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The Assurance Process of GRI Sustainability Reports

- Influence on Accountability and Transparency

Civilekonom Thesis in Business Administration

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Abstract

Sustainability reporting aims to inform stakeholders of the companies' activities within environmental, social and economic issues. The reporting is a tool to increase transparency and it shows the company's effort to take responsibility and account for its actions. Assurance of sustainability reports is an increasing trend that strengthens the credibility of the reports. There is a risk, however, of management taking control over the assurance process. In order to improve the quality of the sustainability report and its usefulness for the stakeholders, reporting and assurance standards have evolved. The purpose of the study is to describe and analyse the assurance statements of sustainability reports of public listed companies in Sweden. The findings allow the evaluation of how the assurance process influences accountability and transparency. The study is a content analysis of eleven assurance statements from 2010. The findings are categorized and analysed by assurance provider: accountants and consultants.

The difference between the assurance statements were mainly due to the assurance standard used. The assurance statements provided by the consultants were more descriptive and stakeholder oriented compared to the accountants. We highlight the importance of the assurance process' usefulness and discuss the limited level of assurance applied in the engagements. We argue that, an open and standardized assurance process increases transparency that enables stakeholders to make own judgements whether the company takes responsibility and accounts for its actions. Transparency also creates incentives for the reporting company to be accountable. To increase transparency and accountability, it is essential to involve stakeholders in the assurance process.

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Abbreviations

AA1000	AccountAbility 1000
AA1000APS	AccountAbility 1000 AccountAbility Principles Standard
AA1000AS	AccountAbility 1000 Assurance Standard
AA1000SES	AccountAbility 1000 Stakeholder Engagement Standard
FAR –	Professional institute for authorized public accountants in Sweden
GRI	Global Reporting Initiative
IAASB	International Auditing and Assurance Standards Board
IFAC	International Federation of Accountants
ISAE 3000	International standard on assurance engagements other than audits or reviews of historical financial information
NASDAQ	NASDAQ OMX Stockholm
RevR 6	Independent assurance of voluntary separate sustainability reports

1 Introduction

1.1 Background

The interest for sustainability reporting has increased significantly the recent decades. The reporting integrates companies' environmental, social and economic performance (Elkington, 1998). Sustainability reporting is "the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development" (Global Reporting Initiative [GRI], 2011). Companies are nowadays more concerned of the stakeholders' interests and to fulfil the society's expectations, which is in line with the stakeholder theory and legitimacy theory. Having support from the stakeholders and the society is vital for the company's freedom to exist and operate (Porter, 2009). To achieve legitimacy, the company should be transparent and take responsibility for its actions (Porter, 2009).

Sustainability reporting is not regulated to the same extent as financial reporting. However, it is significant that the report is complete, accurate, relevant, and give a balanced representation of the company's sustainability performance (Adams & Evans, 2004; Dando & Swift, 2003). Due to the limit of regulation and standards the sustainability reports can be performed very differently (Christofi, Christofi & Sisaye, 2012). This issue jeopardizes the comparability and credibility of the information presented by the companies (Adams, 2004; Hedberg & von Malmborg, 2003; Hubbard, 2011). An international accepted framework for reporting sustainability performance is Global Reporting Initiative (GRI) guidelines. The mission of GRI is to provide frameworks for sustainability reporting that can be used by organizations no matter size, sector and location (GRI, 2011).

A key element to enhance the credibility and improve the usefulness of sustainability reporting is assurance (Adams & Evans, 2004; GRI, 2011). Assurance could also reduce possible criticism of the sustainability reports published as Public Relation schemes (Commission of the European Communities, 2001). The assurance process is described in an assurance statement, which discloses scope of the work undertaken and express a conclusion of the adherence with relevant criteria (AccountAbility, 2008b; FAR Akademi, 2010). During the last decade, two significant international standards to conduct assurance engagement of sustainability reports have evolved. The assurance standards are AA1000AS, issued by AccountAbility and ISAE 3000, issued by the International

Audit and Assurance Standards Board (IAASB) (ACCA, AccountAbility & KPMG, 2009). A Swedish version of ISAE 3000 is RevR 6 issued by FAR, the professional institute for authorized public accountants in Sweden (FAR Akademi, 2010).

The accounting firm KPMG has published an international survey on corporate responsibility reporting every third year since 1993. KPMG (2011) presents an increasing trend in sustainability reporting of companies worldwide and 64 percent of the 100 largest companies in each country participating in the survey published a sustainability report. It is an increase with 20 percent compared to 2008. There is also evidence for a significant increase in third party assurance of sustainability reports. The survey shows that assurance of sustainability reports has increased with 40 percent in a ten-year period and 38 percent of the reports included an assurance statement. The major accounting firms performed 64 percent of the assurance engagements (KPMG, 2011).

Swedish companies have been on the front edge in sustainability reporting. According to KPMG (2011), 72 percent of the largest companies in Sweden publish a sustainability report. From January 2008, state-owned companies in Sweden are required to publish a sustainability report in accordance with GRI guidelines and it has to be assured by an independent third party (Government Offices of Sweden, 2007). Sweden was the first country in the world making GRI guidelines mandatory (KPMG, 2008). However, the regulation does not concern private-owned companies, which have no obligation to perform sustainability reports or assurance.

Accountability and transparency are important concepts within the research of sustainability reporting and assurance (Ball, Owen, & Gray, 2000; Boiral & Gendron, 2011; Cooper & Owen 2007; O'Dwyer & Owen, 2005). Accountability concerns the company's responsibility to engage in certain actions and to account for the actions taken (Deegan & Unerman, 2011). The company is accountable to its stakeholder and the society as a whole (Porter, 2009). Adams and Evans (2004) discuss that transparency can enhance accountability. Transparency implies openness in the company and disclosure of relevant information, which enables stakeholders to make appropriate decisions (Gray, 1992; GRI, 2011). A threat to the current process of sustainability assurance is management control of the assurance process (Ball et al., 2000).

1.2 Problem

The awareness of sustainability development is increasing, which result in greater demand of sustainability reporting and assurance. In line with this, the pressure of using reporting guidelines and standards in the sustainability reporting and assurance is increasing. Assurance of sustainability reports shows the company's willingness to have the sustainability report reviewed by an external third party. The assurance process could increase transparency of the company's sustainability performance. It is likely that the expectations of accountability and transparency continue to increase. Due the expansion of sustainability assurance it is interesting to study its usefulness and value to the stakeholders of the company.

1.3 Purpose

The purpose of this study is to analyse the assurance statements of sustainability reports of public listed companies in Sweden. The result allows the evaluation of how the assurance process influences accountability and transparency.

The research question in this study seeks to answer how the assurance process of sustainability reports influences accountability and transparency.

1.4 Thesis outline

The following chapters of the thesis are presented below.

Conceptual framework Chapter 2 presents theories and previous research within sustainability reporting and assurance as well as relevant reporting guidelines and assurance standards. The concepts of accountability and transparency are also discussed.

Method Chapter 3 presents the method used to answer the research question. The chapter includes the chosen research strategy, the selection of companies studied and the evaluative framework in the analysis of the assurance statements.

Empirical study Chapter 4 presents the result of the content analysis of the assurance statement in line with the evaluative framework. The result is discussed and presented by subject.

Analysis	Chapter 5 presents the analysis of the empirical study and connects it with the theories and previous research presented in the conceptual framework.
Conclusion	Chapter 6 summarizes the findings from the analysis and answers the research question.
Discussion	Chapter 7 presents our reflections of the study and discusses future development of sustainability assurance. Finally, recommendations for future research are provided.

2 Conceptual framework

The conceptual framework provides the foundation to be able to describe and analyse the assurance statements of sustainability reports. The chapter presents the stakeholder and legitimacy theory, which are relevant and frequently used in the discussion of sustainability reporting and assurance. Further the concepts of accountability and transparency are presented. Previous studies of sustainability reporting and assurance of sustainability reports are discussed and established standards in sustainability reporting and assurance are introduced. Further, two relevant studies evaluating assurance statements are presented.

