurance engagements are narrow-scoped and primarily focus on data-checking. The results of Study One reveal that the assurance scope is generally limited to selected KPIs/information. The assurance procedures performed include limited substantive testing on the selected KPIs, analytical review procedures over the aggregated selected information, recalculation, reperforming, and data presentation review. These assurance procedures draw on traditional financial auditing methodology and primarily focus on the accuracy, reliability, and consistency of the selected information. Both accounting and non-accounting assurance providers adopt the assurance procedures. CHN-AP-BIG FOUR-2-(1) said that non-accounting assurance providers generally imitated Big-four’s assurance procedures and statements. One non-accounting assurance provider (CHN-AP-NONA-2-(1)) admitted that their assurance methodology was similar to Big-four firms’. Consistent with Gürtürk and Hahn (2016, p. 37), this research indicates “isomorphistic tendencies” in the context of sustainability assurance due to the influence of traditional financial auditing practices.

The influence of traditional financial auditing practices tends to undermine the quality of sustainability assurance. In line with previous studies, the research findings indicate that the predominance of accounting assurance providers (Big-four

firms) (Boiral *et al.*, 2019a; Kolk and Perego 2010; Perego 2009) and the paradigm of financial audits (Boiral and Gendron, 2011; Boiral *et al.*, 2019a; O'Dwyer *et al.* 2011) have shaped the practice of assuring sustainability reporting. However, the traditional financial auditing methodology has been transferred into the sustainability assurance field without questioning its relevance. Drawing on Boiral *et al.* (2019a), sustainability assurance engagements typically focus on principles also applied in financial audits, such as data accuracy, reliability, and consistency. The narrow-scoped data-checking process restricts “the depth of the assurance process” and “the breadth of the assurance statement” (Hummel *et al.*, 2019, p.734), reduces the possibility for the assurance provider to discover and report problematic issues in the CSR report assured, and thus undermines the quality of sustainability assurance. Therefore, the sustainability assurance engagements tend to be a rational myth (Meyer and Rowan, 1977; Perego and Kolk, 2012) – a formal practice loosely connected with sustainability issues and ignoring sustainability reporting principles such as the sustainability context, clarity, completeness, and timeliness (Boiral *et al.*, 2019a). Whatever its rigorous appearance, the narrow-scoped data-checking procedures “seem to be ill adapted to” sustainability assurance, given the qualitative, complex, and dynamic nature of sustainability reporting (Boiral *et al.*, 2019a, p. 717). Highlighted in the previous literature (Ball *et al.* 2000; Boiral *et al.*, 2019a; Cho *et al.* 2015; Smith *et al.* 2011), this rational myth camouflages the opacity and unreliability of sustainability reporting through “reassuring accounting rhetoric” (Boiral *et al.*, 2019a, p. 716) and provides stakeholders with a misleading picture of confidence and rationality while assessing reporting companies’ sustainability performance.

Notably, this research further indicates a significant degree of managerial capture during the assurance process in both the UK and Chinese contexts, which also influences the quality of sustainability assurance. This point is elaborated in the following section.

7.2.3 Sustainability Assurance: the UK versus China

This section compares sustainability assurance practice in the UK and China and addresses RQ3 (*What are the similarities and differences between the UK and China in terms of sustainability assurance practice?*). Table 7.1 summarises the differences and similarities between the UK and China by themes, based on the key research findings.

The differences between the UK and China are observed in the context of sustainability assurance (the development of CSR reporting). The UK features a maturing (not mature yet) phase of the development of CSR reporting, where the elements of normative and coercive isomorphism coexist (De Villiers and Alexander, 2014). As discussed in Chapter Six, the UK companies' adoption of CSR reporting is driven by increasing legislation (an element of coercive isomorphism), the internalisation of norms (for example, a well-established CSR team and an internalised CSR reporting process), and the internalisation of values (for example, top managers' positive attitudes towards sustainable development and CSR, a strong belief that corporation should be responsible, and an internal desire to address material CSR issues).

Table 7.1 Sustainability Assurance: A Comparison between the UK and China

	Themes	UK	China
Differences (See Section 7.2.3)	The context of sustainability assurance (development of CSR reporting)	A maturing (not mature yet) phase (where the elements of normative and coercive isomorphism coexist) (De Villiers and Alexander, 2014)	A formative phase (where coercive isomorphism predominates) (De Villiers and Alexander, 2014)
	Sustainability assurance adoption at country level	Increasing adoption of sustainability assurance	Limited adoption of sustainability assurance
	Sustainability assurance adoption at industry level	The connection between industry membership and sustainability assurance adoption is weakening.	Companies in the financial sector are more likely to adopt sustainability assurance than companies in other sectors.
Similarities	Type of assurance providers and assurance quality (see Section 7.2.2)	The type of assurance provider influences the quality of sustainability assurance.	
		Non-accounting assurance providers are associated with higher assurance quality.	
		Accounting assurance providers (Big-four firms) dominate the sustainability assurance market.	
		The sustainability assurance exercise is significantly influenced by the traditional financial auditing methodology, which tends to undermine the assurance quality.	
	Managerial capture and assurance quality (see Section 7.2.3)	<p>The sustainability assurance exercise features a significant degree of managerial capture during the assurance process, which is reflected in the following aspects and undermines the assurance quality:</p> <ul style="list-style-type: none"> ▪ areas assured (and not assured) are determined by corporate managers/directors, ▪ the addressee of assurance statements remains unspecified/restricted, ▪ assurance providers lack independence, and ▪ the level of stakeholder engagement is kept minimal. <p>Sustainability assurance largely remains an exercise of legitimization for CSR reporting companies and fails to enhance organisational transparency and stakeholder accountability.</p>	

Source: Author.

In comparison, China features a formative phase of the development of CSR reporting, where coercive isomorphism predominates but other isomorphic forces also operate (De Villiers and Alexander, 2014). The Chinese government plays an essential role in promoting CSR awareness and driving CSR reporting adoption. Chinese companies publish CSR reports annually in response to governmental and listing requirements (an element of coercive isomorphism), stakeholder pressures (particularly the pressure from investors) (an element of coercive isomorphism), peer pressure (mimetic isomorphism), and internal pressure to conform to societal expectations (an element of coercive isomorphism). Evidence indicates that CSR consulting firms play an important role in educating Chinese companies in CSR reporting and management (an element of normative isomorphism). The formative phase is further reflected in the general absence of a separate CSR department, internal CSR specialists and relevant knowledge, and systematic CSR management within most Chinese companies.

The research findings indicate that the development of CSR reporting influences the adoption of sustainability assurance at the country level. The UK context has witnessed the increasing adoption of sustainability assurance with the maturing of CSR reporting practice. The UK features increasing social and environmental reporting requirements and high stakeholder pressures. With increasing attention paid to CSR reporting, UK companies are under much pressure to disclose accurate and credible information. Therefore, increased reporting regulations and societal expectations cause coercive isomorphism in the CSR reporting field over time and further drive the UK companies to seek sustainability assurance even though they are not required (De Villiers and Alexander, 2014; DiMaggio and Powell, 1983). In the Chinese context, the limited adoption of sustainability assurance is related to the formative phase of CSR reporting. Most Chinese companies are reluctant to adopt sustainability assurance due to the absence of relevant regulatory requirements (an element of coercive isomorphism). The adoption of sustainability assurance is

further hindered by the lack of knowledge about sustainability assurance, the high assurance fee, and the intention to hide inaccurate or manipulated CSR information, as discussed in Chapter Six.

The differences between the UK and China are further observed in sustainability assurance adoption at the industry level. As discussed in Chapter Four, the UK context has witnessed a weakening relation between industrial groups with direct impacts (Energy and Manufacturing) and high assurance rates over time. Drawing on Perego and Kolk (2012), a possible explanation for the weakening relation is that the UK companies from different sectors have increasingly been involved in the CSR reporting and assurance practice. Consequently, the connection between industry membership (whether a company belongs to a sector with direct environmental and social impacts) and sustainability assurance adoption is weakening.

In the Chinese context, the companies belonging to the financial sector are more likely to adopt sustainability assurance than those belonging to the other sectors. The high level of assurance adoption achieved by the Chinese financial companies is related to the CSR guidance issued by the China Banking Association in 2009, which encourages the independent assurance of CSR disclosures. Drawing on institutional theory, the Chinese financial companies are more likely to adopt sustainability assurance due to the external pressure from coercive isomorphism. Moreover, inconsistent with previous studies (Fernandez-Feijoo *et al.*, 2015; Fonseca, 2010; Mock *et al.*, 2013; Simnett *et al.*, 2009), the Chinese companies belonging to sectors (such as Energy and Utilities) involving highly visible industrial activities are not more likely to adopt sustainability assurance. This inconsistency can be explained by the lack of pressures from coercive isomorphism (the lack of governmental or industrial requirements regarding sustainability assurance). This finding again points to the predominance of the pressure from coercive isomorphism in driving sustainability assurance adoption in China.

The similarities observed cover two aspects: (1) the type of assurance providers and assurance quality (as discussed in Section 7.2.2) and (2) managerial capture and assurance quality. A significant degree of managerial capture is observed during the assurance process, in both the UK and Chinese contexts. The managerial capture is reflected in four aspects and undermines the quality of sustainability assurance.

First, the research findings reveal that the scope of sustainability assurance engagements (i.e., areas assured and not assured) is generally determined by the corporate management of CSR reporting companies. In planning an assurance engagement and determining the assurance scope, the assurance provider effectively responds to the demand of corporate managers/directors. Given the client-service provider relationship between CSR reporting company and assurance provider, the latter tend to keep the former satisfied (Boiral *et al.*, 2019b). Corporate managers/directors can restrict the assurance scope and control the assurance process by selecting assured data for their own sake. For example, they can intentionally avoid selecting data that are inaccurate or made up. Moreover, the CSR reporting managers are reluctant to seek high-level (i.e., reasonable) assurance for CSR reporting, given the immaturity of CSR data and the high assurance fee. As sustainability assurance remains voluntary, CSR reporting companies are not motivated to adopt the more costly and demanding option (i.e., reasonable assurance). They tend to choose a limited assurance engagement, get the assurance work done with the minimum amount of effort, obtain a “certificate” (assurance statement) attesting the credibility of their CSR reports, and thus enhance their legitimacy in their institutional environments. These findings complement and support previous studies based on the content analysis of sustainability assurance statements, which argue that corporate management effectively controls the sustainability assurance work (Bepari and Mollik, 2016; Boiral and Heras-Saizarbitoria, 2020; Deegan *et al.*, 2006; O’Dwyer and Owen, 2005; 2007; Perego and Kolk, 2012).

Second, the addressee of assurance statements remains unspecified/restricted. The findings of Study One show that most of the sustainability assurance statements are addressed to the CSR reporting companies' board of directors (and management). Moreover, the assurance statements usually include a paragraph declaring the reporting company and assurance provider's respective responsibilities and stating that the assurance provider has no responsibility to anyone other than the board of directors, management, and the reporting company. The findings of Study Three further indicate that assurance providers are generally reluctant to address their assurance statements to anyone other than the board of directors. UK-AP-BIG FOUR-1-(1) explained that because a sustainability assurance engagement was between the board of directors of a reporting company and an assurance provider, the final assurance report would be addressed to those directors. Also, the assurance opinion would not be addressed to shareholders or other stakeholders because sustainability assurance providers had no legal duty of care to them. Therefore, due to the appointor-appointee relationship between the CSR reporting company and sustainability assurance provider, sustainability assurance statements are effectively addressed to corporate directors/management. Drawing on the previous literature (Ball *et al.*, 2000; O'Dwyer and Owen, 2005), sustainability assurance engagement is commissioned by corporate directors/management rather than individual stakeholder groups. Consequently, the assurance process is easily controlled by placing restrictions on the areas where the assurance provider can exert independent judgement.

