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Value-Added and Sustainability Reporting: Leveraging on Conventional Accounting Practices for Accountability and Information Decision Usefulness – A Case Study of South Africa.

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Abstract

Following the emerging and increasing interest in value-added and sustainability reporting, countries like South Africa have enhanced their corporate sustainability disclosures (CSDs) through the use of acceptable value-added statements (VAS) and related metrics in their annual reports. Listed companies on the JSE Ltd have either produced a VAS, Sustainable Development Report (SDRs) or related CSDs by leveraging on existing reporting frameworks to meet the information user needs of the wider stakeholders. This thesis used a mixed method approach to examine the reasonable acceptability of the VAS as an ideal value-added report by corporate organisations to meet the information user needs of the wider stakeholder groups. Additionally, this thesis sought to understand the detailed Sustainability and Value – Added Reporting (VAR) practices of corporate organisations by using the South African context as a case study.

The quantitative approach revealed that there is a growing trend in the amount and volume of value-added and sustainability reports produced by listed firms in South Africa. It further revealed the increasing appetite by corporate entities to include infographics and supporting narratives to explain the sustainability and value-added practices of the companies with the aim of gaining and maintaining legitimacy in their business environments. The qualitative findings suggest that value-added and sustainability reporting converge with and diverge from each other which requires a clearer delineation of these practices. Furthermore, the qualitative findings suggest that harmonizing the various sustainability reporting standards into common canons could take a while due to the consistently changing dynamics of sustainable development programmes. However, there is the need to effectively assure (audit) these value-added and sustainability programmes of corporate entities and possibly align them to generally acceptable reporting frameworks such as the UN System of National Accounting in order to unearth more items of values. In doing so, corporate value-added practices and sustainability programmes will go a long way to help the wider stakeholders make informed and useful decisions.

The research concluded that in order for corporate entities in emerging economies like South Africa to gain the legitimacy to operate within their socially contracted regimes, it will be prudent to leverage on the robust and generally acceptable corporate reporting practices of conventional accounting. However, the findings suggest the need for a multidisciplinary approach to reporting corporate sustainability and value-added functions of the company.

Chapter 1

Introduction

1.1 Subject area - Background and Context

The past two decades have seen the gradual development of complex corporate reporting devolving from a typically quantitative reportage to a rather comprehensive commentary in the form of integrated corporate reporting. The rationale for adopting the "smart practice" of integrated (comprehensive) reporting, a contemporary corporate reporting technique, is to court societal support by meeting various stakeholder information needs (Bryson, 2004, p.46; Vitolla and Raimo, 2018). This rationale is thought to be overtly supported by the varied but congruent definitions of accounting as a reactive practice that provides both quantitative and qualitative metrics designed to satisfy stakeholders' (information) needs such as the provision of augmented information to an investor audience (Elliott and Elliott, 2019; Atrill and McLaney, 2019; Alexander et al., 2018).

It is a most important thing to bear in mind that conventional accounting practice is not solely about the reporting of figures; instead, it deals with the social science of interpreting and making sense out of the reported figures (Hines, 1988). Hines further noted that in the process of interpreting and communicating such realities (by the practitioner or reporting entity), reality is simultaneously constructed to the users of these information. On the question of interpretation, financial reporting is thus perceived as a tool that communicates the realities that have transpired in an organisation, albeit historical in nature. This provides the basis for the various beneficiaries of the company to fish out essential components of the corporate reports to aid in making informed judgements and decisions.

Surprisingly, Rob Gray (2002, p.687) detected that conventional accounting should be a component of the social accounting movement, i.e. social accounting has been and/or should have been considered to be the "mother of all accounting" practice. Contrary to expectations that conventional accounting is an independent body of programmes, Gray (2002) indicated that all accounting practices, ranging from economic, environmental to sustainability tend to be subsets of the umbrella practice – social accounting. Thus, it will be essential to synthesize corporate reporting practices, including conventional accounting practices, and direct them towards the

achievement of the social accounting objectives of our times, i.e. promoting social justice for the wider stakeholders of the firm and to ensure that corporations are held responsible and accountable for their legitimate and operational existence.