2.1 Stakeholder theory

The stakeholder theory places the stakeholders in the centre of the company's strategic thinking (Freeman, 2010). Stakeholders are defined as "any group or individual who can affect or is affected by the achievement of the firm's objectives" (Freeman, 2010, p. 25). The company's stakeholders could, hence, be a wide range of different individuals and organizations. Stakeholders can be grouped into primary and secondary stakeholders. Clarkson (1995, p. 106) defines a primary stakeholder as "one without whose continuing participation the corporation cannot survive as going concern". Secondary stakeholders are "those who influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival" (Clarkson, 1995, p. 107). To be able to reach long-term success it is crucial that the primary stakeholders benefit from the organization's performance. Therefore, the management should prioritize the interests of the primary stakeholders (Clarkson, 1995). It is argued, however, that all stakeholders have the right to obtain information of how the organization affects them (O'Dwyer, 2005).

The stakeholder theory has an ethical and a managerial perspective. The ethical perspective implies that the stakeholders have the right to be treated equally by the organization, no matter the extent of stakeholder power. The extent of responsibility towards the stakeholders should be determined by how the organization affects the stakeholder in the long run (Deegan & Unerman, 2011). The managerial perspective considers that the most powerful stakeholders' expectations are fulfilled. Stakeholder power is determined by the extent the stakeholder can influence the organization. The organization will prioritize the need of the stakeholders who supply the most critical resources for the organ-

ization's further success (Deegan & Unerman, 2011). Mitchell, Agle and Wood (1997) discuss the concept of 'stakeholder salience', which concerns how the management prioritizes stakeholders' requests. The features of determining stakeholder salience are stakeholder power, legitimacy and urgency. The management should focus on the stakeholders that: have the power to influence, have the relationship to legitimate the company and have urgent requests on the company. These three attributes are also dependent on each other (Mitchell et al., 1997).

2.2 Legitimacy theory

The legitimacy theory implies that a company's business activities should be in line with the values and expectations of the society in order to achieve legitimacy (Deegan & Unerman, 2011). Suchman (1995, p. 574) states that "legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions". Legitimacy is based on the society's perceptions and values that are constantly changing. Thus, it is significant that the company adapts to these changes. The society's expectations of business have merely been profit maximization. However, these expectations are changing and there is an increasing pressure on companies to additionally consider social and environmental issues as well as employees' safety and health (Deegan & Unerman, 2011).

Companies' existence is dependent on the support from the society. Poor sustainability performance will make it harder for companies to gain support and thus, more difficult to continue the operation. Lack of compliance between society's expectations and the organization's actions is referred to as 'legitimacy gap'. The gap can arise when the expectations of the society change but the activities of the company remain the same or due to inadequate disclosure of changes in business activities. Another issue that can lead to a legitimacy gap is when undisclosed information of the company becomes public, such as media uncovering (Deegan & Unerman, 2011).

A strategy to gain support from the society and achieve legitimacy is disclosure of business activities. When disclosing the changes of activities the company can have a substantive or symbolic strategy. Substantive strategy implies changing the company's objectives, structure and processes, and communicate this to meet the society's expecta-

tions. The company could also decide to disclose the performance in a symbolic way and portray the organization in the reporting “to appear consistent with social values and expectations” (Ashforth & Gibbs, 1990, p.180).

2.3 Accountability and transparency

Companies are important actors in the society and as companies grow in size their influence increase (Porter, 2009). Norms and values in the society have changed from demanding companies to be accountable only to shareholders towards taking responsibility for all stakeholders and the society as a whole (Bentson, 1982; Porter, 2009). The demand for accountability is evidence of the great expansion of corporate governance and the emerged of sustainability reporting (Kolk, 2008). The last decade corporate failures have also been triggering the demand for accountability and transparency (Kolk, 2008).

Accountability is a commonly used concept in sustainability reporting (Adams & Evans, 2004; Borial & Grendon, 2011; Cooper & Owen, 2007; Unerman & O’Dwyer, 2007). Still, it has been argued that there is an apparent lack of consensus in the meaning of being accountable (Cooper & Owen, 2007). Accountability involves “the responsibility to undertake certain actions (or to refrain from taken actions); and the responsibility to provide an account of those actions” (Deegan & Unerman, 2011, p. 351). Accountability can be seen as crucial for companies’ existence and freedom to operate (Porter, 2009). Gray (1992, p. 413) argues that, “accountability is concerned with the right to receive information and the duty to supply it”. This argument highlights the stakeholders’ right to information of the company’s actions that influence the society. Further, accountability aims to: develop the company-stakeholder relationship, empower stakeholders, and increase the transparency of the company (Gray, 1992). Cooper and Owen (2007, p. 653) state, “if accountability is to be achieved stakeholders need to be empowered such that they can hold the accountors to account”. To include stakeholders in the reporting process and foster a stakeholder dialogue make it possible to understand their expectations within sustainability performance (Cooper & Owen, 2007, Unerman & Bennett, 2004). Accountability can be seen as democracy, which depends on the degree of stakeholder participation (Cooper & Owen, 2007; Gray, 1992; Owen et al., 2000; Unerman & Bennett, 2004).

Transparency concerns openness and disclosure of information of interest. Gray (1992, p.414) argues that transparency:

“increases the number of things which are made visible, increases the number of ways in which things are made visible and, in doing so encourages and increasing openness. The ‘inside’ of the organisation becomes more visible, that is, transparent”.

Transparency implies that information disclosed is sufficiently complete for the stakeholders to make appropriate decisions (GRI, 2011). It is discussed that transparency enables accountability towards the stakeholders (Adams & Evans, 2004). Transparency could increase stakeholders’ confidence. However, too much reliance should not be placed in the perfection of transparency and accountability is not only based on transparency (Roberts, 2009). Borglund, Frostenson and Windell (2010) studied the consequences of making the GRI guidelines mandatory for Swedish state-owned companies in 2007 and concluded that it is questionable if greater transparency leads to greater acceptance of responsibility.

Accountability and transparency are stressed in the guidelines and standards concerning sustainability reporting and assurance (AccountAbility, 2011; GRI, 2011), which is discussed in section 2.5 and 2.7.

2.4 Sustainability reporting

Sustainability reporting is evidence of the company’s effort to be accountable and transparent to stakeholders (GRI, 2011). The report is performed to disclose activities within environmental, social and economic issues (International Federation of Accountants [IFAC], 2011b; GRI, 2011). A difficulty with sustainability reporting is the qualitative data which many times are incomplete and hard to measure (O’Dwyer, 2011). However, reporting guidelines that measure sustainability performance are in development.

Many researchers argue the importance of sustainability reporting standards (Adams & Evans, 2004; Adams, 2004; Christofi, Christofi, & Sisaye, 2012). As the number of sustainability reports has increased (KPMG, 2011), the discussion has become more focused on the quality and the actual usefulness of the reports (Adams & Evans, 2004; Hubbard, 2011; Owen et al, 2000). Sustainability reporting is mainly performed on a voluntary basis that enables companies to design and disclose information as preferred.

One of the main criticisms of sustainability reports is the lack of comparability (Hedberg & von Malmborg, 2003; Hubbard, 2011). According to Hubbard, (2011) a comparison of different companies' sustainability performance is impossible, which limits the usefulness of the reports. Standardization and development of quantitative measures would improve the credibility and comparability of the sustainability report (Owen et al., 2000).

Adams (2004) identifies an 'expectation gap' between the stakeholders' expectation of the sustainability report and the organization's disclosure of sustainability performance. Standards of sustainability reporting could reduce this gap (Adams, 2004). Unerman and O'Dwyer (2007) point out that regulation of reporting can enhance the economic performance and the value for shareholders. Regulation can improve the credibility of the report, which is important in the stakeholders' decision-making process (Unerman & O'Dwyer, 2007). Reporting standards provide clarity to the stakeholders of how the reporting has been performed. On the other hand, it is argued that standards contribute with too extensive and information overload reports, which do not necessarily create more value (Hubbard, 2011; Moneva, Archel & Correa, 2006).