Third, the research findings indicate doubt about assurance provider independence. The findings of Study One show assurance providers' silence on providing other relevant services to their clients in the sustainability assurance statements. Such silence may cast doubt about the credibility of the assurance statements since report users cannot assess the independence of assurance providers (Ball *et al.*, 2000; O'Dwyer and Owen, 2007). The appointor-appointee relationship between corporate

directors/management and assurance providers may further undermine assurance provider independence. One interviewee (UK-EXP-2-(1)) indicated that assurance providers were not independent as long as they were being paid by the reporting companies. This view is consistent with Bazerman *et al.* (1997) and Richard (2006) pointing out the impossibility of auditor independence.

The issue of assurance provider independence is further flagged in the Chinese context. As elaborated in Chapter Six, the sustainability assurance engagements provided by a non-accounting assurance provider (CN-AP-NONA-1) were included in a CSR consulting firm's (CN-CON-2) report writing service contracts. This non-accounting assurance provider was unlikely to remain unbiased while assuring the CSR reports produced by the CSR consulting firm with whom it had a close business relationship and a fee agreement. The lack of independence undermines the effectiveness of the assurance in enhancing the credibility of CSR reports. Further, in line with Boiral *et al.* (2019b), this finding points to a vague boundary between CSR consulting and sustainability assurance. The assurance is viewed as part of the consulting service and included in one contract. Drawing on Cooper and Owen (2014), combining a consultancy function with an assurance work compromises the integrity of the assurance, which further casts doubt about the effectiveness of the assurance in credibility-enhancing.

Fourth, the level of stakeholder engagement is kept minimal during the process of sustainability assurance. The findings of Study One show that external stakeholders are primarily detached from the assurance process. Where assurance providers conduct interviews/inquiries, they involve corporate managers and other staff. The findings of Study Three confirm the lack of external stakeholder involvement. The UK and Chinese CSR managers indicated that no external stakeholder had been involved in the assurance process since the assurance work mainly focused on data checking. The assurance providers primarily engaged with relevant staff and

corporate responsibility managers. Moreover, UK-EXP-2-(1) believed that assurance providers rarely approached external stakeholders because most reporting companies were uncomfortable with it, let alone it would significantly increase the overall assurance cost. UK-AP-BIG FOUR-1-(1) highlighted that in an assurance engagement, the assurance provider was expected to look at what management had done about stakeholder inclusivity and check management assertions rather than engage with external stakeholders. The findings reveal that both the reporting companies and assurance providers are reluctant to involve external stakeholders in the assurance process. Particularly, assurance providers tend to limit their responsibility for sustainability assurance engagements to their clients (reporting companies) only and downplay other stakeholders' expectations (O'Dwyer and Owen, 2007).

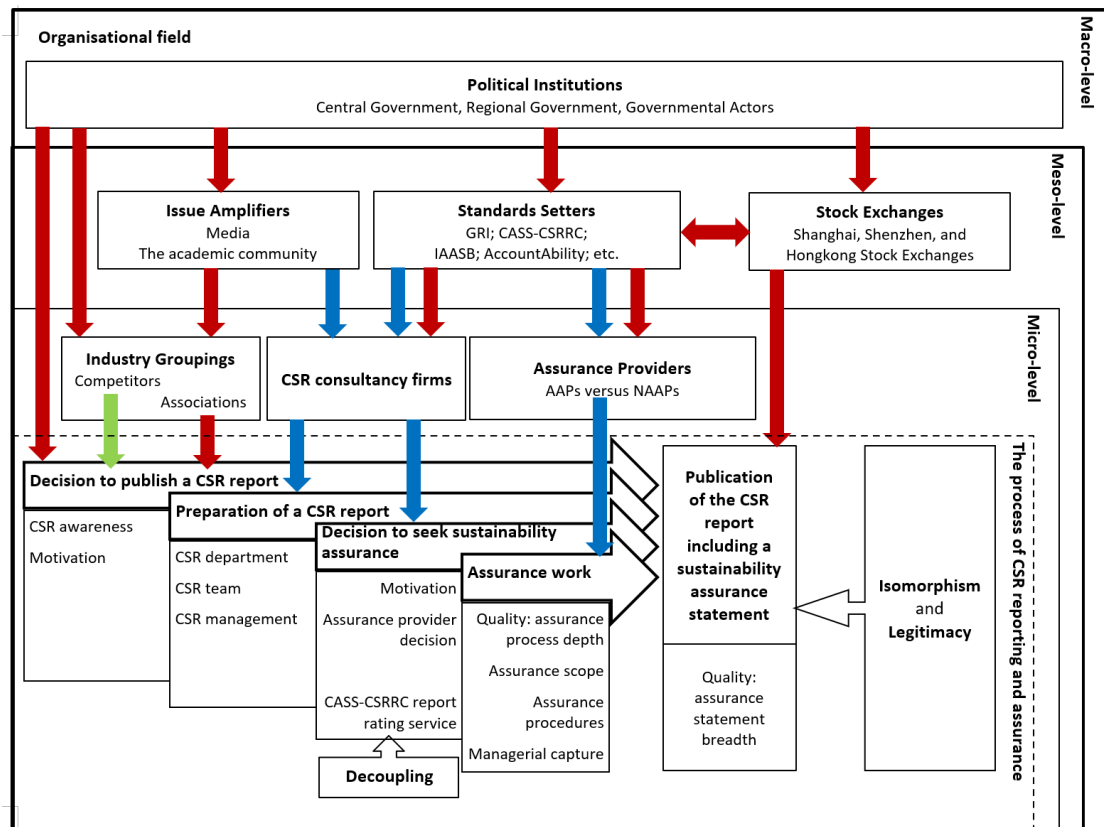
In summary, the above discussion reveals a symbolic nature of sustainability assurance. The assurance process is largely captured by corporate management who determine the assurance scope and restrict areas where the assurance provider can exert independent judgement. In a narrow-scoped and manipulated assurance engagement, the assurance provider is less likely to discover or report problematic issues in the company's CSR disclosures. The company can easily obtain an unqualified assurance opinion affirming the credibility of CSR reporting. Consequently, the quality of the assurance engagement is undermined. Moreover, stakeholders, particularly external stakeholders, are entirely dissociated from the assurance process. This points to "a stagnation of stakeholder engagement" in sustainability assurance (Gürtürk and Hahn, 2016., p.38), where stakeholder accountability is a low priority (Bepari and Mollik, 2016; O'Dwyer and Owen, 2005). The assurance work remains a management tool since assurance providers are effectively accountable to corporate management. Sustainability assurance statements appear as a "hyperreal practice" (Boiral and Heras-Saizarbitoria, 2020, p.1), conveying a misleading view of confidence and rationality to stakeholders who

use CSR reports for decision-making (Boiral *et al.*, 2019a). Therefore, sustainability assurance largely remains an exercise of legitimation for CSR reporting companies (Bepari and Mollik, 2016; Boiral *et al.*, 2019a), which fails to enhance organisational transparency and stakeholder accountability.

7.3 Research Contributions

This research contributes to knowledge of sustainability assurance and has theoretical, practical, and political implications. It has developed some theoretical extensions of institutional theory by suggesting a conceptual framework for the explanation of the organisational assurance practice within a broader social context. Building upon (1) the seminal articles formulating neo-institutional arguments (DiMaggio and Powell, 1983; Meyer and Rowan, 1977), (2) the four basic neo-institutional tenets in terms of organisational field, isomorphism, decoupling, and legitimacy (Kostova *et al.*, 2008), (3) the work of Smith *et al.* (2011) conceptualising capture as an institutional process across the organisational field, and (4) other relevant previous literature (discussed in Chapter Two), the conceptual framework illustrates how institutional factors at different levels influence the adoption, pattern, and quality of sustainability assurance practice. This conceptual framework could be applied to future sustainability reporting and assurance research studying different national contexts. Figure 7.1 shows the proposed conceptual framework applied to the Chinese context, based on the key findings of this research.

Figure 7.1 The Proposed Conceptual Framework Applied to the Chinese Context



Coercive isomorphism ←

Mimetic isomorphism ←

Normative isomorphism ←

Abbreviations and Acronyms:

AAPs: accounting assurance providers.

CASS-CSRRC: Corporate Social Responsibility Research Centre, Chinese Academy of Social Sciences.

GRI: Global Reporting Initiative.

IAASB: International Auditing and Assurance Standards Board.

NAAPs: non- accounting assurance providers.

Source: Author.

Figure 7.1 shows isomorphism and a legitimate motive for publishing a CSR report with a sustainability assurance statement. At the macro-level, national government, regional government, and governmental actors exert a coercive isomorphic force on the key field participants at other levels and drive CSR reporting adoption. This links to the research finding that the Chinese government plays an essential role in promoting CSR awareness and driving CSR reporting adoption. At the meso-level, stock exchanges, standards setters, and issue amplifiers exert a coercive isomorphic force on the key field participants. Meanwhile, standards setters exert a normative isomorphic force on CSR consultancy firms and assurance providers in the institutionalisation of CSR reporting and assurance practice.

At the micro-level, industry groupings generate pressures from mimetic isomorphism (i.e., peer pressure) and coercive isomorphism (for example, industrial CSR guidance) in driving the adoption of CSR reporting. CSR consultancy firms exert a normative isomorphic force on the preparation of the CSR report (linking to their role in educating Chinese companies in CSR reporting and management) and decision to seek sustainability assurance (linking to the cooperation between CSR consultancy firms and non-accounting assurance providers). Accounting and non-accounting assurance providers institutionalise the sustainability assurance work while competing against each other. Their assurance approaches influence the quality of sustainability assurance engagements. The managerial capture of the assurance work also influences the quality of the sustainability assurance engagements. Moreover, the popularity of CASS-CSRRC's report rating service indicates how some Chinese companies ceremonially adopt a credibility-enhancing mechanism of CSR reporting while decoupling "themselves from the environment" by using the report rating service (a more economically efficient practice) instead of sustainability assurance (Kostova *et al.*, 2008, p. 999).