Recent research has posited that the operational activities of firms are rendering the economic world unsustainable. These unsustainable actions by firms are causing both human and non-human lives to decline on the ascendency (Gray and Milne, 2002). This has led to increased pressure from citizens and related stakeholders on firms to report and extensively disclose their sustainability activities in their corporate reports (Elkington, 1998). The approach proposed was that of the *Triple Bottom (TBL) Line Reporting,* a notion advocated by and attributed to consultant and campaigner, John Elkington, in the 1990s.

The Triple Bottom Line approach required organisations to expand their scope of reporting to cover, not just the financial dimensions, but also the environmental and social phases in order to promote the concept of a sustainable economy (Gray and Milne, 2002). Jeurissen (2000) in his review of Elkington's proposition, argued that all stakeholders will benefit, and ultimately the economy will prosper, if firms engage in sustainable business operations. It is interesting to note that sustainability reporting, a derivative of the TBL approach, tends to sit between (or merge) the environmental and economic reporting components (Mebratu, 1998). It is this strand of social accounting, i.e. sustainability reporting, and the need to leverage on conventional accounting, i.e. the financial reporting phase, that this thesis addresses. To briefly elaborate on this point, sustainability (and value-added) reporting has been tilted towards the supply of non-financial information to the wider stakeholders with little or no room for reconciliation or alignment with the quantitative or financial metrics. Since both sustainability (and/or value-added) reporting and financial reporting fall under the corporate reporting practices, it will be ideal to synthesize these reports into a comprehensive or interdependent set of accounts that speak to the same subject matter of providing relevant and useful information to the wider stakeholders and holding the reporting company accountable for its operations. This point forms the starting point of this thesis.

Financial reporting is much more mechanized, regulated and standardized given the influx of various reporting standards and frameworks (PwC IFRS, 2019). These merits associated with conventional accounting allows the practice to be widely accepted by many (but not most of the

wider) stakeholders as a valid means of communicating the realities of the economic world. In addition, the frameworks and standardizations help in validating the management claims and assertions against generally acceptable benchmarks for verification purposes. These generally accepted frameworks and standards could then be adopted, as posited by *The Corporate Report, 1975,* to ensure that firms render full accountability to all stakeholders. One major means of achieving full accountability is by representing various sustainability reporting activities in the corporate reports using the Value-Added Statement (VAS) as a feasible and appropriate tool *(The Corporate Report, 1976;* Morley, 1979*)*. Here, the complex representation of values generated by whom and distributed to who could well be described as "value-added reporting" (VAR) practice. One major drawback of adopting the VAS as a tool for sustainability reporting (SR) and/or VAR is that it does not capture nor represent all stakeholders of the company; however, key beneficiaries and the multiple capitals are fully represented on the VAS or VAR (Adams, 2017).

A consequence of adopting a financial reporting tool such as the VAS for sustainability reporting is the ease with which such tools could be audited and assured due to the existence of a mechanical platform and corporate reporting standards and benchmarks for reporting and assurance. There is some evidence that the mechanical nature of conventional accounting could easily allow both traditional accountants and subject-matter experts (SMEs) to leverage on the mechanics for attestations and related assurance engagements (O'Dwyer, 2011; O'Dwyer et al., 2011). Accordingly, the literature confirms that the practice of sustainability assurance is currently being annexed by the Big Four audit firms due to their competitive advantage of leveraging on mechanical traditional accounting to provide limited and reasonable assurance over sustainability and value-added reporting.

1.1.1 Illustrative Mind Map of Subject Area

The concept of sustainability reporting is broad and complex. From my estimation, in contrast to conventional accounting practices, I realized that sustainability accounting and its related branches are geared at achieving information usefulness, enhancing information symmetry and promoting information verification for stakeholders of such reports. Amongst others, it is perceived that Sustainability Reporting, Social Accounting Practices and Traditional or Conventional Accounting

Practices form an evolving matrix of corporate reporting relationships to achieve the above-mentioned objectives of information usefulness, symmetry and verification.