2.5 Global Reporting Initiative

Global Reporting Initiative (GRI) is a non-profit organization founded in 1997. The mission of GRI is "to make sustainability reporting standard practice by providing guidance and support to organizations" (GRI, 2012a) regardless of size, sector and location of the organization. GRI is networking-based, comprising 600 organizational stakeholders spread in different sectors and geographical locations (GRI, 2012a). The organization provides sustainability reporting framework within economic, environmental, social and governance performance. GRI defines sustainability reporting as "the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development" (GRI, 2011, p. 3). GRI provides guidance and support, which enables companies to increase transparency and accountability toward sustainable development (GRI, 2011). Transparency is according to GRI (2011, p. 6) "the complete disclosure of information on the topics and Indicators required to reflect impacts and enable the stakeholders to make decision and the processes, procedures, and assumptions used to prepare those disclosures". The first version of GRI guidelines was published in 2000. An updated version of guidelines

was published in 2006 and some completion was made in 2011. The current version is G3.1. A fourth version of GRI guidelines, G4 are in development (GRI, 2012b).

The company should declare the level applied of the GRI guidelines in the sustainability report. The 'application level' determines the degree of transparency of the report and it is indicated by the letters A, B, and C. Letter 'A' indicates that the company complies with the guidelines completely, while letter 'C' reflects the lowest application level. If the company has an external third party assurance of the report, the company adds a plus (+) to the stated application level (GRI, 2011).

According to GRI (2011) the aim of sustainability reporting is to give a balance and reasonable presentation of the companies' performance. To reach this aim, GRI has developed principles, which give a framework for sustainability reporting. The content of the report should be evaluated in line with the principles of: materiality, stakeholder inclusiveness, sustainability context, and completeness. The principle of materiality implies that the reported information should reflect the significant environmental, social and economic impacts of the company for sustainable development or that influence the evaluation and decision-making process of stakeholders. To increase the usefulness of the report for the stakeholders, the company should identify the stakeholders that are significantly affected by the company's activities and respond to their expectations and interests. The company should also report the performance of sustainability in a broader context and consider global as well as regional or local impacts of the companies' activities. Completeness implies the coverage of the report reflects sufficiently economic, environmental and social impacts and the report includes the company's performance of the reporting period (GRI, 2011).

GRI has also developed principles for ensuring the quality of the report. The principles are: balance, comparability, accuracy, clarity, timeliness and reliability. The principle of balance indicates that both positive and negative aspects of the sustainability performance are disclosed in the report. Comparability refers to that the information is selected, compiled and reported consistently. This makes it possible for stakeholders to compare the information over time and across organizations. Accuracy stresses the importance that the information reported is sufficiently accurate and detailed. In line with this is the principle of clarity, which indicates that the information reported should be understandable and assessable to stakeholders. Timeliness refers to that the report

should be published regularly and available in time for stakeholders to enhance the usefulness and enable them to make informed decisions accordingly. Finally, in line with the principle of reliability information disclosed and the reporting process should be subject to assessment due its quality and materiality (GRI, 2011).

2.6 Assurance of sustainability reports

The fundamental characteristic of assurance is the improvement of credibility and completeness of the report (Adams & Evans, 2004; Hubbard, 2011; O'Dwyer, 2011; Power, 2003). The assurance process verifies that information disclosed in a report is true and fair (Dando & Swift, 2003). Assurance is an important quality indicator to be able to achieve legitimacy for the company's actions (O'Dwyer, Owen & Unerman, 2011; Power, 2003). Even though, independent third party reviews of sustainability reports increase among large companies (KPMG, 2011), sustainability reporting is not associated with assurance in the same extent as assurance of financial reporting. Assurance of sustainability reports is in general voluntary (Adams & Evans, 2004). The concept is relatively new and is still in development (Kolk & Perego, 2010). Sustainability assurance is complex due to the review of qualitative data (O'Dwyer, 2011) and the fact that it is addressed to a wide range of stakeholders with competing interests (Adams & Evans, 2004).

For the assurance to generate trust, Power (2003) argues that the assurance process must generate trust itself. Independence of the assurance provider is essential to strengthen the trust. An independent third party review improves the credibility of the report to the stakeholders (Ball, et al., 2000; O'Dwyer & Owen, 2005; Owen et al, 2000). Independence of the assurance provider is a requirement in assurance standards (AccountAbility 2008b; FAR Akademi, 2010).

A criticism to the assurance of sustainability reporting is that the assurance provider is commissioned by the management and not by the stakeholders (Owen et al., 2000). The management has a large degree of control over the assurance process and it has been argued that assurance of sustainability reports is a phenomenon of 'managerial capture' (Power, 1997). The current assurance process exhibits a 'managerial turn' implying that the management strategically disclose information that will benefit the company rather than being transparent and accountable to the society (Ball et al., 2000; Owen et al.,

2000). In line with this, there is criticism towards the lack of stakeholder inclusiveness in the assurance process (Adams, 2004; Adams & Evans, 2004; Manetti & Becatti 2009; O'Dwyer & Owen, 2005; O'Dwyer & Owen, 2007; O'Dwyer et al., 2011). Since the stakeholders are the users of the sustainability reports it is significant to consult with them and allow them to be involved in the assurance process (Adams, 2004; O'Dwyer et al., 2011; Owen et al., 2000). A tool for involving the stakeholder could be the establishment of a stakeholder panel (GRI, 2011). The stakeholder panel could ensure that all material information for the stakeholder is reported. However, to implement the panel in practice is a challenge and important questions remain concerning selection of competent and independent stakeholders and reasonable compensation (O'Dwyer, 2011). It is also important that the stakeholders understand the assurance process and the outcome for the assurance to create value (Ball et al., 2000). Therefore it is argued that assurance of sustainability reporting is of limited use to enhance transparency and accountability towards stakeholders (Ball et al., 2000).

The assurance process should be transparent and standardized to obtain its purpose (Ball et al., 2000). Adopting standards will reduce the expectation gap of the assurance process and the stakeholders will understand what the assurance comprises, which increase transparency and the credibility of the sustainability report (Adams & Evans, 2004). Standardization also limits the risk of managerial capture and enhances the stakeholder interest and focus on their information need (Owen et al., 2000). The use of standards unifies the assurance process and gives directions to the assurance provider that hence, will be less influenced by the management. An assurance process in line with established standards will also provide evidence of the level of assurance performed, which enhances transparency (O'Dwyer & Owen, 2005).

2.7 Assurance standards

Two common international sustainability assurance standards are AA1000 and ISAE 3000. A Swedish version of ISAE 3000 is RevR 6. The assurance standards present principles and provide guidance in the assurance engagement of sustainability reports.

2.7.1 AA1000

AccountAbility is a world leading non-profit organization that since 1995 provides guidance within corporate responsibility and sustainable development (AccountAbility,

2011). AccountAbility works inter alia to set and develop standards, which have resulted in a series of three standards. The AA1000 standards are: the AccountAbility Principles Standard (AA1000APS), the Assurance Standard (AA1000AS), and the Stakeholder Engagement Standard (AA1000SES). The three principle-based standards provide guidance to organisations to become more accountable, responsible and sustainable (AccountAbility, 2011).