The proposed conceptual framework expands the neo-institutional theory framing of

sustainability assurance. It improves Smith *et al.* (2011)'s framework which integrates elements of neo-institutional theory and conceptualises sustainability assurance in the UK context. Specifically, the proposed improvements¹⁰⁴ address multiple elements of the theory and add “the qualities of completeness and thoroughness to theoretical work” (Whetten, 1989, p. 493). Compared to Smith *et al.* (2011)'s framework, in the proposed conceptual framework (Figure 2.5), elements adding little additional value to our understanding were deleted. Several elements were added at the macro-, meso-, and micro- levels to ensure that this conceptual framework captures all relevant factors explaining the institutionalisation of sustainability assurance within a certain organisational field. Particularly, the process of CSR reporting was included, indicating that the sustainability assurance engagement should be considered as part of the process. The addition of the CSR reporting process reorganised our causal maps while investigating the dynamics of the interactions between the various field participants active in the sustainability assurance field. At the macro- and meso- levels, the development of CSR reporting (reflected in relevant CSR regulations/requirements, reporting standards/frameworks, CSR awareness, etc.) influences the adoption of sustainability assurance and leads to variations in the sustainability assurance practice among different countries. At the micro-level, once sustainability assurance is considered as part of the CSR reporting process, the role of CSR consultancy firms, which has long been ignored in the previous literature, is revealed: they educate companies in the preparation of CSR reports and management of CSR performance, as well as influence their decision to seek sustainability assurance. This implies that CSR consultancy firms can, on behalf of corporate management, capture the process of sustainability assurance (which “should be an exercise in public accountability” [Smith *et al.*, 2011, p. 425]), and thus undermine the assurance quality. Moreover, unlike Smith *et al.* (2011)'s framework which is limited to the UK context, the

¹⁰⁴ These are detailed in Section 2.5 Conceptual Framework.

proposed conceptual framework can be applied to the UK, Chinese, and other national contexts. Figure 7.1 exemplifies the application of the proposed conceptual framework to the Chinese context by specifying field participants and isomorphic forces. Therefore, the proposed conceptual framework extends current theorising in sustainability assurance research and significantly alter our understanding of the institutionalisation of sustainability assurance practice. It offers the prospect of revealing insights into sustainability assurance within different institutional contexts.

This thesis also fills several gaps in the extant sustainability assurance literature. It provides evidence of the sustainability assurance practice in China, which is under-researched in this field. Moreover, Figure 7.1 represents a novel conceptual framework adding knowledge of the institutionalisation of sustainability assurance practice in China. Future research investigating sustainability assurance in China can apply and improve this conceptual framework. It also contributes to the literature on sustainability assurance practice within different institutional contexts. Through a comparison between the UK and China, this research finds that different national contextual factors impacting companies in the two countries have a more substantial influence on sustainability assurance than other factors such as firm size and industry group. The findings shed new light on the extant literature where the importance of different factors influencing the extent and nature of sustainability assurance is inconclusive. Moreover, this research responds to a call for engagement research to pursue improved sustainability reporting, assurance, and performance (Adams and Larrinaga, 2019) through semi-structured interviews and surveys. It has significant potential to inform practice and policy developments with the same aim.

This research sheds light on the development of sustainability assurance practice. Currently, accounting assurance providers dominate the sustainability assurance market. The research findings reveal limitations of sustainability assurance engagements shaped by financial auditing practices originated from the accounting

profession. The narrow-scoped data-checking assurance procedures largely ignore the complex and dynamic nature of sustainability reporting. The findings suggest that while the accounting assurance providers institutionalise the evolving sustainability assurance market, they should not be restricted to pre-existing standards (ISAE 3000) and procedures. Instead, they should consider a more flexible approach, embracing various assurance standards and methodologies, when undertaking new assurance forms (Farooq and De Villiers, 2019b). This research also finds while accounting and non-accounting assurance providers competing in this field, non-accounting assurance providers draw on their competitors' assurance standards and methodology. Given "the innovation ... inherent in competitive endeavours" (Farooq and De Villiers, 2019b, p. 331), this finding implies the potential for collaboration in the development of sustainability assurance practice. Drawing on Canning *et al.* (2019), accounting and non-accounting assurance providers can embrace their individual differences in expertise and draw on each other's unique knowledge while developing the approach to sustainability assurance. This will offer them a degree of comfort while dealing with the uncertainties in the evolving assurance environment. Therefore, the researcher encourages the collaborative and synergistic process that may improve sustainability assurance practices. These insights may be helpful to sustainability assurance providers globally.

This research also has implications for standard setters and policymakers. The researcher calls for specialist standards on sustainability assurance to enhance the relevance, consistency, and credibility of sustainability assurance engagements (He, 2021). *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements* (IAASB, 2021a) represents an effort the accounting profession has made to develop specialist standards to support ISAE3000. Moreover, while there is an increasing demand for mandatory sustainability assurance (given that the adoption of sustainability assurance is

primarily driven by pressures from coercive isomorphism, particularly from governmental requirements), this research also cautions policymakers against introducing generic regulations to companies based in different countries/regions. National contextual factors significantly influence the conceptualisation, development, and standardisation of CSR reporting across countries and regions (Ali *et al.*, 2017; Ehie, 2016; Jamali and Karam, 2016; 2018; Nurunnabi, 2016). The same corporate behaviour considered acceptable within one context may be unacceptable in another, as “CSR is a socially constructed and dynamic concept” (Ali *et al.*, 2017, p.288). Notably, developing countries are more likely to follow a path different from “the classic western ordering” (Ehie, 2016, p. 14) followed by developed countries, given their political, economic, social, and cultural contexts. Therefore, national contextual factors need to be considered so that the regulations can be well adopted by companies based in different countries/regions.

7.4 Research Limitations and Future Research Directions

It should be acknowledged that this research does have several limitations. First, the research findings are not generalisable. The limited possibility to draw wider generalisation stems from the interpretive nature of this qualitative research. The qualitative research design involved unproportionate and relatively small samples. The sampling process was restricted by data availability, particularly in finding willing interview participants. Also, this study only focuses on two countries, the UK and China. Moreover, due to time- and cost-related constraints, the breadth of persons interviewed and exploration undertaken is limited. A longer research period would have provided the opportunity to find more interviewees, collect richer dataset, and improve interpretation of phenomena. However, it can be argued that coverage is not a primary concern for this qualitative study with exploratory nature. Despite the relatively small number of samples, rich and insightful data were collected and analysed to address the research questions. Particularly, for those interviews

conducted, the interviewees could not have been more open and supportive. Furthermore, qualitative studies can be theoretically generalisable with sufficient efforts to ensure validity and reliability (Bryman and Bell, 2015). As noted in Chapter Three, this research systematically followed triangulation to validate data and ensure reliability. For example, inferences drawn from interview and survey data were triangulated with content analysis findings, different interviewees across cases, and secondary documentary sources.

Second, the interpretations of sustainability assurance statements were not free from the influence of their providers. The assurance process was considerably captured by corporate managers and shaped by reporting companies' demand for legitimacy (Boiral *et al.*, 2019a; Fonseca, 2010; Michelon *et al.*, 2015; Owen *et al.*, 2000; Smith *et al.*, 2011). The content analysis findings thus reflected what assurance providers and reporting companies had agreed to disclose publicly, not assurance providers' independent opinions on the quality of CSR reports. Negative information that would damage corporate image tended to be intentionally omitted. Moreover, although the suggestions for improvement listed in the assurance statements indicated potential changes that the reporting companies should make, the impact of these suggestions remained unknown. Notably, these limitations are unavoidable in the content analysis merely based on secondary documentary data. The primary data collected from interviews and surveys have complemented the content analysis findings.

Third, the survey research (Study Two) was subject to a limited number of questionnaire responses. As discussed in Chapter Three, although significant efforts had been made, people were still reluctant to participate in the surveys. Therefore, the analysis of Surveys One and Two might be biased, and the key findings of Study Two were subject to limited generalisation. However, given the role of the surveys was to supplement the qualitative content analysis (Study One) and interview data analysis (Study Three), the additional insights obtained from the surveys were

considered worthy of further exploration. Moreover, although the result of conducting the survey research seems less satisfactory, I have acquired skills through the process. For example, I have learned how to design different types of survey questions, avoid biased or leading questions, write a cover letter for a questionnaire, approach potential participants, deal with the same questionnaire in different languages (and deliver it in different national contexts), and so on. These details are omitted from this thesis but worth remembering, because from my perspective, the meaning of the survey research is more than the number of questionnaires returned. Further, after experiencing difficulties getting responses to my questionnaires, I found myself changed in terms of being a potential survey participant. I am more willing to participate in surveys if asked to do so. It seems that I have become more sympathetic to researchers conducting survey research as I understand how difficult it is to get questionnaire responses. My primary PhD supervisor once told me that PhD was about research training. I found myself acquired a lot through this PhD research project, even more than research skills.

The research limitations and key findings suggest avenues for future research. Future studies in this area could explore sustainability assurance practices in different geographical settings, given the significant impact of national contextual factors. Such studies could build on the proposed conceptual framework (Figure 2.5) to analyse sustainability assurance within different institutional contexts. Specific topics worth exploring include (1) the competition between accounting and non-accounting assurance providers, (2) the assurance approach adopted by different sub-types of non-accounting assurance providers, (3) ethical issues in the process of sustainability assurance, and (4) the role of CSR/sustainability consultancy firms. Also, the typology of sustainability assurance providers requires further research (He, 2022). Another avenue of future research would be to investigate alternatives to enhancing the credibility of CSR reporting, whether they need to be found, and how this might be achieved.

A detailed examination of the possible changes and improvements in CSR reporting practices is also worth exploring. Future studies could explain the link between sustainability assurance and a reporting entity's internal data collection and management control systems. Such studies would shed light on whether the assurance outcomes are seriously considered, how they influence organisational CSR reporting practices, and whether they support a reporting entity's actual CSR commitment. Moreover, future studies could further clarify whether sustainability assurance is obtained to validate a reporter's genuine CSR commitment or improve perceptions of a reporter's credibility and commitment. Surveys and interviews with CSR managers, sustainability assurance providers, and key stakeholders (for example, investors, shareholders, customers, and suppliers) could help enrich our understanding of the relevance and usefulness of current sustainability assurance practices and the potential changes in the nature and scope of the assurance process.

Appendices

Appendix 1: Details of UK and Chinese 2016 Assurance Statements

A1a: Details of UK Assurance Statements Issued in 2016 (the 51 UK Assurance Statements Analysed in Study One)

Company	Assurance Statement Title	Assurance Provider
Anglo American	Independent Assurance Provider's Assurance Report on Selected Sustainable Development Information	KPMG
Antofagasta	Independent Professionals Report	PWC
Associated British Foods	Independent Assurance Statement to the Directors of Associated British Foods	EY
Aviva	Independent Limited Assurance Report to the Directors of Aviva plc	PWC
BAE Systems	Independent assurance statement by Deloitte LLP to BAE Systems plc on the Corporate Responsibility (CR) of the BAE Systems website for the year ended 31 December 2016 and corresponding performance indicators on pages 15, 22, 54, 55, 56 and 57 of the BAE Systems 2016 Annual Report	Deloitte
Barclays	Independent Limited Assurance Report to Barclays PLC	KPMG
Barratt Developments	Barratt Developments PLC Sustainability Report Verification Statement 2016	Ocean Certification
Berkeley Group Holdings	Independent Limited Assurance Report to the Directors of The Berkeley Group Holdings plc	PWC
BHP Billiton	Independent Assurance Report to the Directors and Management of BHP Billiton	KPMG
BP	Independent Assurance Statement	EY
British American Tobacco	Independent Assurance report to British American Tobacco Management	EY
British Land Co	Independent Limited Assurance Report to the Directors of The British Land Company plc	PWC
BT Group	LRQA statement - Relating to BT Group plc's Delivering Our Purpose 2015/16 Report for the 2015/16 financial year	LRQA
Bunzl	Independent Limited Assurance Report to the Directors of Bunzl plc	PWC
Burberry Group	Independent Assurance report to Burberry Management	EY