This thesis cannot exhaust all of the above complex evolving relationships; hence, I decided to limit my research to the conglomeration of the traditional or conventional accounting practices and value-added reporting dimension (where I leveraged on the VAS as a foundation) to achieve the set objectives earlier mentioned above. In the literature review sections, portions of the social accounting and sustainability reporting were used to advance arguments in favour of leveraging on the mechanics of conventional accounting and VAS practices to promote corporate sustainability reporting. This is because, as indicated in my mind map per figure 1.1 below, elements such as SR, VAS or VAR, Economic Reporting and Traditional Accounting are typically related and must be addressed as a set of contributing factors to achieve the set aims of information usefulness, symmetry and verification.

1.2 Motivation and Rationale for the Research

The paramount idea for this thesis is to examine the extent to which traditional or conventional accounting practices could be explored to aid in sustainability reporting. The framework and scope of the study include the possibility of adopting a variant of the traditional financial statement, namely the Value-Added Statement (VAS), as an appropriate tool for advancing the sustainability reporting practice. It is believed that the benefits associated with the conventional accounting practice could be leveraged upon to enhance sustainability reporting as well as provide the moral grounds and technical platform for verifying the claims and management assertions associated with sustainability accounting.

Perhaps the most compelling motivation for undertaking this research is the current phenomenon of Double Materiality and the researcher's quest to use the VAR (or VAS) and SR models to provide incremental values to the respective and wider stakeholder groups. The concept of Double Materiality, according to the GRI (2018; 2023) was advocated by the European Union to mean the extent to which the operations of the company impact the society or environment in which it operates and the reverse fixture of assessing how the ongoing issues of sustainability affect the

financial and non-financial performance of the same company. Like an ongoing continuum, it is generally accepted that there are two interlocked perspectives of any firm's operations. Typically, for example, a manufacturing company could be seen as potentially impacting its business ecosystems including its natural environment in terms of its carbon footprints, greenhouse gas emissions, provisions of wealth and products to its wider stakeholders. Thus, such operating firms are expected to run their businesses in the best interests of the wider stakeholders. However, the question that still remains unresolved is the extent to which the organisation's impacts could be assessed as significant in nature in terms of its influences on the wider stakeholders (Shami, 2023; GRI, 2018; 2023). Similarly, contemporary developments and the world's awakening to issues of sustainability and value-addition have led to the promulgation of sustainable development goals to which responsible corporations are required to comply with. It is also expected that corporations or going concerns should significantly understand and appreciate these sustainability and/or ESG topics in order to design and implement projects that are sustainable in nature (Delgado-Ceballos et al., 2023; GRI, 2018; 2023). It is believed that these two dimensions – firm's operations on the system and the topics of sustainability from the system impacting the firm's operations – termed double or dual materiality are interlocked and interrelated.

Following from the above, three globally recognized institutions are currently engaged in developing globally acceptable reporting framework for measuring and reporting material and significant sustainability functions of the company. These organisations are the Global Sustainability Standards Board (GSSB) – which is responsible for the Global Reporting Initiative (GRI) standards; the European Financial Reporting Advisory Group (EFRAG) – responsible for the Corporate Sustainability Reporting Directive (CSRD) standards; and the International Sustainability Standards Boards (ISSB) – that worked with the International Financial Reporting Standards (IFRS) Foundation to develop the IFRS S1 and S2 standards. Although the efforts by the GSSB, EFRAG and ISSB are progressive and laudable, there is still a challenge in developing a universally acceptable framework that will harmonize sustainability and value-added reporting practices. Additionally, currently adopted reporting frameworks such as the integrated reporting <IR> and GRI structures tend to have notable weaknesses that do not allow for reliability of reporting and presentation of relevant information for the wider stakeholders. For example, the <IR> framework lacks clarity, tends to be tilted or skewed towards the financial capitals and does not easily integrate with globally acceptable standards like the IFRS and GAAPs. Similarly, the

GRI model allows organisations to handpick reporting dimensions that suit the information needs and supply capacity of the company. This voluntary approach could potentially result in misleading supply of sustainability and value-added reports.