The AA1000 standards are based on three key principles, which are stated in the AA1000APS and identified as the foundation of accountability (AccountAbility, 2008). The principles are inclusivity, materiality and responsiveness. The principle of inclusivity is the foundation to reach materiality and responsiveness. Inclusivity is “the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability” (AccountAbility, 2008, p.10). The principle concerns the company’s commitment to be accountable, and further identify and understand the stakeholders’ needs by having a stakeholder participation process in place. Involving stakeholders in the organisation enable the company to recognise material issues to disclose. Materiality is “determining the relevance and significance of an issue to an organisation and its stakeholders” (AccountAbility, 2008, p.12). The principle requires the company to have a materiality determination process in place and to make sure that the information reported is comprehensive and balanced. The third principle to improve accountability is responsiveness. Responsiveness is “an organisation’s response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions and performance, as well as communication with stakeholders” (AccountAbility, 2008, p.14). The company has to respond and communicate in a way that enables it to meet the stakeholders’ expectations (AccountAbility, 2008).

The AA1000AS was first published in 2003 and was thereby the first global accepted sustainability assurance standard. The second edition was issued in 2008 and included the users and shareholders in the developing process. The standard provides two types of assurance engagements: Type 1 and Type 2. Type 1 evaluates the conformation of the three principles and the quality of sustainability performance reported. Type 2 additionally evaluates the reliability of the sustainability performance information reported. The assurance engagement can be performed to provide a high level or a moderate level of assurance. High level of assurance implies more extensive work undertaken to pro-

vide the users a high level of confidence of the information disclosed. Moderate level of assurance is less extensive, but it still enhances the users' confidence where sufficient evidence has been obtained (AccountAbility, 2009).

2.7.2 ISAE 3000

The International Auditing and Assurance Standards Board (IAASB) is an independent body, which inter alia issues standards of assurance and quality control (IFAC, 2011a). In 2004 the IAASB issued ISAE 3000, 'International standard on assurance engagements other than audits or reviews of historical financial information' (IFAC, 2005). The standard aims to provide fundamental principles and procedures to guide professional accountants in the performance of assurance of sustainability reporting (IFAC, 2005). The disclosed information of sustainability performance should be evaluated according to the principles of relevance, completeness, reliability, neutrality and understandability (IFAC, 2008). ISAE 3000 defines two levels of assurance: 'reasonable assurance engagement' and 'limited assurance engagement' (IFAC, 2005).

2.7.3 RevR 6

The Swedish professional institute for authorized public accountants: FAR is a trade organization for auditors and advisors. In 2004 FAR issued RevR 6, 'Independent assurance of voluntary separate sustainability reports', which became the first national assurance standard in sustainability reporting in the world. The standard was updated in 2006 to go in line with ISAE 3000 (ACCA, AccountAbility & KPMG, 2009). RevR 6 provides recommendations of the performance of assurance that focus on to fulfil stakeholders' need of information. The aim of the assurance process is to evaluate the adherence with set or relevant criteria (FAR Akademi, 2010). Established criteria can be laws, constitutions and guidelines such as the GRI guidelines. The company can also set its own reporting criteria. The characteristics of these criteria should be consistent with the principles stated in ISAE 3000 of: relevance, completeness, reliability, neutrality and understandability. RevR 6 complies with IFAC 'Handbook of the code of ethics for professional accountants' (Code of Ethics) (FAR Akademi, 2010).

2.8 Studies evaluating assurance statements

In 2005, O'Dwyer and Owen published the article "Assurance statement practice in environmental, social and sustainability reporting: a critical evaluation". The study seeks

to assess the “extent to which current assurance practice enhances transparency and accountability to organizational stakeholders” (O’Dwyer & Owen, p. 1). The study contains a content analysis of 41 assurance statements of sustainability reports of companies shortlisted at the Association of Chartered Certified Accountants UK (ACCA UK) and European sustainability reporting awards in 2002. The differences between the assurance processes performed by accountants and consultants were highlighted. According to the study, the assurance process performed by consultants created more value for the stakeholders and it is discussed that accountants might rely too much on their brand. O’Dwyer and Owen stress the lack of stakeholder involvement and specified addressees of the assurance process, which increase the risk of managerial capture. The limited independence of the assurance provider is questioned (O’Dwyer & Owen, 2005).

Two years later, in 2007 O’Dwyer and Owen replicated the study and published the article “Seeking stakeholder-centric sustainability assurance, an examination of recent sustainability assurance practice”. The study consists of 29 companies’ assurance statements shortlisted at the ACCA UK and sustainability reporting awards scheme in 2003. In line with the findings in 2005 O’Dwyer and Owen criticize the absence of stated addressees in the assurance process. The extensive limitation of scope and limited level of assurance are evidence to downplay the stakeholders’ expectations. The findings show continuing lack of stakeholder involvement and there is evidence of managerial capture in the assurance process (O’Dwyer & Owen, 2007).

3 Method

The method chapter presents the study process to answer the research question of how the assurance process of sustainability reports influence accountability and transparency. The chapter presents the choice of research strategy, method and approach, followed by the selection of studied companies. The data collected is discussed as well as the evaluative framework used to analyse the assurance statements. Finally, the method use in the data analysis is described followed by a discussion of the trustworthiness of the study.

3.1 Choice of research strategy

To analyse the assurance process of sustainability reports we studied the content of the assurance statements. An assurance statement summarizes the scope of an assurance process and provides a conclusion of quality of information in the sustainability report. Hence, the study is an archival research, which implies the study of administrative records and documents (Saunders, Lewis & Thornhill, 2009).

To gather data from the assurance statements we have used content analysis, which is a method to analyse documents and texts (Bryman & Bell, 2011). Content analysis is a technique that “involves codifying, qualitative and quantitative information into pre-defined categories in order to derive patterns in the presentation and reporting of information” (Guthrie, Petty, Yongvanich & Ricceri, 2004). It allows the assurance statements to be analysed ‘systematically, objectively and reliably’ (Guthrie et al., 2004). Guthrie and Mathews (as cited in Guthrie et al., 2004) point out the importance that categories of classification is clearly defined and that data can be allocated to appropriate criteria. In content analysis a reliable coder is significant for consistency in the research (Guthrie & Mathews cited in Guthrie et al., 2004). The foundation of the content analysis in this study is the evaluative framework developed by O’Dwyer and Owen (2005), presented in section 3.5.

3.2 Choice of research method and approach

Qualitative and quantitative are two widely spread concepts of research method. A quantitative research method includes the study of numerical data and data that can be quantified, meanwhile a qualitative research method covers the study of all other data. The research method chosen provides guidance in the data collection process and the in-

terpretation and analysis of the data (Saunders et al., 2009). To answer the research question of this study a qualitative research method is most suitable, since it allows analysis of words and content in reports. A qualitative method could give more detailed data and provide a more open and flexible research process compared to a quantitative research (Insch, Moore, & Murphy, 1997).

The qualitative research method can have an inductive or deductive approach. Inductive approach aims to develop a theory from the data collected and research findings and seeks to understand phenomena rather than describe it. Deductive approach aims to explain casual relationships between variables. A deductive study starts with existing theories within the subject area, which provides the foundations to the research (Saunders et al., 2009). This study has a deductive approach and is built on the conceptual framework that discusses theories as well as relevant literature and standards of sustainability reporting and assurance. The conceptual framework allows us to do the empirical study. The result is analysed and connected to the conceptual framework.

3.3 Studied companies

The empirical study focuses on Swedish public listed companies at NASDAQ OMX Stockholm (NASDAQ). Sustainability reports are generally published on the companies' website to be easy accessible for stakeholders. There are 257 companies listed at NASDAQ segmented in Large, Mid and Small Cap. NASDAQ divides companies in ten sectors, which are: Oil & Gas, Basic Materials, Industrials, Consumer Goods, Consumer Services, Health Care, Telecommunications, Utilities, Financials and Technology (NASDAQ, 2012). The criteria for the selection of companies studied are Swedish public listed companies which perform sustainability reports in line with GRI guidelines and have a plus (+) added to the stated application level. The plus (+) indicates that an assurance of the sustainability report has been performed. To identify the companies, data were collected from the companies' annual and/or sustainability reports. The findings were compiled in the software program Excel to give an overview of the companies that achieve the criteria.