Carnival	Assurance Statement related to Greenhouse Gas Emissions Inventory and Sustainability Data for Fiscal Year 2016 prepared for Carnival Corporation & plc.	LRQA
Centrica	Independent assurance statement by Deloitte LLP to Centrica plc on the Responsible Business Update and the Responsible Business Update section of the Annual Report and Accounts 2016	Deloitte
Coca-Cola HBC AG	Independent Assurance Statement on the 2016 Integrated Annual Report	denkstatt GmbH
CRH	DNV GL Assurance Statement	DNV-GL
DCC	Independent Limited Assurance Report to the Directors of DCC plc	KPMG
Diageo	Independent Limited Assurance Report to the Directors of Diageo plc	PWC
Experian	Independent Limited Assurance Report to the Directors of Experian plc	PWC
GlaxoSmithKline	Independent Assurance Statement	Bureau Veritas
Glencore	Independent assurance report to Glencore Plc on selected information in its 2016 Sustainability Reporting	Deloitte
Imperial Brands	Independent Limited Assurance Report to the Directors of Imperial Brands PLC	PWC
Kingfisher	Independent Limited Assurance Report to Kingfisher plc	KPMG
Land Securities Group	Independent Assurance Statement To the management of Land Securities Group plc	EY
London Stock Exchange Group	The inventory of Greenhouse Gas emissions in the period 01/01/2016-31/12/2016 for London Stock Exchange Group plc	SGS
Marks & Spencer Group	Independent Assurance Statement To the management of Marks and Spencer Group plc	DNV-GL
Mondi	Independent assurance statement	ERM CVS
Morrison (Wm) Supermarkets	Independent Data Assurance Report to the Directors of Wm Morrison Supermarkets PLC	DNV-GL
Next	Independent Limited Assurance Report to the Directors of NEXT plc	PWC
Pearson	Independent Assurance of Pearson's 2016 Environmental Data ISAE 3000 Statement//Third-Party Environmental Data Assurance: Independent ISAE3000 Assurance Statement to Pearson plc	Corporate Citizenship
Prudential	Independent assurance statement by Deloitte LLP ('Deloitte') to Prudential Services Ltd ('Prudential') on their Corporate Responsibility Report 2016 ("Report")	Deloitte
Randgold Resources	Independent Assurance Statement	ESS
Reckitt Benckiser Group	Independent Limited Assurance Report to the Directors of Reckitt Benckiser plc	PWC
RELX	Independent Assurance Statement to RELX Group plc Management	EY
Rio Tinto	Independent limited assurance report	PWC

Rolls-Royce Holdings	Independent Limited Assurance Statement	Bureau Veritas
Royal Bank of Scotland Group	Independent Assurance Statement to the Directors of the Royal Bank of Scotland	EY
RSA Insurance Group	Independent Limited Assurance Report to the Directors of RSA Insurance Group plc	PWC
Segro	Independent Limited Assurance Report to SEGRO plc	KPMG
Shire	Independent Assurance Statement	Bureau Veritas
Smith & Nephew	Independent Assurance Statement	DNV-GL
Smurfit Kappa Group	Assurance report of the independent auditor To the readers of the Sustainable Development Report 2016 of Smurfit Kappa Group plc	KPMG
Standard Chartered	Carbon Trust Certification Ltd Assurance Statement Relating to Standard Chartered Plc's Greenhouse Gas Emissions Sources Claims 2016	Carbon Trust Certification
TUI AG	Assurance Report of the Independent Auditor	PWC
Unilever	Independent Limited Assurance Report to the Directors of Unilever plc	PWC
Vodafone Group	Independent Assurance Statement to Vodafone Group Plc Management	EY
Whitbread	Independent Assurance of Whitbread's Corporate Responsibility Reporting 2016/2017	Corporate Citizenship
WPP	Independent Verification Statement	Bureau Veritas

A1b: Details of Chinese Assurance Statements Issued in 2016 (the 16 Chinese Assurance Statements Analysed in Study One)

Company	Assurance Statement Title	Assurance Provider
中国工商银行 Industrial and Commercial Bank of China	独立有限鉴证报告 (Independent Limited Assurance Report)	KPMG
中国建筑股份有限公司 China State Construction Engineering Corporation	社会责任报告审验声明书 (Assurance Statement of Corporate Social Responsibility Report)	TUV NORD
中国建设银行 China Construction Bank	注册会计师独立鉴证报告 (Certified Public Accountant's Independent Assurance Statement)	PwC
中国农业银行 Agricultural Bank of China	独立鉴证报告 (Independent Assurance Statement)	PwC
中国平安 Ping An Insurance	独立鉴证报告 (Independent Assurance Statement)	Deloitte
中国银行 Bank of China	社会责任报告独立鉴证报告 (Corporate Social Responsibility Independent Assurance Statement)	EY
华为集团 Huawei Group	独立审验声明 (Independent Assurance Statement)	TÜV Rheinland
中国人民保险集团 People's Insurance Company of China	验证声明 (Assurance Statement)	SGS
中国五矿集团 China Minmetals	社会责任报告审验声明书 (Assurance Statement of Corporate Social Responsibility Report)	TUV NORD
中国交通银行 Bank of Communications	独立鉴证报告 (Independent Assurance Statement)	PwC
来宝集团 Noble Group	Independent Limited Assurance Report in relation to Noble Group Limited's 2015/16 Communication on Progress Report	EY
中国招商银行 China Merchants Bank	独立鉴证报告 (Independent Assurance Statement)	EY
上海浦发银行 Shanghai Pudong Development Bank	注册会计师独立鉴证报告 (Certified Public Accountant's Independent Assurance Statement)	PwC
中国民生银行 China Minsheng Bank	注册会计师独立鉴证报告 (Certified Public Accountant's Independent Assurance Statement)	PwC
中国太平洋保险有限公司 China Pacific Insurance	审验保证声明 (Assurance Statement)	DNV GL
中国神华集团 China Shenhua Group	独立鉴证报告 (Independent Assurance Statement)	Deloitte

Appendix 2: Assurance Statement Content Index Detailed Results

Analytical categories (codes)	Score (Full mark: 30)	UK N100			China N100		
		2008 (n=30)	2012 (n=37)	2016 (n=51)	2008 (n=8)	2012 (n=16)	2016 (n=16)
		Mean Score			Mean Score		
1. Title	0 – Not Mentioned 1 – Mentioned	1.00	0.97	1.00	1.00	1.00	1.00
2. Addressee(s)	0 – Not Mentioned 1 – Addressee is internal users or “the readers”/ “to whom is concerned” or shareholders 2 – Stakeholder clearly mentioned as the addressee	0.90	1.03	1.10	0.50	1.06	1.18
3. Profile of assurance provider	0 – Neither mentioned 1 – Either mentioned 2 – Both mentioned	1.80	1.95	1.92	1.25	1.75	1.76
4. Report date	0 – Not mentioned 1 – Mentioned	0.97	0.95	0.98	1.00	1.00	1.00
5. Reporter’s responsibility	0 – Not mentioned 1 – Mentioned	0.83	0.95	0.96	0.25	0.81	0.94
6. Assurance provider’s responsibility	0 – Not mentioned 1 – Mentioned	0.83	0.92	0.96	0.25	0.94	1.00
7. Assurance provider’s independence	0 – Not mentioned 1 – Either mentioned	0.70	0.86	0.94	1.00	0.56	1.00
8. Competence of assurance provider	0 – Not mentioned 1 – Mentioned	0.70	0.84	0.88	0.25	0.38	0.82

9. Objective of the assurance engagement	0 – Not mentioned 1 – Mentioned	1.00	0.97	1.00	1.00	1.00	1.00
10. Level of assurance	0 – Not mentioned 1 – Review, limited assurance, moderate assurance, independent opinion/assurance, external verification/assurance/validation 2 – Reasonable assurance or different assurance levels for different parts of the report	1.13	1.11	1.10	1.00	1.00	1.00
11. Scope of the assurance engagement	0 – Not mentioned 1 – Mentioned	0.97	1.00	0.98	1.00	0.94	0.94
12. Criteria referred to assess evidence and draw a conclusion	0 – Not mentioned 1 – Use publicly unavailable standard(s) 2 – Use publicly available standard(s)	1.27	1.65	1.49	2.00	1.69	1.88
13. Assurance standard(s) followed	0 – Not mentioned 1 – Use publicly unavailable standard(s) 2 – Use publicly available standard(s)	1.97	1.86	1.98	2.00	2.00	2.00
14. Description of procedures performed	0 – Not mentioned 1 – Mentioned	1.00	1.00	0.98	1.00	1.00	1.00
15. Any limitations	0 – Not mentioned 1 – Mentioned	0.63	0.73	0.82	0.75	0.94	0.94
16. Establish of materiality level	0 – Not mentioned	0.00	0.16	0.14	0.00	0.00	0.00

	1 – Limited to a broad statement without assessor's further confirmation 2 – Explanation of the materiality setting OR a broad statement with the stakeholder perspective introduced 3 – Explanation of materiality setting with the stakeholder perspective introduced						
17. Completeness	0 – Not mentioned 1 – Mentioned	0.27	0.19	0.24	0.50	0.19	0.06
18. Responsiveness	0 – Not mentioned 1 – Mentioned	0.33	0.27	0.20	0.75	0.31	0.24
19. Inclusivity	0 – Not mentioned 1 – Mentioned	0.17	0.27	0.20	0.75	0.44	0.29
20. Materiality	0 – Not mentioned 1 – Mentioned	0.37	0.30	0.24	0.75	0.50	0.29
21. Conclusions, opinion and/or recommendations	0 – Not mentioned 1 – Merely state an assurance opinion/conclusion 2 – Explanatory statement of conclusion without further recommendation 3 – Explanatory statement of conclusion with recommendations	2.53	1.86	1.67	2.50	1.94	1.82
Total		19.37	19.97	19.76	19.50	19.44	20.18

Appendix 3: Study Two: Survey One (English version)

Cover Letter

Dear [Contact Name]

I am writing this email to ask for your help with an important survey on Corporate Social Responsibility (CSR) reporting and assurance practice.

This survey is part of a doctoral research project that investigates the current situation of CSR reporting and assurance practice in different institutional contexts. Regardless of whether or not your company issues CSR reports or how these reports are published and named, your responses are essential in building an accurate picture of this issue and will contribute to the overall understanding of this research area. However, your decision to participate is entirely voluntary. If you do decide to take part, simply go to this website: [Questionnaire Web Link]. This questionnaire should take around 15 minutes to complete.

If you feel you are not qualified to respond to the survey, please forward this email to the appropriate person in your company or kindly provide the proper individual's contact if possible. All the information you provide will be treated in the strictest confidence. No costs are associated with completing the questionnaire other than your time.

I hope you will be willing to take part in this survey. Should you have any inquiries or would like further information about this research project, please do not hesitate to contact me by email at xinwu.he@durham.ac.uk. Many thanks for your time and help.

Sincerely,
Xinwu He

Survey: CSR Reporting and Assurance Practice

Welcome to this questionnaire.

Thank you for participating in this survey. As Corporate Social Responsibility (CSR) reporting continually evolves worldwide, it is important for us to learn about companies' current reporting performance and identify any obstacles that may stand in the way of forming better CSR reporting and assurance practice. Generally, a CSR report focuses on companies' environmental, social and ethical performance. Usually, it is issued voluntarily and separately and may be named in different ways such as "sustainability report," "environmental, social and governance (ESG) reports", "citizenship reports," and so forth. Regardless of whether your company issues CSR reports or how these reports are named and published, your responses are essential. This study will help us better understand CSR reporting and assurance practice in different institutional contexts.