In light of the above gaps, this research is intended to explore a rather comprehensive approach to producing SRs and VARs that fully (or to a very large extent) meets the information needs of the wider stakeholders. Additionally, the research's three-fold objectives in assessing areas of standardizing the SRs and VARs, clearly differentiating the SRs from the VARs as well as exploring areas of convergence between the two practices, and the final objective of ensuring the relevance and reliability of these reports will aid the regulatory bodies, standard setters, practitioners and reporting entities to supply SRs and VARs that faithfully represents the dual materiality activities of the firm. Hence, the choice of the research question and related objectives that cut across areas of convergence and divergence, standardization and harmonisation, and alignment to national standards vis-à-vis the audit and assurance of the SRs and VARs is timely for the GSSB, EFRAG, IFRS Foundation, ISSB and other related stakeholders.

In addition to the above academic, professional and empirical arguments for undertaking this research work, below are the additional reasons or motivations that led me to pursue a PhD study in the field of sustainability and value-added reporting and its interrelationship with information usefulness and accountability to the wider stakeholders. Professionally or practically, I have acquired an accumulated number of fifteen (15) years' experience in both industry and accountancy practice. My past experiences were garnered from international firms like KPMG (Ghana LLP), World Vision International (Ghana Offices), and the United States Agency for International Development (USAID)/West Africa. Most of my field work was centred on the governance, financial analysis, audit and assurance of resources and activities designed to cater for the needs of the current "generation without compromising on the ability of the future generations to satisfy their own needs", i.e. sustainability activities (UNWCED, 1987). The financial analysis, accounting and audit components exposed me to the traditional financial reporting practices associated with both private and public enterprises. I realized that the intent in this financial reporting aspect, basically, tended to be geared at increasing the wealth of capital providers. In addition, financial reporting seeks to promote the concept of profiteering among the managers of the organisation. These intents appear to be the norm even in contemporary corporate

reporting practice, especially within the profit-making sector. In order to boost the credibility of the reported figures and notes to the accounts, companies subject their annual reports to rigorous internal and external audits and assurances.

From prior academic studies, field observations and practice, I realized that little or no efforts are made by the reporting firms to respond to the varying interests of the other stakeholders of the organisations. For instance, it is remarkable to note that volunteering labour, supplies from local vendors, customer support and community patronage are rarely represented in the traditional financial reports (the annual accounts) and narratives of both the For-Profits and Not-For-Profit organisations. This is an open weakness associated with the preparations, presentations, disclosure, audit and assurance of corporate reports due to such skewness to favour stakeholders with financial interests.

To compound the above weakness, the 2010 IASB Conceptual Framework provides a solid foundation for corporate reports to be prepared with the principal aim of providing useful information to shareholders, investors, lenders and other creditors. This is clearly spelt out as the major objective of general-purpose financial reporting (Alexander et al., 2017; Elliot and Elliot, 2019). Given this, corporate reporting has been consistently tailored to favour a handful of the stakeholders. This led me to question the absolute usefulness and information symmetry of the annual accounts of companies to other stakeholders outside the above identified brackets. Since the organisation deals with wider stakeholders, it will be prudent to expand the annual accounts to cater for the information needs of most, if not necessarily all, of the beneficiaries in line with the Decision-Usefulness Theory (Staubus, 2000).

During my time in practice, I came to understand that firms would rather provide stand-alone non-financial reports to meet the needs of the other stakeholders, although some organisations might integrate these reports with the financials. These additional reports, sometimes referred to as sustainability reports, sustainable development reports, CSR reports, etc., are usually designed for the non-financial interest-holders like the customers, general populace and pressure groups. In an interesting angle, these sustainability reports are rarely audited or assured by independent assurors, hence the authenticity of the management assertions and claims cannot be vouched. It is from this perspective and prior studies that I thought of firms infusing or merging sustainability reporting

into the traditional corporate reports and subjecting the comprehensive reports to regular attestation and/or assurance engagements.