The distribution of number and percentage of companies in each sector performing sustainability reports in line with GRI guidelines is shown in Table 1. Table 1 also shows the number of companies having an external assurance of the sustainability reports. The

largest percentage of GRI guidelines users is companies in the Basic Materials sector with 64 percent followed by Telecommunications with 40 percent. The Industrials is the largest sector and 17 companies used the GRI guidelines, which reflect 26 percent. Out of the 257 companies, 55 companies perform sustainability reports in line with GRI guidelines and eleven of the companies assure their sustainability reports and state a plus (+) sign in the application level. The eleven companies are the sample for the empirical study.

Table 1. Companies using GRI guidelines

Sector	Number of companies	Users of GRI	Users of GRI %	Number of assurance
Basic Materials	14	9	64%	2
Consumer Goods	27	5	19%	1
Consumer Services	27	8	30%	1
Financials	47	8	17%	1
Health Care	30	2	7%	1
Industrials	66	17	26%	3
Oil & Gas	5	0	0%	0
Technologies	34	4	12%	2
Telecommunications	5	2	40%	0
Utilities	2	0	0%	0
Total	257	55	21%	11

Table 2 gives an overview of the companies selected, the sector and the GRI application level. Also, the assurance provider and the profession of the assurance provider are presented. The companies are spread among the sectors of: Basic Materials, Consumer Goods, Consumer Services, Financials, Health Care, Industrials, and Technologies.

Table 2. Overview of company selected

Sector	Company	GRI application level	Assurance Provider	Profession assurance provider
Basic Materials	Holmen	A+	KPMG	Accountant
Basic Materials	Stora Enso	B+	TuFuture OY	Consultant
Consumer Goods	SCA	A+	PwC	Accountant
Consumer Service	SAS	A+	Deloitte	Accountant
Financials	Nordea Bank	B+	KPMG	Accountant
Health Care	AstraZeneca	B+	Bureau Veritas	Consultant
Industrials	Sandvik	B+	KPMG	Accountant
Industrials	SKF	A+	KPMG	Accountant
Industrials	Trelleborg	B+	PwC	Accountant
Technologies	Ericsson	A+	Det Norske Veritas	Consultant
Technologies	Tieto Corporation	B+	ToTomorrows, Ethos International	Consultant

Five companies reach the application level A+ and six companies are reporting in line with the application level B+. The companies represent the segment Large Cap at the stock exchange, except for SAS representing Mid Cap.

3.4 Data collection

The assurance statements studied are secondary data since the reports originally have been published for another purpose (Saunders et. al., 2009). The collected statements are from the financial year of 2010, which are the most recently available. During the study of the assurance statements we were aware of the risk that the information presented may differ from the actual assurance process (Bryman & Bell, 2011). However, it was not possible to collect the information of the assurance process directly from the companies due to time limit and secrecy. Therefore we assumed that the assurance statements are complete and credible and disclose all material information of the assurance process.

3.5 Evaluative framework

To be able to answer how the assurance process of sustainability reports influences accountability and transparency, and perform a content analysis of the assurance statement we followed an established evaluative framework developed by O'Dwyer and Owen (2005). The framework is used to evaluate assurance statements of sustainability reports based on the recommended contents of assurance statements issued by AccountAbility, Fédération des Experts Comptables Européens (FEE) and GRI (O'Dwyer & Owen, 2005). The analysis of this study is limited to the criteria concerning assurance stated in AA1000AS and GRI guidelines.

AA1000AS and GRI guidelines have been updated since O'Dwyer and Owen presented the table "recommended minimum contents of assurance statements" (O'Dwyer & Owen, 2007). Therefore, we analysed the updated versions and modified the recommended contents of assurance statements in line with the changes (see Appendix 1). The recommended content of the report is the foundation for the questions used to analyse the assurance statements (see Appendix 2). We have used the structure of subheadings and tables compiled by O'Dwyer & Owen (2007), which allowed us to make comparisons with their findings. A limitation of content analysis is subjectivity (Deegan & Gordon, 1996). To limit the risk of subjectivity in the evaluation and to increase the trustworthi-

ness of the report we performed the analysis of the assurance statements separately. The results were re-checked to identify if the findings were consistent. Ambiguities and dissimilarities were discussed and some changes of the evaluation process were made to ensure consistency in the result.

The qualitative approach of the study has enabled us to be flexible and develop the conceptual framework when our findings have implied further extension and focus adjustments. As our evaluation process proceeded we additionally studied the AA1000 standards and GRI guidelines and focused on the criteria of accountability and transparency. To get a clear overview that allow comparisons the findings were recorded in the software Excel.

3.6 Data analysis

To be able to analyse the findings we categorized the data by assurance provider. Analysing data by category includes developing groups and further identify relationships between them (Saunders et al., 2009). In this study the data were categorized into accountants and consultants (see Table 2), and similarities and differences were studied. The need of consistency and the aim to be rigorous in the evaluation process were a challenge. However, we are confident in the objectivity and accuracy of our findings and that it is sufficient for our analysis and in answering our research question. The findings were analysed in line with the theories and previous research presented in the conceptual framework.

3.7 Trustworthiness of the study

Bryman and Bell (2011) discuss trustworthiness as the quality measure of qualitative research. Four criteria are used to measure trustworthiness: credibility, transferability, dependability and conformability. To ensure credibility, it is important to follow established research methods and strategies and make appropriate interpretation of the data collection (Bryman & Bell, 2011). The study follows a qualitative research method including a content analysis. The study is also performed in line with an established evaluative framework to strengthen the credibility of the findings. Transferability concerns the extent in which the data can be used in another setting. It is important to give a rich description of the research process so others can evaluate the possibility to use the findings in other contexts. Thus, transferability does not mean that the findings have to be

generalizable to other groups in the population or setting (Bryman & Bell, 2011). The research process in this study is detailed and well described to enhance the transferability. The findings are also based on analysis of assurance statements from public listed companies reporting, which allow others to reproduce the study. Dependability highlights the importance that all steps in the research process are recorded and are available for peer evaluation (Bryman & Bell, 2011). In this study, dependability is improved by documenting each step in the research process. During the research process the thesis was peer reviewed and we have responded to the feedback. Conformability is related to objectivity and implies that the research process should be free from obvious personal values. All data should be collected and documented in a systematic way to confirm the findings (Bryman & Bell, 2011). To ensure conformability, the analysis of accountability and transparency of the selected companies is evaluated in line with the evaluative framework. The framework provides criteria of relevant issues concerning accountability and transparency identified from GRI guidelines and the AA1000 standards. We also analysed the assurance statement separately to reduce the risk of subjectivity.

4 Empirical study

The empirical study is the analysis of eleven selected companies' assurance statements of sustainability reports. Seven of the assurance engagements are performed by certified public accountants representing the Big Four¹, which in this study are referred to as accountants. Other professionals hereby referred to as consultants, performed four of the assurance engagements studied. Similarities and differences between the assurance processes and the statements are highlighted, as well as the distinct approaches among accountants and consultants. The criteria used to evaluate transparency and accountability of the studied companies has its origin from the recommended minimum content of the assurance statement in the AA1000 standards and GRI guidelines (see Appendix 1).

The findings from the evaluation of the assurance statements are presented in five sub-headings addressing the key findings in each subject. The first subject discusses the assurance provider and assurance process. Further, independence of the assurance provider is evaluated, followed by a description of work undertaken in the assurance process. The adherence to the principles of inclusivity, materiality and responsiveness are evaluated. Finally, the nature of assurance opinions offered in the statements is discussed.