While your participation is voluntary, your assistance is essential if the survey results are to be accurate. Your answers are collected for research purpose only and will be kept strictly confidential. No personally identifiable information will be associated with your response in any reports of the data. If you have any inquiries, please feel free to contact Xinwu He by email at xinwu.he@durham.ac.uk

Section 1

Q1. How does your company currently disclose CSR information?

CSR reports could also be called sustainability/ESG/citizenship reports or other reports having the same contents. They could be in the form of web pages.

- ☐ In a stand-alone CSR report – *skip to Q2*
- ☐ In an annual report – *skip to Q2*
- ☐ In an integrated report <IR> – *skip to Q2*
- ☐ No disclosure – *skip to Q21*
- ☐ Other _____ – *skip to Q2*

Section 2 | CSR Reporting

This page covers questions regarding your company's CSR reporting practice.

Please answer the following questions only if you have NOT chosen "No disclosure" in Q1.

Q2. When did your company disclose CSR information for the first time?

Year: _____

For example: 2008

Q3. Please select THREE of the most important intended audiences of your company's CSR reporting.

Please tick all that apply

- ☐ Creditors
- ☐ Customers
- ☐ Directors
- ☐ Employees
- ☐ Government
- ☐ International communities
- ☐ Local communities
- ☐ Management
- ☐ Media
- ☐ Non-governmental Organisations (NGOs)
- ☐ Professional bodies
- ☐ Regulators
- ☐ Shareholders
- ☐ Suppliers
- ☐ Other _____

Q4. What guideline(s)/standard(s) has your company followed in compiling the LATEST CSR reporting?

Please tick all that apply

- ☐ AccountAbility – AA1000 AccountAbility Principles (AA1000AP)
- ☐ Global Reporting Initiative (GRI) – G4 Guidelines
- ☐ Global Reporting Initiative (GRI) Standards
- ☐ The Greenhouse Gas Protocol (GHG) Corporate Accounting and Reporting Standards
- ☐ International Integrated Reporting <IR> Framework
- ☐ The Recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD)
- ☐ Other _____

Q5. How important are each of the following reasons in driving your company's adoption of CSR reporting?

	Not at all important	Not very important	Somewhat important	Very important	Extremely important
CEO/Board commitment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To attract new customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To comply with national, international or industrial regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To enhance the company's reputation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To enhance corporate transparency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To increase visibility to stakeholders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To integrate CSR practices into our business strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To keep up with competitors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To meet the expectation of existing customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To mitigate the effects of negative events	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To mitigate the pressure from stakeholder groups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To stay ahead of potential future regulatory	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

requirements					
Other reason (please specify) _____	○	○	○	○	○

Q6. Please select THREE of the most relevant benefits to your company of adopting CSR reporting.

Please tick all that apply

- ☐ Attracting the best staff
- ☐ Building trust
- ☐ Enhancing reputation
- ☐ Establishing a better risk-identification and value creation process
- ☐ Facilitating stakeholder engagement
- ☐ Mitigating negative publicity
- ☐ Reflecting boarder stakeholder accountability
- ☐ Reducing compliance cost
- ☐ Other _____

Q7. Has your company's CSR reporting triggered any negative internal or external repercussions?

- ☐ Yes
- ☐ No
- ☐ Not sure _____

Q8. How important are each of the following stakeholder groups to your company during the process of CSR reporting?

	Not at all important	Not very important	Somewhat important	Very important	Extremely important
Creditors	○	○	○	○	○
Customers	○	○	○	○	○
Employees	○	○	○	○	○

Government	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
International communities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Local communities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Media	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-governmental Organisations (NGOs)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Professional bodies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Shareholders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Suppliers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q9. Have the stakeholder groups engaged in the process of your company's CSR reporting?

- ☐ Yes – skip to Q10
- ☐ No – skip to Q11

Q10. How have the stakeholder groups been engaged in the process?

Please tick all that apply

	None	Visit Sites	Stakeholder Panels	Meetings	Consultation	Interview	Survey	Other ways
Creditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Media	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
NGOs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Professional bodies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q11. Has your company ever temporarily stopped CSR reporting?

- ☐ Yes – *skip to Q12*
☐ No – *skip to Q13*

Q12. How important were each of the following factors in your company's decision to temporarily stop CSR reporting?

	Not at all important	Not very important	Somewhat important	Very important	Extremely important
Change in company CSR strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Change in national or international regulation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has nothing new to report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has nothing positive to report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has nothing negative to report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of relevant knowledge	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of technical competence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Not enough benefit from doing it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other priorities became more important	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Staff changes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Too much time and effort	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other factors _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q13. Does your company foresee ever discontinuing CSR reporting? – *then go to Q14.*

- ☐ Yes
- ☐ No
- ☐ Not Sure

Section 3 | Assurance

This page covers one question relating to your company's CSR assurance practice.

Q14. Has your company's LATEST CSR report been independently verified/assured/audited?

- ☐ Yes – *skip to Q15*
- ☐ No – *skip to Q25*

Section 4 | Assurance

This page covers questions regarding your company's CSR assurance practice.

Please answer the following questions only if you have chosen "Yes" in Q14.

Q15. How important are each of the following factors to your company in deciding to seek external assurance for CSR reporting?

	Not at all	Not very	Somewhat	Very	Extremely
--	------------	----------	----------	------	-----------

	important	important	important	important	important
CEO/Board commitment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To attract new shareholders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To build trust with stakeholders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To comply with industrial, national and international regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To enhance the accuracy of quantitative data	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To enhance the completeness and credibility of CSR reports	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To enhance the robustness of the accounting system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To keep up with competitors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To mitigate stakeholder pressure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To stay ahead of potential future regulatory requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q16. Who is your company's current CSR assurance provider?

- ☐ Bureau Veritas
- ☐ Corporate Citizenship
- ☐ Deloitte
- ☐ DNV
- ☐ EY
- ☐ LRQA
- ☐ KPMG
- ☐ PWC
- ☐ Ocean Certification
- ☐ Other _____

Q17. Who make(s) the key decision to appoint the assurance provider you have chosen above?

Please tick all that apply

- ☐ A Board sub-committee
- ☐ Board of Directors (BoD)
- ☐ Key stakeholder group(s)
- ☐ Management
- ☐ Shareholders
- ☐ Other _____

Q18. To whom the LATEST CSR assurance statement is addressed?

Please tick all that apply.

- ☐ Board Directors
- ☐ Management
- ☐ Shareholders
- ☐ Stakeholders (General)
- ☐ Stakeholders (a specific group)
- ☐ The Board
- ☐ "The Company"
- ☐ The (general) readers of the report
- ☐ Other _____

Q19. What guideline(s)/standard(s) does your assurance provider currently follow to undertake assurance engagement?

Please tick all that apply

- ☐ AccountAbility AA1000 AccountAbility Principles (AA1000AP)
- ☐ AccountAbility AA1000 Assurance standards (AA1000AS)
- ☐ Global Reporting Initiative (GRI) G4 Guidelines
- ☐ Global Reporting Initiative (GRI) standards
- ☐ ISAE 3000 International Standard on Assurance Engagement
- ☐ ISAE 3410 Assurance Engagements on Greenhouse Gas Statements
- ☐ ISO 14064-3:2006

- ☐ Provider's own standards
- ☐ Other _____

Q20. Does your company foresee ever discontinuing CSR assurance? – then go to Q29.

- ☐ Yes
- ☐ No
- ☐ Not Sure

Section 5 | CSR Reporting

This page covers questions regarding your company's CSR reporting practice.

Please answer the following questions only if you have chosen "No disclosure" in Q1.

Q21. Why does your company currently choose not to report CSR information/performance? Please choose THREE the most relevant reasons.

Please tick all that apply.

- ☐ CEO/Board has no interest
- ☐ CSR is not a high enough priority
- ☐ Hard to balance the interest of different stakeholders
- ☐ Has integrated CSR information in other reports now
- ☐ Lack of relevant knowledge
- ☐ Lack of technical competence
- ☐ No legal requirement
- ☐ No perceived benefit
- ☐ No stakeholder pressures
- ☐ Too costly
- ☐ Too much time and effort

☐ Other _____

Q22. Has your company ever reported CSR information before?

☐ Yes – *skip to Q23*

☐ No – *skip to Q24*

Q23. How important were each of the following factors in your company's decision to stop CSR reporting?

	Not at all important	Not very important	Somewhat important	Very important	Extremely important
Change in company's CSR strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Change in national or international regulation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has nothing new to report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has nothing positive to report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has nothing negative to report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of relevant knowledge	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of technical competence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Not enough benefit from doing it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other priorities became more important	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Time and effort	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other factors _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q24. How likely is it that your company will adopt CSR reporting in the future? – Then go to Q29.

☐ Not at all likely

- ☐ Not very likely
- ☐ Somewhat likely
- ☐ Very likely
- ☐ Extremely likely
- ☐ Not sure

Section 6 | Assurance

This page covers questions regarding your company's CSR assurance practice.

*Please answer the following questions only if you **have chosen "NO" in Q14.***

Q25. Why does your company currently choose not to assure CSR information disclosed? Please choose **THREE the most relevant reasons.**

Please tick all that apply.

- ☐ Lack of relevant knowledge
- ☐ No legal requirement
- ☐ No perceived benefit
- ☐ No stakeholder pressures
- ☐ Has used other methods to ensure the credibility of the reports
- ☐ Too costly
- ☐ Too much time and effort
- ☐ Other _____

Q26. Has your company ever assured CSR reporting before?

- ☐ Yes – skip to Q27
- ☐ No – skip to Q28

Q27. How important were each of the following factors in your company's decision to stop assuring CSR reporting?

	Not at all important	Not very important	Somewhat important	Very important	Extremely important
Change in the company's CSR strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Change in national or international regulation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Decided to use other methods to ensure the credibility of the reports	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Not enough benefit from doing it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other priorities became more important	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Time and effort	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q28. How likely is it that your company will purchase CSR assurance service in the future? – Then go to Q29.

- ☐ Not at all likely
- ☐ Not very likely
- ☐ Somewhat likely
- ☐ Very likely
- ☐ Extremely likely
- ☐ Not sure

Additional Information

Q29. Company Name: _____

Your company is based in (which country/region): _____

Your company is in the industry of: _____

Your Job Title: _____

Your age [range] (for example: 30-39): _____

Your gender: M/F

The qualifications you have obtained (A bachelor/master's/PhD degree or other professional qualifications): _____

Would you like to be invited as an interviewee of this study?

- ☐ Yes – Your Email Address: _____
- ☐ No

The End of This Survey. Many Thanks for Your Participation.