In the developed worlds (e.g. France, UK and Germany), together with a selected emerging economy such as South Africa, organisations have improvised their annual reporting styles (Haller and Stolowy, 1998). They adopt the VAS, a variant corporate report extracted from the same pool of the traditional financial statements to represent various stakeholder interests. Unfortunately, the VAS appears to be limited in scope due to the stakeholders represented therein. Since this statement is widely acceptable and could be easily attested to by independent assuror, it will make a lot of economic, theoretical and empirical sense to expand its scope to cover the various legs of sustainability reporting. Specifically, the VAS could be adopted as a constructive form of a value-added report by widening its scope to identify and include other non-financial items of values to the wider stakeholders. In doing so, the firm could reduce the conception of untrustworthiness associated with unassured stand-alone or integrated sustainability reports. In addition, a wider beneficiary community might be captured and co-opted to patronize the firm.

A corporate report that meets the needs of just a few beneficiaries overtly undermines and deviates from two of its qualitative characteristics – *Relevance and Faithful Representation*. Relevance requires the published reports to effect a positive difference in the decision-making capabilities of the users of the information. The attribute of Representational Faithfulness warrants the essential descriptions and narratives or explanations necessary for an information user to better appreciate a phenomenon. Hence, it is required for the corporate annual reports and accounts to be clearly understood and adopted by all users for informed decision making, lest a third attribute of financial reports, *Understandability*, be contravened.

Indeed, conventional accounting statements were designed to measure the economic success of the firms; however, the current practice falls short of recognizing other significant sources of social resources. A much more systematic approach could modify the current practice of traditional financial reporting to incorporate these social (and perhaps environmental) phenomenon. Secondly, sustainability reports have basically been questioned with regards to its non-attestations, i.e. lack of reviews, evaluations, audit and assurances. They are rarely validated using acceptable and standardized benchmarks (O'Dwyer et al., 2011; O'Dwyer, 2011). A potential or possible

infusion of sustainability reporting (a practice that is pregnant with social and environmental phenomenon), into traditional accounting practice, could enhance the consolidated benefits of social and economic reporting whilst promoting a key attribute of useful information – *Verifiability.*

1.2.1 Gap in literature

Much uncertainty still exists about and around the relationship between the economic reporting of corporate transactions and how these reports translate into tangible values to the various users of the information. This requires the need to further understand what constitutes values to stakeholders and develop established criteria and canons, at a minimum, to validate reported values in order to faithfully represent the interests of the beneficiaries. It is well established that values reside, not only in economic and financial metrics, but also in social, natural, environmental and human capitals or resources. Most importantly, these non-financial capitals and values should be fully disclosed in corporate reports, directly traceable, attributed and reconcilable to the various financial statements presented to the users.

Drawing from these strands, this thesis looks at expanding the scope of the value-added statement or report to include additional economic dimensions of value that are not reported by the firms. An objective of this thesis is to build upon the model VAS developed by Haller and Van Staden (2013, 2018) by deriving value-adding transactions, not just from the statement of comprehensive income, but from other relevant sources of the company's operations. A significant component of the thesis is to develop an expanded VAS/VAR that is compatible to these traditional financial statements and its underlying accounting standards (reporting frameworks) whilst simultaneously accounting for the natural, social, human and environmental (qualitative) capitals. The key for me in this thesis is setting out the case for augmenting sustainability reporting in ways that focus on practical measurement rather than narratives, that aligns with financial reporting and extends beyond integrated reporting, and that are practical in the context of the global south/developing or emerging countries. My argument on using VAS as a starting point for the emerging economies, using South Africa as a proxy country or case study, is meant to carve out a space which does not involve other competing ideas or practices.

The thesis intends, via the conventional VAS approach and contextual sustainability reporting frameworks, to determine what constitutes value, both quantitatively and qualitatively, and how to present and disclose these values to the benefit of stakeholders. The intention is to allow for ease of assurance over these reported values to boost stakeholder confidence in terms of appreciating their quality of life from the angle of informed decision-making. Part of the aim of this study is to identify national dimensions of best value-adding and reporting practices from the advanced economies and how to replicate these value metrics in the South African context, if feasible.