4.1 The assurance provider and assurance process

There are distinctive differences in the statements depending on who the assurance provider is. The accountants clearly identified themselves as auditors, while two of the other assurance providers classified themselves as consultants. The title of the accountants' assurance statements all includes the term 'auditor's review', meanwhile, the consultants include the term 'assurance'. The consultants additionally used the terms 'independent' and 'external assurance' to strengthen the statement. Table 3 gives an overview of the extent the accountants and consultants expressed date, addressee and competences of the verifier. All statements expressed the date, with one exception. The addressee was stated in all statements where the accountants addressed 'the readers' of the report. Consultants, on the other hand addressed the statement to the 'stakeholders' of the company. Two of the consultants stated both 'stakeholder and management' as addressees.

¹ Deloitte, Ernst & Young, KPMG, and PwC

Table 3. Attributes of assurance statements

	Total		Accountants		Consultants	
Date	10	91%	7	100%	3	75%
Addressee	11	100%	7	100%	4	100%
<u>Competences of verifier:</u>	5	45%	1	14%	4	100%
Professional qualification	3	27%	0	-	3	75%
Assurance experience	4	27%	1	14%	3	75%
Area of expertise	1	9%	1	14%	0	-

One statement performed by the accountants expressed the competences of the assurance provider and stressed the assurance provider’s experience and area of expertise. The accountants title themselves as ‘authorized public accountants’ that indicates the competences of the signatory. In addition, the statements were signed by an ‘expert member of FAR’ that refer to that the review was performed by a specialist in sustainability assurance. In contrast, all the consultants included the competences of the verifier in the assurance statement. Three of the consultants expressed having ‘professional qualification’ and ‘assurance experience’ for the assurance engagement. The consultants to Tieto and Stora Enso referred to websites for more information of competences.

4.2 Independence of the assurance provider

Independence of the assurance provider was stated in five (45%) assurance statements (see Table 4). The statements performed by the accountants did not express independence of the assurance provider, with one exception. In contrast, the consultants expressed independence in the statements. For example, the consultant of Stora Enso expressed that they “were not involved in the preparation of the Report, and have no other engagement with Stora Enso during the reporting year”.

Table 4. Independence of the assurance provider

	Total		Accountants		Consultants	
Some statement of independence	5	45%	1	14%	4	100%
Other commercial relationships	2	18%	0	-	2	50%
Involved in report content/preparation	0	-	0	-	0	-

The majority of the statements did not express any other commercial relationships or involvement in report content or preparation during the reporting period. However, the consultant of Tieto stated previously involvement in the development of corporate responsibility and reporting. The consultant of AstraZeneca notified other commercial relationships with the client, but stressed that it did not jeopardize the independence of the assurance team.

4.3 Description of work undertaken

The statements clearly described the scope of the assurance process (see Table 5). The majority of the statements had a subheading for the scope of work undertaken. Further, three statements performed by consultants described limitations of areas not reviewed. For example, it was pointed out that the assurance engagement was undertaken with exception of reviewing ‘data that is subject to mandatory auditing’ and ‘activities outside the defined reporting period’. The statement of Ericsson expressed that the verification did not focus on the ‘effectiveness or efficiency of Ericsson’s sustainability and [corporate responsibility] management practices’.

Table 5. Description of work undertaken

	Total		Accountants		Consultants	
Clearly described scope of assurance	11	100%	7	100%	4	100%
Described areas not reviewed	3	27%	0	-	3	75%
Clearly stated level of assurance pursued	10	91%	7	100%	3	75%
Referred to AA1000 standards	4	36%	1	14%	3	75%
Referred to RevR 6	7	64%	7	100%	0	-
Criteria used clearly stated	11	100%	7	100%	4	100%
Assessed consistency with annual report	7	64%	6	86%	1	25%

4.3.1 Level of assurance

Ten assurance statements (91%) clearly stated the level of assurance pursued meanwhile one company expressed that ‘verification’ was practiced without further explanation of level of assurance applied (see Table 5). The accountants stated that a ‘review’ was performed and it was described as ‘substantially less in scope than an audit’. Only the statement of Sandvik provided a definition of review and explained it as “a limited level of assurance which is deemed as being equal to a moderate level of assurance as defined by AA1000AS”. Three statements performed by consultants referred to AA1000AS and indicated a moderate level of assurance and the consultant of AstraZeneca provided a high level of assurance. Sandvik is the only company that referred to the AA1000 standards and expressed Type 2 assurance in the statement.

4.3.2 Use of specific assurance standards and criteria

The assurance statements referred to a specific standard used in the assurance process (see Table 5). The accountants performed the review in accordance with RevR 6, and the assurance engagement of Sandvik combined AA1000 and RevR 6. Three consultants used AA1000; while the consultant of Ericsson expressed that the engagement was

performed in line with the consultants own set up criteria ‘Protocol for Verification of Sustainability Reporting’.

The assurance statements clearly pointed out the criteria used in the assurance process, which in all cases was GRI G3. Five accountants and one consultant also expressed that the assurance process was performed in accordance with principles developed and disclosed by the companies. For example the accountant of SCA used ‘accounting and calculation principles that the company has developed and disclosed’.

The consistency of the sustainability information in the companies’ annual reports was assessed in seven (64%) assurance engagements. The accountants assessed consistency with the annual report, with exception from one statement, and they also audited the companies’ financial reports. For example, the statement of SAS expressed that ‘a reconciliation of the reviewed information with the sustainability information in the Company’s annual report’ had been made. One consultant assessed consistency with the annual report.

4.3.3 Nature of work undertaken

The assurance statements provided a description of the nature of work undertaken (see Table 6). All the statements expressed validation procedures of data in the reports. The accountants stated that documents were reviewed to assess if the sustainability information disclosed was complete, accurate and sufficient.

Table 6. Nature of work undertaken

	Total		Accountants		Consultants	
Validation of data in report	11	100%	7	100%	4	100%
Validation of data collection system	11	100%	7	100%	4	100%
Site visit(s) carried out	5	45%	3	43%	2	50%
Staff interviewed	11	100%	7	100%	4	100%
Stakeholders interviewed	2	18%	2	29%	0	-

All the assurance providers have validated the data collection system of sustainability information. For example the accountant of SKF made an ‘evaluation of the design of the systems and processes used to obtain, manage and validate sustainability information’. Less than half of the statements (45%) expressed that site visits had been carried out and the accountants additionally stated that the visits were pre-announced. All assurance engagements included interviews with staff at different levels in the corpora-

tion. Interviews with external stakeholders were only performed by two accountants, which reflect 18 percent of the total statements.

4.4 Inclusivity, materiality and responsiveness

The AA1000 principles of inclusivity, materiality and responsiveness, are clearly discussed in the assurance statements performed by the consultants and two statements additionally provided definitions of the principles. One accountant referred to the principles in the statement. However, the key features of the principles inclusivity, materiality and responsiveness were assessed and described as part of the assurance procedure in the statement offered by the accountants. Inclusivity was notified in four statements performed by the accountants as assessment of the outcome of the ‘stakeholder dialogue’. This could also be connected to responsiveness. Two accountants pointed out that interviews with stakeholders were performed to evaluate if the company responded to important stakeholders’ concerns in the sustainability report. In line with materiality, six accountants expressed ‘assessment of suitable and application of the criteria’ regarding the stakeholders’ need of information. Additionally, these statements presented that the information was ‘complete’ and ‘sufficient’ as well as ‘accurate’ or ‘correct’. All accountants presented that the review was based on the assessment of ‘materiality and risk’. The term materiality was, however, not connected to the stakeholders’ need of information in the assurance statements.

The assurance providers using AA1000 disclosed more information of the review compared to the assurance provider using RevR 6. The statements performed in line with AA1000 evaluated the adherence with inclusivity, materiality and responsiveness. Further, weaknesses were addressed as well as recommendations for future improvements. An example of recommendations was expressed in the statement of Ericsson to ‘develop a more structured process for prioritizing and monitoring the materiality of issues’. Another example is the statement of Tieto, which recommended the company to ‘include more information throughout the sections on how stakeholders are involved and how their views influence Tieto’s management approach’. The accountants, which implemented RevR 6, did not express any weaknesses of the companies’ sustainability performance and information reported or recommendations for future improvements.