Appendix 4: Study Two: Survey One (Chinese version)

《企业社会责任（CSR）报告及其鉴证业务发展现状》调查问卷邀请函

尊敬的部门负责人：

您好！

本人很荣幸地邀请您参与《企业社会责任（CSR）报告及其鉴证业务发展现状》的问卷调查。此调查是本人博士研究项目的重要组成部分，旨在收集数据，分析研究中国企业社会责任报告及其鉴证服务的发展现状。无论贵公司目前是否发布企业社会责任报告，您的回答都至关重要，将对该研究领域的发展做出卓越贡献。

期待您能在百忙之中抽出宝贵的时间填写此调查问卷。请您访问这个网址进入此问卷：**【问卷链接】**。依据贵公司的实际情况，填写这份问卷会占用您五至十五分钟的时间。您提供的所有信息都将严格保密。本人将根据调查结果推进实验项目进度，并及时将研究成果反馈给您。

如果您对此研究项目有任何疑问或想了解更多信息，欢迎您随时通过发送电子邮件至：xinwu.he@durham.ac.uk。真诚地期待您的参与，提前对您的支持表示衷心的感谢！

何馨吾

英国杜伦大学商学院

《企业社会责任（CSR）报告及其鉴证业务发展现状》调查问卷

欢迎进入本次关于企业社会责任（CSR）报告及其鉴证业务发展现状的问卷调查。

随着企业社会责任报告及其鉴证业务在全球范围内的不断发展，越来越多的中国企业开始参与其中，发布年度企业社会责任报告，并聘请相关从业人员对报告内容进行鉴证。然而，在中国，企业社会责任报告的相关实践目前仍处于发展的初级阶段。本次调查将帮助我们更好地了解中国企业社会责任报告及其鉴证业务的发展现状，分析该实践发展的特点与存在的问题，指引该实践未来发展的前景与方向。因此，无论贵公司目前是否发布企业社会责任报告，您的回答都至关重要。

真诚地感谢您的积极参与。如果您对此问卷有任何疑问，请发送电子邮件 xinwu.he@durham.ac.uk 与研究项目负责人何馨吾女士联系。

[问卷]

第 1 页：社会责任报告

本页面包含了关于贵公司发布社会责任报告的 1 个问题。

第 1 题 贵公司目前以何种方式披露企业社会责任相关信息？[单选题]	
发布独立的企业社会责任报告（可持续发展报告/ 环境社会管理（ESG）报告/企业公民报告或其他内容相同的报告）	
在年度报告中披露	
在综合报告（Integrated Report <IR>）中披露	
其他方式（请注明）	
未披露	

第 2 页：社会责任报告

本页面包含了关于贵公司发布社会责任报告的一系列问题。

只有当您在第 1 题中未选择“未披露”时才需要回答本页上问题。

第 2 题 贵公司于何时首次披露企业社会责任相关信息？[填空题]

第 3 题 请选择贵公司企业社会责任报告最重要的三个受众群体，并对他们按重要程度进行排序。[排序题]	
当地社区	
董事会成员	
非政府组织（NGOs）	
供应商/合作伙伴	
股东与投资者	
管理层	
国际社区	
客户	
媒体	
其他（请详述）	

社会与公众	
员工	
债权人	
政府与管理机构	
专业组织（如行业协会）	

第 4 题 贵公司参考了哪个/哪些指南/准则来披露最新的企业社会责任相关信息？请选择所有符合的答案。[多选题]	
《AA1000 原则标准（AA1000AP）》	
《全球报告倡议组织(GRI)-G4 指南》	
《全球报告倡议组织(GRI)准则》	
《温室气体核算体系 - 企业核算与报告标准》	
国务院国资委《关于中央企业履行社会责任的指导意见》（国资发研究〔2008〕1 号）	
国务院国资委《中央企业“十二五”和谐发展战略实施纲要》	
《关于加强上市公司社会责任承担暨发布〈上海证券交易所上市公司环境信息披露指引〉的通知》	
《上海证券交易所上市公司环境信息披露指引》	
《深圳证券交易所上市公司社会责任指引》	
社会责任国家标准《社会责任报告编写指南》(GB/T 36001-2015)	

中国社科院《中国企业社会责任报告编制指南(CASS-CSR 3.0)》	
中国社科院《中国企业社会责任报告评级标准(2014)》	
联合国《全球契约十项原则》	
联合国《可持续发展目标 (SDGs)》	
香港联合交易所《环境、社会及治理 (ESG) 报告指引》	
国际标准化组织社会责任指南(ISO 26000)	
行业参考标准 (请详述)	
其他(请详述)	

第 5 题 贵公司为何决定开始披露企业社会责任相关信息？请评价下列原因的重要程度。[矩阵单选题]	完全不重要	不太重要	有点重要	很重要	极其重要
这是 CEO/董事会的责任					
为了吸引新客户					
为了加强与利益相关者的沟通					
为了遵守行业/国家/国际法规					
为了提升公司的声誉					
为了提升企业报告的透明度					
为了与其他企业保持同步					

为了满足现有客户的期望					
为了减轻负面事件的影响					
为了应对来自利益相关方的压力					
为了完善公司战略					
为了应对未来法律法规的变化					
其他原因					

第 6 题 您认为披露社会责任相关信息为贵公司带来了哪些优势/益处？请选择最相关的三项并排序。[排序题]	
建立了社会公众对公司的信任感	
促进了与利益相关者的沟通	
反映了企业对利益相关者的责任	
提升了公司声誉	
形成了更好的风险识别和价值创造机制	
其他（请注明）	
降低了合规成本	
减轻了负面事件的影响	

第 7 题 披露企业社会责任相关信息是否对贵公司产生过任何负面影响？[单选题]	
是（请注明）	
否	

第 8 题 贵公司在编制社会责任报告的过程中考虑了哪些利益相关者？请评价下列利益相关方对于贵公司的重要程度。[矩阵单选题]	完全不重要	不太重要	有点重要	很重要	极其重要
股东与投资者					
债权人					
客户					
供应商/合作伙伴					
管理层					
员工					
政府与管理机构					
当地社区					
国际社区					
自然环境					
社会公众					

媒体					
非政府组织（NGOs）					
专业团体/组织（如行业协会）					
其他利益相关方					

第 9 题 上述利益相关方是否参与了贵公司社会责任报告的编制过程？[单选题]	
是	
否	

第 10 题 上述利益相关方是如何参与到贵公司社会责任报告的编制过程中的？请选择所有符合的参与方式。[矩阵多选题]	未参与	现场参观	成立 座 谈 小组	定 期 召 开 会议	意见咨询	采访	问卷调查	其他方式
股东与投资者								
债权人								
客户								
供应商/合作伙伴								
管理层								

员工								
政府与管理机构								
当地社区								
国际社区								
自然环境								
社会公众								
媒体								
非政府组织（NGOs）								
专业团体/组织（如行业协会）								
其他利益相关方								

第 11 题 贵公司是否曾经暂停披露过社会责任的相关信息？[单选题]	
是	
否	

第 12 题 贵公司为何曾暂停披露企业社会责任的相关信息？请评价以下原因的重要程度。[矩阵单选题]	完全不重要	不太重要	有点重要	很重要	极其重要
---	-------	------	------	-----	------

公司企业社会责任管理战略的变化					
行业/国家/国际法规的变化					
收益甚微					
报告的成本太高					
无新的事件可报道					
无积极的事件可报道					
无负面的事件可报道					
缺乏相关知识					
缺乏相关技能					
员工变动					
其他事务优先级更高					
耗费过多时间和精力					
报告过程太过繁琐					
其他原因					

第 13 题 贵公司是否预计未来会停止披露社会责任的相关信息？[单选题]	
是 - 预计停止的时间和原因	

否	
不确定	

第 3 页：社会责任报告的鉴证业务

本页面包含了关于贵公司购买社会责任报告鉴证业务的 1 个问题。

第 14 题 贵公司最新披露的社会责任相关信息是否经过了第三方独立鉴证/审验/验证/评级？[单选题]	
是	
否	

第 4 页：社会责任报告的鉴证业务

本页面包含了关于贵公司购买社会责任报告鉴证业务的一系列问题。

只有当您在第 14 题中选择了“是”时才需要回答本页上的问题。

第 15 题 贵公司为何决定开始购买社会责任报告的鉴证/审验/验证/评级服务？请评价下列原因的重要程度。[矩阵单选题]	完全不重要	不太重要	有点重要	很重要	极其重要
这是 CEO/董事会的责任					
为了吸引新客户					
为了建立与利益相关者之间的信任					
为了遵守行业/国家/国际法规					
为了保证报告中数据的准确性					

为了提升报告的完整性和可信度					
为了与其他企业保持同步					
为了加强会计系统的严谨性					
为了应对来自利益相关方的压力					
为了应对未来法律法规的变化					
其他原因					

第 16 题 贵公司当前的社会责任报告鉴证/审验/验证/评级业务的提供者是：[单选题]	
中国企业社会责任报告评级专家委员会	
普华永道(PWC)	
德勤(Deloitte)	
毕马威(KPMG)	
安永(EY)	
TUV-莱茵(RH)	
TUV-北德(NORD)	
TUV-南德(SUD)	
必维国际检验集团(Bureau Veritas)	

挪威船级社 (DNV)	
其他（请注明）	

第 17 题 上述业务的提供者是由谁决定任命的？[多选题]	
股东	
管理层	
董事会成员	
董事委员会(请注明)	
主要利益相关方团体(请注明)	
其他(请注明)	

第 18 题 在最近一次的鉴证服务中，鉴证方出具鉴证/审验/验证声明或评级报告的对象是？[多选题]	
股东	
管理层	
董事会成员	
贵公司/集团	

各利益相关方	
具体利益相关群体（请注明）	
此企业社会责任报告的读者	
没有指明出具对象	
其他（请注明）	

第 19 题 在最近一次的鉴证业务中，鉴证方在提供审验服务时参考了以下哪些准则？请选择所有满足条件的选项。[多选题]	
《AA1000 审验标准 (AA1000AS) 》	
《AA1000 原则标准 (AA1000AP) 》	
《全球报告倡议组织 (GRI) G4 指南》	
《全球报告倡议组织 (GRI) 准则》	
《国际鉴证业务准则第 3000 号 (ISAE 3000) 》	
《国际鉴证业务准则第 3410 号 (ISAE 3410) 》	
中国社科院《中国企业社会责任报告编制指南 (CASS-CSR 3.0) 》	
中国社科院《中国企业社会责任报告评级标准 (2014) 》	
国际标准化组织社会责任指南 (ISO 26000)	
其他 (请注明)	

第 20 题 贵公司未来是否会停止购买社会责任报告的鉴证业务？[单选题]	
是 - 预计停止时间以及原因	
否	
不确定	

第 5 页：社会责任报告

此页面包含了关于贵公司不披露社会责任相关信息的一系列问题。

仅当您在第 1 题中选择了“未披露”时才需要回答本页的问题。

第 21 题 贵公司为何目前选择不披露社会责任相关信息？请从下列选项中选择最相关的三个原因，并对这三个原因的重要程度进行排名。[排序题]	
没有来自利益相关者的压力	
企业社会责任并不是本公司优先考虑的事务	
收益甚微	
其他(请详述)	
成本太高	
已将相关信息包含在了其他报告中	
太耗费时间和精力	

很难平衡不同利益相关方的利益	
首席执行官 (CEO)/ 董事会对相关问题不感兴趣	
缺乏相关知识	
没有相关法律法规的要求	
缺乏技术能力	

第 22 题 贵公司是否曾发布过社会责任报告？[单选题]	
是	
否	

第 23 题 贵公司为何停止发布企业社会责任报告？请评价以下原因的重要程度。[矩阵单选题]	完全不重要	不太重要	有点重要	很重要	极其重要
公司企业社会责任管理战略的变化					
公司的其他事项优先级更高					
行业/国家/国际法规的变化					
无新的事件可报道					
无积极的事件可报道					