1.3 Research Question and Objective

According to *O'Dwyer et al, 2011,* the current practice of sustainability reporting (and value-added reporting for that matter) is just a matter of presenting the conventional financial reports in a restated format for the purposes of meeting reporting guidelines. This is lacking in the corporate reporting practice as the published reports convey little or no values to various stakeholders of the reports. Conversely, corporate sustainability reporting seems to be too much based on narratives and lacking in quantitative details which has led to my research question:

- ***How can the conventional Value-Added Statement or Report (VAS/VARs) and related Sustainability Reports (SRs) be employed (presented, standardized and disclosed) and verified (audited and assured) to enable the wider stakeholders to adopt it for informed decision-making and accountability?***

Three (3) key sub-objectives that synchronize with and guide the research question above are as follows:

1. The need to ***contextualize*** and examine how the value-added report or statement ***converges or diverges*** from sustainability reporting in meeting the various stakeholder needs of corporate annual reports (Adams, 2017; Mandal and Goswami, 2008). The objective is to establish areas of interrelationships or interdependence between VARs and SRs in ensuring that both the financial and non-financial disclosures meet a uniform object of providing useful information to the wider stakeholders. In addition, this objective or sub-theme of the research question will help to clearly

establish the contexts of SRs and VARs for ease of delineation and understanding by users of these reports for informed decision-making.

2. Ascertaining the value addition prospects of the value-added and sustainability reports by determining whether it could be feasible and beneficial to ***regularize and standardize*** such reports. The intent is to assess the viability of ***standardizing*** these reports and expanding its scope of reporting to incorporate additional key participants other than the traditional stakeholders currently represented (Stainbank, 2009, Mazzioni, et al., 2014).

3. Following from objectives (1) and (2) above, the research establishes how SRs and VARs interconnect with the system of national income accounting. This aids in better establishing an expanded scope of the VAS/VAR and SR and for that matter, making a valid case for adopting the VAS/VAR as a tool for sustainability reporting to a larger beneficiary group (Obst et al., 2016, IAS 8). Similarly, the research seeks to establish the need for leveraging on generic national accounting and social, environmental and economic reporting frameworks or protocols to promote sustainability reporting practices across firms. Furthermore, the research extends to assess the need to ***assure or evaluate*** such general-purpose or specific-purpose reports in order to obtain a credible locus for the ***verification*** of the VARs or SRs for the benefit of the various key stakeholders represented in the report (Shaoul, J., 1998; Wallage, 2000; Andon et al., 2015).

1.4 Approach of the Study

Various attempts have been made to ensure that financial and non-financial reports do not just meet the basic criteria of information symmetry, but also to provide measurable value-adding dimensions to society and users of such reports. Most of these attempts have been aggressive and political in nature with little or no engagement with the corporate entities that produce these sustainability and value-added reports.

This research is aimed at closely engaging with the key actors/participants in the regulated accountancy practice in order to identify [more] pragmatic ways of adopting the value-added statement or report as a tool for promoting corporate sustainability activities. Typically, practitioners such as chartered financial accountants, auditors (senior managers, audit partners,

audit managers, senior audit associates and audit directors from Big Four Audit Firms), management accountants, internal auditors and financial analysts will be involved in the interviews for the empirical analysis of the thesis. Since the sustainability and value-added reporting projects involve subject matter experts (SMEs), other key actors such as local solutions experts, sustainability and natural resource experts across businesses operating will be interviewed to solicit their practical opinions and expert ideas on how to improve the SR and VAR disciplines or practices. Consequently, the presentation, adequate disclosure and adoption of these sustainability and value-added reports could be subjected to the assurance practice with the aim of making these reports credible enough for stakeholders' espousal in future decision making.

The above approach is managerial in nature and permits the producer and assuror of the VARs and SRs to work collectively in finding meaningful solutions to presenting and reporting value to both the company and the wider stakeholders. In addition, since the audit and assurance practice leverages on regulated standards and legislations to ascertain the veracity of the reported assertions, the outputs or recommendations of this thesis or research will aid corporations and practitioners in the production of credible sustainability and value-added reports that will promote the social justice notion (Millichamp and Taylor, 2018; Gray et al, 2019).