4.5 Nature of assurance opinions offered

The accountants and consultants expressed the nature of assurance opinions differently. The accountants made a review of the sustainability reports that were ‘substantially less in scope than an audit’; hence no audit opinion was expressed. Instead, based on the review the accountants enounced a conclusion in a negative form (see Table 7). The statement of SAS Group concluded that ‘nothing has come to our attention that cause us to believe that the information in the [...] sustainability report has not, in all material respects, been prepared in accordance with the above stated criteria’. In comparison, two of the consultants expressed an opinion while the others offered a conclusion. Two consultants expressed a positive assurance opinion. The AA1000 assurance users also expressed the adherence with the AA1000 principles in the conclusion. For example, the statement of AstraZeneca enounced that ‘it is our opinion that AstraZeneca’s [corporate responsibility] activities adhere to the AA1000 Principles of Inclusivity and Materiality but this year do not fully adhere to the principle of Responsiveness’.

Table 7. Nature of assurance opinions offered

	Total		Accountants		Consultants	
Negative form	9	82%	7	100%	2	50%
Positive form	2	18%	0	-	2	50%
<u>GRI quality principles:</u>	3	27%	0	-	3	75%
Accuracy	2	18%	0	-	2	50%
Completeness	0	-	0	-	0	-
Reliability	2	18%	0	-	2	50%
Balance	1	9%	0	-	1	25%

The GRI quality principles: accuracy, completeness, reliability and balance were not mentioned in the statements or included in the assurance opinions by the accountants. However, three consultants used the GRI quality principles in the conclusion. The assurance opinion of Stora Enso expressed that the sustainability report gave a ‘fair and balance view’ of the performance and that the information presented was ‘reliable’. The assurance opinion of Ericsson stated that the ‘Report provides an accurate and fair representation’, which can go in line with the GRI quality principles of accuracy. The conclusion provided by the accountants expressed that the sustainability report have been prepared in accordance with the stated criteria, which refers to GRI guidelines and include the quality principles.

The accountants offered a conclusion on the ‘information’ in the sustainability reports and the quality of data. The AA1000 assurance providers additionally used other expression in the assurance opinions such as: corporate responsibility activities adherence with the AA1000 principles, and ‘accurate and fair representation of [...] policies, strategies, management system, initiative and performance’.

5 Analysis

The analysis of the empirical study is presented in this chapter. The chapter follows the same structure as the empirical study to in a logic manner analyse the findings.

5.1 The assurance provider and assurance process

The specification of addressee in the assurance statement indicates whom the company prioritize and want to communicate with. Hence, specifying the addressee clearly point out whom the company is accountable to. AA1000AS (2009, p.28) states that the “intended users of the assurance statement” should be addressed in the assurance statement. This is shown in the statement performed by the consultants that all addressed the report to the stakeholders, or the stakeholders and management. The accountants, however, addressed the assurance statement to ‘the reader’, which in comparison is wide and diffuse. It is unclear if the statement is performed for the top management merely or also for the company’s stakeholders. Since the sustainability report is performed to disclose the company’s sustainability performance to stakeholders, we question why the accountants did not specify the stakeholders as addressees in the assurance statements.

To express the assurance provider’s competences strengthen the credibility of the professional and thereby enhance the credibility of the assurance process. Consultants were more likely to stress the competence of the assurance team than the accountants. A reason could be that the consultancy firms do not have the same established reputation within the field of assurance. Hence, to state the competences of the assurance provider could strengthen the readers’ confidence in the assurance engagement. Meanwhile, the accountants appeared to rely on the reputation of the accounting profession and brand awareness of representing the Big Four.

5.2 Independence of the assurance provider

The consultants expressed their independence in the assurance statements. Consultant is a wide term, which is not always associated with independence to the client; hence the consultants were more eager to express it. Only one of the accountants expressed independence. The reason could be that RevR 6, which is the assurance standard used in the assurance processes performed by the accountants, expresses agreement with the Code of Ethics that requires independence of the assurance provider (IFAC, 2010, § 291). This situation is an example where the accountants referred to RevR 6 and did not fur-

ther explain what the standard implies for the assurance engagement. RevR 6 is a well-established assurance standard in Sweden; however, its implications may be unknown for stakeholders. To increase transparency, the accountants should as the consultants disclose more information concerning independence in the assurance statement.

5.3 Description of work undertaken

The assurance statements included description of work undertaken. Compared to the accountants, the consultants were more informative and additionally expressed limitation of areas not reviewed. Some limitations were obvious and it is questionable if the disclosure increases transparency due to its lack of value adding. However, disclosing material limitations could be valuable to the stakeholders.

5.3.1 Level of assurance

The majority of the review of the sustainability reports were performed to comply with a limited level of assurance. However, the value of a limited level of assurance can be questioned. An explanation why the companies adapted a limited level of assurance can be the complexity of qualitative data and inadequate performance indicators in sustainability reporting (O'Dwyer, 2011). It is possible that the companies did not see the benefit exceed the cost of a high level of assurance. To express a limited level of assurance reduce the stakeholders' expectation of the assurance engagement. One company practiced a higher level of assurance and was also the only company that did not fully adhere to the stated criteria. Failure to fulfil the requirements indicated by a high level of assurance can be a driving force to further improvements. Hence, a higher level of assurance can increase transparency additionally and also increase pressure of the companies to be accountable.

5.3.2 Use of specific assurance standards and criteria

The assurance engagements were performed in line with established assurance standards. As argued by Ball et al. (2000), a clear and understandable assurance process is important to increase the usefulness of the report for the stakeholders. Established standards and criteria contributes to transparency in the assurance process. However, there was a clear distinction between the statements depending on the standard used. The consultants applied AA1000, with one exception that referred to own set criteria.

The accountants used RevR 6, which can only be applied by certified public accountants (FAR, 2010). The assurance engagements performed in line with AA1000 were more detailed and descriptive compared to the statements that followed RevR 6. The RevR 6 users focused on the process of evaluating the quality of the information reported while the AA1000 users additionally evaluated the accountability of the reporting company. The outspoken aim of AA1000 is to increase accountability (AccountAbility, 2009) and the assurance statements performed in line with AA1000 tend to be more stakeholders oriented. Therefore, assurance engagements performed by the consultants provided more information on the companies' accomplishment of accountability.

Accounting and calculation principles developed by the companies were applied in six assurance engagements. These principles enable a more flexible and company specific reporting of sustainability performance. On the other hand, the significance of criteria used is less clear and decrease the comparability due the risk of inconsistency in sustainability reporting among companies.

5.3.3 Nature of work undertaken

Overall the assurance procedures were similar and included validation of data in report, validation of the data collection system and interviews with staff. Site visits carried out varied and stakeholder interviews were only performed by two accountants. To be accountable, it is significant for the companies to have a dialogue with the stakeholders and include them in the assurance process (Adams, 2004). Hence, the limited exercise of stakeholder interviews is remarkable. It is especially noticeable for companies that performed the assurance in line with AA1000, which clearly stresses stakeholder inclusivity and responsiveness. Therefore, it could be questioned if the interests of the stakeholders are taken into consideration in the assurance process. To exclusively interviewing the staff, including the management, could bias the outcome. The limited level of stakeholder involvement implies an increased risk of managerial capture in the assurance process.

5.4 Inclusivity, materiality and responsiveness

The AA1000 principles of inclusivity, materiality and responsiveness are the foundation of accountability (AccountAbility, 2008). The consultants evaluated the companies' sustainability performance in line with the AA1000 principles. The accountants did not

refer to the principles but assessed the outcome of the stakeholder dialogue. This could be referred to the AA1000 principles, however, it is not sufficient in determining the company's adherence with the principles. The statements performed by the consultants additionally expressed weaknesses and provided recommendations to future improvements concerning the company adherence with inclusivity, materiality and responsiveness. Stressing weaknesses and recommendations increase transparency and thereby the value of the assurance process for the stakeholders.