无负面的事件可报道					
成本太高					
收益甚微					
耗费过多时间和精力					
报告过程太过繁琐					
已将相关信息包含在其他报告中					
其他原因					

第 24 题 您认为贵公司未来发布社会责任报告的可能性有多大？[单选题]	
根本不可能	
不太可能	
有点可能	
很有可能	
极有可能	
不确定	

第 6 页：社会责任报告的鉴证业务

本页面包含了关于贵公司社会责任报告的鉴证业务的一系列问题。

仅当您在第 14 题中选择了“否”时才需要回答本页问题。

第 25 题 贵公司目前为何选择不购买社会责任报告的鉴证/审验/验证/评级服务？请从下列选项中选择最相关的三个原因，并对三个原因的重要程度进行排名。[排序题]	
没有相关法律要求	
使用了其他方式对报告的可靠性进行保障（请注明）	
成本太高	
其他(请注明)	
对报告鉴证业务缺乏了解	
没有来自利益相关者的压力	
收益甚微	
太耗费时间和精力	

第 26 题 贵公司是否曾为社会责任报告购买过鉴证/审验/验证/评级服务？[单选题]	
是	
否	

第 27 题 贵公司为何停止购买报告鉴证/审验/验证/评级服务？请评价以下原因的重要程度。[矩阵单选题]	完全不重要	不太重要	有点重要	很重要	极其重要
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公司企业社会责任管理战略的变化					
行业/国家/国际法规的变化					
成本太高					
收益甚微					
耗费过多时间和精力					
鉴证过程太过繁琐					
可以使用其他方式对报告可靠性进行保障					
其他原因					

第 28 题 您认为贵公司未来为社会责任报告购买鉴证/审验/验证/评级服务的可能性有多大？[单选题]	
完全不可能	
不太可能	
有点可能	
很有可能	
极有可能	
不确定	

第 7 页：附加信息

第 29 题 贵公司名称: _____

您所在的部门: _____

您的职位/头衔: _____

您目前已获得的专业证书/职称: _____

您的最高学历是: _____

您的性别: _____

您的年龄: _____

您是否愿意接收本问卷调查的结果分析? 如果是, 您的邮箱: _____

您的问卷已提交。感谢您的参与!

Appendix 5: Study Two: Survey Two

Cover Letter

Dear [Contact Name]

I am writing this email to ask for your help with an important survey on Corporate Social Responsibility (CSR) assurance practice.

This short survey is part of a doctoral research project that investigates the quality of CSR assurance practice in different institutional contexts. As a professional practitioner in this field, your response is valued in building an accurate picture of this issue and will contribute to the understanding of this research area.

If you do decide to take part, please simply go to this website: [Questionnaire Web Link].

This questionnaire should take around 8 minutes to complete.

All the information you provide will be treated in the strictest confidence. No costs are associated with completing the questionnaire other than your time.

I hope you will be willing to take part in this survey. Should you have any inquiries or would like further information about this research project, please do not hesitate to contact me by email at xinwu.he@durham.ac.uk.

Many thanks for your time and consideration.

Sincerely,

Xinwu He

Survey: CSR Reporting Assurance Practice

Welcome to this questionnaire.

Thank you for participating in this survey. With Corporate Social Responsibility (CSR) reporting and assurance practice evolving worldwide, it is important for us to learn the status quo and identify any obstacles that may stand in the way of forming the practice. As a professional practitioner in this field, your opinion is valued. Your response will help us better understand the sustainability assurance practice in different institutional contexts.

While your participation is voluntary, your knowledge and perspectives are valuable if the survey results are to be accurate. Your answers are collected for research purpose only and will be kept strictly confidential. No personally identifiable information will be associated with your response in any reports of the data.

If you have any inquiries, please feel free to contact Xinwu He by email at xinwu.he@durham.ac.uk

Q1. How important are each of the following factors in driving a reporting company's adoption of CSR assurance?

	Not at all important	Not very important	Somewhat important	Very important	Extremely important
Management/Board commitment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Compliance with national/international/industrial regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhancing corporate transparency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhancing stakeholder accountability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhancing the credibility of CSR reporting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhancing reputation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Keeping up with competitors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Mitigating the pressure from stakeholders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Staying ahead of potential future regulatory requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q2. How important are each of the following in determining the scope of an assurance engagement?

	Not at all important	Not very important	Somewhat important	Very important	Extremely important
Views of the key stakeholders of the reporting company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Discussion with the sustainability managers/directors of the reporting company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Discussion with the Audit Committee of the reporting company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other procedure _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q3. How concerned are you in respect of each of the following independence or ethical issues related to CSR assurance engagements?

	Not at all concerned	Not very concerned	Somewhat concerned	Very concerned	Extremely concerned
Competitive and commercial pressures on assurance providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Familiarity with reporting companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The rigour of the verification process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The boundaries between auditing, other assurance and non-assurance services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q4. How significant are each of the following limitations in CSR assurance engagements?

	Not at all significant	Not very significant	Somewhat significant	Very significant	Extremely significant
The lack of generally accepted CSR assurance standards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The lack of generally accepted CSR reporting criteria/standards/guidelines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The lack of stakeholder engagement in the assurance process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Limited assurance level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Limited assurance scope	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Limited budget for assurance fee	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Simplified assurance procedures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Various data measurement techniques	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5. How significant are each of the following challenges in improving the quality of CSR assurance practice?

	Not at all significant	Not very significant	Somewhat significant	Very significant	Extremely significant
Limited assurance practitioner's fee	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The absence of generally accepted CSR assurance standards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The demand for multi-disciplinary assurance teams	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The difference between reasonable and limited assurance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The difficulty of assessing the completeness of CSR reporting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The difficulty of determining the materiality level of non-financial data	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The difficulty of expanding assurance scope	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The difficulty of finding reliable assurance evidence on non -financial data	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The difficulty of gathering appropriate evidence due to deficient internal control systems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The difficulty of involving external stakeholder groups					
The lack of skilled assurance practitioners	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q6. How important are each of the following additional mechanisms that a reporting company may use to enhance the credibility of CSR reporting?

	Not at all important	Not very important	Somewhat important	Very important	Extremely important
Audit committee	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internal Audit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leadership	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stakeholder involvement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Robust Internal control system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Q7. Do you have other observations or comments regarding CSR reporting assurance? Please specify.

Q8. Your company name: _____

The End of This Survey.

Many Thanks for Your Participation.

Appendix 6: Study Three: Semi-structured Interview

Questions (Chinese Version)

受访者 1：董事会主席

- 请问贵公司是从何时开始编制并发布 CSR 报告的？从何时开始购买 CSR 鉴证业务的？贵公司开始该实践的原因是？
- 在您看来，贵公司 CSR 报告的主要受众群体是？
- 董事会是否监督 CSR 报告的编制与发布？由哪个委员会负责监督？
- 是谁决定聘请了贵公司的现任鉴证业务提供者？
- 该鉴证业务的范围是由谁决定的？是如何决定的？
- 在您看来，为 CSR 报告购买鉴证业务是否增加了报告的价值？为什么？对于谁？
- 在您看来，哪个/哪些群体可以被定义为贵公司的“利益相关方”？其中哪个/哪些群体的利益是被优先考虑的？
- 上述利益相关方是否有参与到贵公司 CSR 报告编制与鉴证的过程当中？如果有，是以何种方式参与的？
- 请评价总结贵公司当前企业社会责任报告及其鉴证业务的实践经验。例如，您认为发布 CSR 报告有什么好处？有什么代价/成本？存在哪些困难？
- 您认为贵公司未来将如何发展该实践？例如，企业在社会责任方面的发展战略会发生什么重大变化吗？贵公司会停止发布 CSR 报告吗？

受访者 2：CSR 经理

- 请问贵公司是从何时开始编制并发布 CSR 报告的？从何时开始购买 CSR 鉴证业务的？贵公司开始该实践的原因是？
- 在您看来，贵公司 CSR 报告的主要受众群体是？
- CSR 报告的相关工作由贵公司哪个部门负责？
- 请描述 CSR 报告编制与发布的工作过程。
- 是谁决定聘请了贵公司的现任鉴证业务提供者？
- 该鉴证业务的范围是由谁决定的？是如何决定的？
- 在您看来，为 CSR 报告购买鉴证业务是否增加了报告的价值？为什么？对于谁？
- 在您看来，哪个/哪些群体可以被定义为贵公司的“利益相关方”？其中哪个/哪些群体的利益是被优先考虑的？
- 上述利益相关方是否有参与到贵公司 CSR 报告编制与鉴证的过程当中？如果有，是以何种方式参与的？
- 请评价总结贵公司当前企业社会责任报告及其鉴证业务的实践经验。例如，您认为发布 CSR 报告有什么好处？有什么代价/成本？存在哪些困难？
- 您认为贵公司未来将如何发展该实践？例如，企业在社会责任方面的发展战略会发生什么重大变化吗？贵公司会停止发布 CSR 报告吗？

受访者 3：鉴证业务提供者

- 在您看来，CSR 报告鉴证业务的主要目标是什么？
- 在鉴证业务的计划阶段，一般是由谁来决定鉴证的范围？
- 您为该客户提供的保证级别是什么？为什么？
- 您所出具的鉴证报告的受众群体是？为什么？
- 在鉴证过程中，您依据的是哪个/哪些鉴证准则？
- 您使用了哪些鉴证程序来收集证据，支撑结论？利益相关者是否有参与其中？
- 如何确保鉴证团队的专业胜任能力与独立性？
- 在您看来，财务审计和 CSR 报告鉴证之间是否有关联？它们区别又是什么？
- 作为鉴证业务的提供者，您认为目前面临着哪些与此业务相关的困难或挑战？
- 您认为 CSR 报告鉴证业务的未来发展方向是什么？

受访者 4：CSR/可持续发展专家

- 您一般会关注企业披露的哪些类型的信息？
- 您是否会阅读企业发布的 CSR 报告和鉴证声明？
- 您觉得 CSR 报告实践目前存在哪些问题？
- 您认为鉴证声明是否可以提高 CSR 报告的可信度？
- 您认为评级报告是否可以提高 CSR 报告的可信度？
- 您认为哪种类型的鉴证提供者所出具的鉴证声明更有可信度？为什么？
- 您如何看待鉴证团队的专业胜任能力与独立性？
- 在您看来，财务审计和 CSR 报告鉴证之间是否有关联？它们区别又是什么？
- 您认为 CSR 报告和鉴证业务目前面临着哪些困难或挑战？
- 您认为 CSR 报告和鉴证业务未来的发展方向是什么？