5.5 Nature of assurance opinions offered

The majority of the assurance opinions offered were expressed in a negative form, which can be connected with the limited level of assurance provided. To state the opinion in a negative form protects the assurance provider, which is responsible for the conclusion of the sustainability report based on the review. By expressing 'nothing has come to our attention' limits the assurance provider's responsibility compare to stating that the reported information is 'true and fair', which is applied in the audit opinion of the financial statements. No assurance opinion included the term 'true and fair' when referring to how the information in the reports conformed to sustainability performance.

The accountants offered a conclusion of the reported information, while the consultants additionally assessed the sustainability performance. However, the role of the assurance provider can be discussed. It is questionable if the assurance provider should express an opinion of the company's sustainability performance or merely review the quality of the reported information by a transparent assurance process.

5.6 The assurance process influences on accountability and transparency

A transparent assurance process is important to increase the credibility of the sustainability report (Adams & Evans, 2004). However, more information of the assurance process does not necessarily increase the value of the report or enhance accountability. To limit the risk of information overload and to create value, the information disclosed of the assurance process should be sufficiently complete and relevant.

Assurance of sustainability reports shows the company's effort to be accountable and it could at the same time be a strategy to achieve legitimacy from the stakeholders and the

society. Assurance of the sustainability report can, hence, create incentives for the company to report information that is accurate, complete, balanced and reliable. To gain support, it is not enough to appear to be consistent with the society's expectation, but to actually meet the society's expectations. Further, to understand these expectations, stakeholder dialogue is crucial, which could include stakeholder interviews in the assurance procedure. Additionally, stakeholder panel could be a tool to ensure that the stakeholders' interests are considered.

Stakeholder participation is significant to be able to reach accountability. However, it is unclear how and by whom accountability should be evaluated. The contribution of an assurance statement of the company's accountability can be discussed. It is questionable if an assurance provider should evaluate accountability or only review the quality of information in the sustainability report. Limiting the assurance engagement to the assessment of quality of information and disclose the assurance process, enables the stakeholders to make their own judgments of the company's sustainability performance and accountability. The stakeholders can, hence, decide to legitimate the company's activities and give its support.

6 Conclusion

The purpose of the study was to describe and analyse the assurance statements of sustainability reports of public listed companies in Sweden. The study sought to answer how the assurance process of sustainability reports influences accountability and transparency.

The assurance statements studied followed GRI guidelines; still, distinctive differences between the assurance process of sustainability reports provided by accountants and consultants were obvious. The differences in the assurance statements were mainly due to the different assurance standards used. The majority of the assurance statements clearly stated a limited level of assurance, which reduces the expectations of the assurance engagement. The consultants had a clearer stakeholder focus and disclosed more information of their competence and independence. The consultants also provided a more comprehensive description of work undertaken. On the other hand, the statements performed by the accountants were more compact and less explanatory. The consultants were more likely to assess accountability and sustainability performance, than merely review the quality of information as the accountants. We argue that the value of evaluating accountability in the assurance process is limited.

The assurance statements performed by the accountants did not specify addressee and we stress the importance to specify whom the company is accountable to. There is an obvious lack of stakeholder involvement in the assurance processes and we argue that stakeholder dialogue is significant to be able to consider the interests of stakeholders. To increase transparency, we highlight the importance to express weaknesses and give recommendations for improvements of the sustainability reporting. Further, the use of reporting and assurance standards, substantially reduce the risk of managerial capture in the assurance process. An open and standardized assurance process that reviews the quality of information in the sustainability report increases transparency, which strengthens the credibility of the sustainability report. A transparent company enables the stakeholders to make their own evaluation of its accountability. Increased transparency also creates incentives for the reporting company to take responsibility for its actions. Therefore, we argue that increased transparency through the assurance of sustainability reports could increase accountability.

7 Discussion

7.1 Reflections of the study

We made reflections of the study process and identified strengths and weaknesses. The empirical study consists of a small number of assurance statements, which can be seen as a weakness. The criteria for the sample selection were public listed companies in Sweden that performed sustainability reports in line with GRI guidelines and have an external assurance. Hence, only eleven companies fulfilled the criteria. To widen the research, the sample could have included all public listed companies that performed a sustainability report with an external assurance. However, the use of GRI guidelines is widespread among Swedish public listed companies and we found the companies selected interesting. To increase the trustworthiness of the study, an established evaluative framework (O'Dwyer & Owen, 2005) was used in the content analysis the assurance statements. The evaluative framework has been helpful to get relevant and useful data from the analysis of the assurance statements of sustainability reports.

7.2 Speculations of sustainability assurance and suggestions for future studies

Sustainability reporting and assurance are increasing and we think the development will continue. Sustainability reporting becomes more important, mainly among large companies, and moving from being a competitive advantage to a norm that is expected in the society. Hence, the demand of external assurance of the sustainability report will be an obvious element in the reporting. In line with this, more companies will adapt a high level of assurance in the future. We also think that stakeholder involvement in the assurance process will enhance as companies realize its significance to fulfil the stakeholders' expectations. To enrich the knowledge within assurance of sustainability reports and its influence on transparency and accountability of companies, it would be interesting for future research to have a dialogue with the involved actors. Interviews could be performed with companies, assurance providers and/or stakeholder to get their viewpoints on how sustainability assurance influences accountability and transparency. It would also be interesting for future research to analyse the assurance process of sustainability reports from an international perspective.

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Nordea CSR report 2010

SAS Group annual report & sustainability report 2010

SCA sustainability report 2010

SKF annual report 2010, including sustainability report

Stora Enso global responsibility sustainability report 2010

Tieto corporate responsibility report 2010

Trelleborg corporate responsibility report 2010

Appendix 1

Recommended minimum contents of assurance statements: AA1000, GRI

Source: adapted from O'Dwyer and Owen 2007, p. 81.

Content of report	AA1000	GRI
Title		
Addressee	√	
Name and location of assurator	√	
Scope and objective of the engagement	√	√
Respective responsibilities of the reporter and assurator	√	√
Competences of the assurator	√	√
Independence of the assurator from reporting organisation	√	√
Criteria used to assess evidence and reach conclusions	√	√
Assurance standards used	√	√
Impartiality of assurator towards stakeholders	√	
Conclusion/opinion	√	√
<i>Inclusivity</i>	√	
<i>Materiality (from a stakeholder perspective)</i>	√	
<i>Responsiveness to stakeholders</i>	√	
<i>Performance</i>	√	
<i>Reliability and accuracy</i>	√(1)	
Additional Commentary	√	
Progress in reporting and assurance since last report	√	
Suggestions for improvements in reporting and processes	√	
The report date	√	

√ Included in guidance

(1) Requirement of Type 2 assurance engagement

Appendix 2

Key questions of the evaluative framework

Source: O'Dwyer and Owen, 2005

Provider & addressee

1. What is the nature of the information provided on the assurance provider and the assurance process?
2. Issues addressed are whether and GRI stipulations as to clearly identifying the type of statement (title), the addressee and respective responsibilities of preparer and assurance provider are followed, and whether information concerning the assurance provider's competencies is provided.

Independence

3. Is the degree of independence of the assurance provider from the reporting organisation made clear?

Scope

4. Is a clear description of work undertaken offered, covering such issues as scope of the assurance exercise, criteria and standards employed, together with the level of assurance being given?

Principles

5. To what extent do statements address the core assurance principles of materiality, completeness and responsiveness emphasized in AccountAbility's AA1000 assurance standard?

Process disclosure

6. Is any assessment of underlying processes and systems, reporting procedures and performance itself made, with weaknesses highlighted and recommendations/strategic commentary offered?

Opinion

7. In what form are opinions stated? For example, do conclusions reached on the report address issues such as accuracy, completeness, reliability and balance as called for in the GRI guidance?