Appendix 7: Detailed results of Table 5.3

UK Respondents (Total: 11)							Chinese Respondents (Total: 8)					
Survey One Question 5: How important are each of the following reasons in driving your company's adoption of CSR reporting?	1	2	3	4	5	Mean	1	2	3	4	5	Mean
	Number (%)						Number (%)					
CEO/Board commitment	0 (0.0%)	0 (0.0%)	0 (0.0%)	4 (36.4%)	7 (63.6%)	4.6	0 (0.0%)	0 (0.0%)	0 (0.0%)	6 (75.0%)	2 (25.0%)	4.3
To attract new customers	0 (0.0%)	0 (0.0%)	8 (72.7%)	2 (18.2%)	1 (9.1%)	3.4	0 (0.0%)	1 (12.5%)	3 (37.5%)	3 (37.5%)	1 (12.5%)	3.5
To comply with national, international or industrial regulations	0 (0.0%)	2 (18.2%)	1 (9.1%)	2 (18.2%)	6 (54.5%)	4.1	0 (0.0%)	0 (0.0%)	2 (25.0%)	4 (50.0%)	2 (25.0%)	4.0
To enhance the company's reputation	0 (0.0%)	0 (0.0%)	1 (9.1%)	6 (54.5%)	4 (36.4%)	4.3	0 (0.0%)	0 (0.0%)	0 (0.0%)	7 (87.5%)	1 (12.5%)	4.1
To enhance corporate transparency	0 (0.0%)	0 (0.0%)	3 (27.3%)	5 (45.4%)	3 (27.3%)	4.0	0 (0.0%)	0 (0.0%)	0 (0.0%)	6 (75.0%)	2 (25.0%)	4.3
To increase visibility to stakeholders	0 (0.0%)	0 (0.0%)	1 (9.1%)	5 (45.4%)	5 (45.4%)	4.4	0 (0.0%)	1 (12.5%)	1 (12.5%)	3 (37.5%)	3 (37.5%)	4.0
To integrate CSR practices into business strategy	0 (0.0%)	0 (0.0%)	1 (9.1%)	6 (54.5%)	1 (9.1%)	4.0	0 (0.0%)	1 (12.5%)	1 (12.5%)	4 (50.0%)	2 (25.0%)	3.9
To keep up with competitors	1 (9.1%)	2 (18.2%)	5 (45.4%)	2 (18.2%)	1 (9.1%)	3.0	0 (0.0%)	0 (0.0%)	3 (37.5%)	4 (50.0%)	1 (12.5%)	3.8
To meet expectation of existing customers	0 (0.0%)	0 (0.0%)	6 (54.5%)	3 (27.3%)	2 (18.2%)	3.6	0 (0.0%)	0 (0.0%)	1 (12.5%)	6 (75.0%)	1 (12.5%)	4.0
To mitigate the impacts of negative events	0 (0.0%)	0 (0.0%)	2 (18.2%)	7 (63.6%)	2 (18.2%)	4.0	1 (12.5%)	0 (0.0%)	2 (25.0%)	5 (62.5%)	0 (0.0%)	3.4
To mitigate the pressure from stakeholder groups	0 (0.0%)	0 (0.0%)	4 (36.4%)	5 (45.4%)	2 (18.2%)	3.8	1 (12.5%)	1 (12.5%)	2 (25.0%)	4 (50.0%)	0 (0.0%)	3.1
To stay ahead of potential future regulatory requirements	0 (0.0%)	2 (18.2%)	1 (9.1%)	7 (63.6%)	1 (9.1%)	3.6	0 (0.0%)	0 (0.0%)	2 (25.0%)	4 (50.0%)	2 (25.0%)	4.0
Notes: (1) Ordinal Scales: 1-Not at all important; 2-Not very important; 3-Somewhat important; 4-Very important; 5-Extremely important. (2) Mean= (the number of respondents selecting Scale 1*1+the number of respondents selecting Scale 2*2+...+the number of respondents selecting 5*5)/the total number of respondents.												

Appendix 8: Detailed results of Table 5.1

Survey One Question 15: How important are each of the following factors to your company in deciding to seek external assurance for CSR reporting?	UK Respondents (Total: 7)						Chinese Respondents (Total: 2)					
	1	2	3	4	5	Mean	1	2	3	4	5	Mean
	Number (%)						Number (%)					
CEO/Board commitment	0 (0.0%)	0 (0.0%)	1 (14.3%)	4 (57.1%)	2 (28.6%)	4.1	0 (0.0%)	0 (0.0%)	0 (0.0%)	2 (100.0%)	0 (0.0%)	4.0
To attract new customers	0 (0.0%)	1 (14.3%)	4 (57.1%)	1 (14.3%)	1 (14.3%)	3.3	0 (0.0%)	0 (0.0%)	0 (0.0%)	2 (100.0%)	0 (0.0%)	4.0
To build trust with stakeholders	0 (0.0%)	0 (0.0%)	1 (14.3%)	1 (14.3%)	5 (71.4%)	4.6	0 (0.0%)	0 (0.0%)	0 (0.0%)	2 (100.0%)	0 (0.0%)	4.0
To comply with industrial, national and international regulations	1 (14.3%)	0 (0.0%)	2 (28.6%)	2 (28.6%)	2 (28.6%)	3.6	0 (0.0%)	0 (0.0%)	0 (0.0%)	2 (100.0%)	0 (0.0%)	4.0
To enhance the accuracy of quantitative data	0 (0.0%)	0 (0.0%)	1 (14.3%)	3 (42.9%)	3 (42.9%)	4.3	0 (0.0%)	0 (0.0%)	0 (0.0%)	2 (100.0%)	0 (0.0%)	4.0
To enhance completeness and credibility of CSR reporting	0 (0.0%)	0 (0.0%)	0 (0.0%)	3 (42.9%)	4 (57.1%)	4.6	0 (0.0%)	0 (0.0%)	0 (0.0%)	2 (100.0%)	0 (0.0%)	4.0
To enhance the robustness of the accounting system	0 (0.0%)	0 (0.0%)	1 (14.3%)	2 (28.6%)	4 (57.1%)	4.4	0 (0.0%)	0 (0.0%)	1 (50.0%)	1 (50.0%)	0 (0.0%)	3.5
To keep up with competitors	1 (14.3%)	0 (0.0%)	2 (28.6%)	2 (28.6%)	1 (14.3%)	3.3	0 (0.0%)	0 (0.0%)	1 (50.0%)	1 (50.0%)	0 (0.0%)	3.5
To mitigate stakeholder pressure	0 (0.0%)	1 (14.3%)	4 (57.1%)	1 (14.3%)	1 (14.3%)	3.3	0 (0.0%)	0 (0.0%)	2 (100.0%)	0 (0.0%)	0 (0.0%)	3.0
To stay ahead of potential future regulatory requirements	1 (14.3%)	0 (0.0%)	1 (14.3%)	4 (57.1%)	1 (14.3%)	3.6	0 (0.0%)	0 (0.0%)	1 (50.0%)	1 (50.0%)	0 (0.0%)	3.5
Notes: (1) Ordinal Scales: 1-Not at all important; 2-Not very important; 3-Somewhat important; 4-Very important; 5-Extremely important. (2) Mean= (the number of respondents selecting Scale 1*1+the number of respondents selecting Scale 2*2+...+the number of respondents selecting 5*5)/the total number of respondents.												

Appendix 9: Summary of Interview Findings: UK Interviewees

Themes	Codes	Summary of findings: UK interviewees
Theme 1 CSR reporting and assurance: awareness, motivation, and future direction	Code 1.1: CSR awareness	The UK companies' internal CSR awareness drives the adoption, continuation, and internalisation of CSR reporting.
	Code 1.2: Motivation for CSR reporting	The adoption of CSR reporting is driven by a combination of coercive and normative isomorphism; coercive pressure is no longer the primary driver of CSR reporting.
	Code 1.3: Motivation for sustainability assurance	The UK companies seek sustainability assurance to ensure data accuracy even though they are not required.
	Code 1.4: Future direction	CSR reporting will become more integrated into other corporate reporting parts; more topical elements will be included in CSR reporting, and stakeholders' access to CSR disclosures will be easier.
Theme 2 The process of CSR reporting	Code 2.1: CSR team and department	Each of the companies has a separate CSR department with full-time employees responsible for CSR management and reporting.
	Code 2.3: The process of producing a CSR report	The companies have internal experts in producing CSR reports and seek help from external CSR consultants simultaneously.
	Code 2.4: Difficulties and challenges	There is a lack of generally accepted CSR reporting standards; difficulties in delivering CSR information to broader stakeholder groups; and Big-four firms' falling trust as auditors.
Theme 3 The choice of assurance provider	Code 3.1: Features of different assurance providers	Accounting assurance providers' competitive advantage is highly related to their experience as financial auditors.
	Code 3.2: Assurance fee	There is a shortage of budget for sustainability assurance.
	Code 3.3: The choice of assurance provider	Big-four is a safe choice, especially for large companies; sometimes a company may use different assurance providers to assure different areas of CSR disclosures.
Theme 4 Assurance approach, managerial control, and assurance providers' conservatism	Code 4.1: Assurance procedures	Accounting assurance providers' assurance work remains a data checking process informed by financial auditing, without external stakeholders engaged.
	Code 4.3: Addressee(s)	The addressee of sustainability assurance statements is limited to internal stakeholders, mainly board directors and corporate management.
	Code 4.4: The level of assurance	There is a reluctance to seek high-level (i.e., reasonable) assurance for CSR reporting.
	Code 4.5: The scope of assurance	The scope of sustainability assurance work is primarily determined by corporate management.
Theme 5 The independence of assurance provider	Code 5.1: The independence of assurance provider	Sustainability assurance providers may never be independent as long as they are appointed by corporate management.

Appendix 10: Summary of Interview Findings: Chinese Interviewees

Themes	Codes	Summary of findings: Chinese interviewees
Theme 1 CSR reporting and assurance: awareness, motivation, and future direction	Code 1.1: CSR awareness	The growth of CSR awareness in China features considerable governmental influence; and the CSR awareness tends to be superficial.
	Code 1.2: Motivation for CSR reporting	The adoption of CSR reporting is primarily driven by external pressures from governmental actors, investors, and successful competitors.
	Code 1.3: Motivation for sustainability assurance	Chinese CSR reporting companies are generally reluctant to adopt sustainability assurance.
	Code 1.4: Future direction	Publishing stand-alone CSR reports will remain the future trend; and the demand for sustainability assurance will remain limited unless it becomes a regulatory requirement.
Theme 2 The process of CSR reporting	Code 2.1: CSR team and department	A separate CSR department/team is absent in most Chinese companies.
	Code 2.3: The process of producing a CSR report	Chinese companies heavily rely on CSR consultants in CSR management and reporting.
	Code 2.4: Difficulties and challenges	There is a lack of systematic CSR management in most Chinese companies.
Theme 3 The choice of assurance provider	Code 3.1: Features of different assurance providers	Accounting assurance providers are “stuck” in their role as financial auditors; and non-accounting assurance providers lack core competitiveness in the sustainability assurance market.
	Code 3.2: Assurance fee	Assurance fee is a crucial factor influencing companies’ decision to adopt sustainability assurance and choice assurance providers.
	Code 3.3: The choice of assurance provider	Accounting assurance providers’ provision of sustainability assurance relates to their provision of financial audits; and a company’s decision to choose a particular non-accounting assurance provider may be related to its CSR consultant.
Theme 4 Assurance approach, managerial control, and assurance providers’ conservatism	Code 4.1: Assurance procedures	The procedures of sustainability assurance are oversimplified.
	Code 4.3: Addressee(s)	The addressee of sustainability assurance statements is limited to internal stakeholders, mainly board directors.
	Code 4.4: The level of assurance	Only limited/moderate assurance is provided.
	Code 4.5: The scope of assurance	The scope of sustainability assurance work is primarily determined by corporate management.
Theme 5 The independence of assurance provider	Code 5.1: The independence of assurance provider	The independence of assurance providers is questionable.

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