1.5 Summary Potential Findings and Contributions

By and large, firms adopt financial reporting standards (such as the IFRS and GAAPs) and country specific companies' codes to cater for the financial and quantitative reporting components (PwC IFRS, 2019). These guidelines and standards are usually mandatory and regulated by the industry players and oversight responsibility bodies, such as the Company Houses, IFAC and the Accounting Standard Boards. The standardization, regulation and steering of the financial reporting aspects has yielded innumerable advantages in the area of benchmarking attestation engagements, ensuring information symmetry, comparability over time and relevance to stakeholder information needs and decision making.

In contrast, however, there are less or no mandatory guidelines and regulatory standards that guide the preparations, reporting and disclosures of the non-financial operational aspects of the company.

Organisations are allowed latitude from the predominant Global Reporting Initiative (GRI) Guidelines and International Integrated Reporting Council's <IR> Framework. Selection bias is a potential concern here since these elective guidelines permits firms to choose and pick reporting dimensions that suits the organisation's whims and caprices (GRI, 2018). It is almost certain that this could result in inadequate and inappropriate presentation and disclosure of non-financial metrics by the reporting firms.

Comparatively, the audit and assurance practice provides limited standards in the area of assurance on non-financial transactions. This has led to audit firms adopting financial accounting approaches to auditing non-financial and sustainability activities (corroborated by O'Dwyer, 2011, p.1245). As a consequence, there is lower stakeholder patronage of the assurance statements issued by audit firms on sustainability and non-financial transactions since such reports are presumed by the beneficiaries to add little or no value to their lives (corroborated by O'Dywer et al., 2011, p 43).

Following the above lapse in the legislations that guide sustainability and non-financial reporting and its assurance thereof, this thesis seeks to influence policy statements of the standard setters such as the Financial Accounting Standards Board (FASB) and the GRI to incorporate appropriate metrics in the Accounting and Auditing standards and guidance that will promote sustainability and value-adding reporting practices and assurance activities. Additionally, the outcome of this thesis is expected to influence the corporate reporting standards setting processes to include subject matter experts (SMEs), academics and practitioners in the realm of sustainability and value-added reporting disciplines.

The context of value-added reporting and sustainability reporting appear to be interrelated although they equally diverge from one another. Expert opinions suggest that either of the practices is a subset or superset of the other and these will be examined indepth in the empirical analysis stages of this thesis.

The thesis focused on emerging economies, with the South African case study being used to drive the research. It could be noted that the case of South Africa as an emerging economy could be peculiar to that nation and may not be necessarily relevant to other emerging economies due to the former's experience with Apartheid and Black Economic Empowerment (BEE) regimes.

Another significant aspect of this research has to do with its contribution to the theorization of the social accounting project. This is because, in the book *Sustainability Accounting and Accountability*, edited by Bebbington et al. (2014), Thomson (2014; p.15) identified that between 2008 to 2012, only 7% (i.e., 235 research articles) out of a total review of 3,200 articles published in the "top accountancy journals", focused their studies on uncovering unsustainable and non-value addition accounting practices by firms. The inadequate accounting literature in the area of sustainability and value-adding reporting may have materially contributed to the under-theorization of the social accounting project.

This research will thus further contribute, expressively, to the theorization of the social accounting project, especially in the area of value-added reporting, sustainability reporting and its audit and assurance. There is a strong possibility that sufficient theorization of the social accounting project will pave way for accounting researchers to delve deep into the concepts, practices and fallouts of value-added and sustainability reporting with the aim of uncovering new knowledge in the field of social accounting. Such new knowledge could be in the areas of tax evasion and avoidance versus sustainability reporting, materiality measurement in the assurance of non-financial and sustainability activities, and the reconstruction of the social and value-added statements.

1.6 Summary Contributions of the Thesis

Following a comprehensive analysis of secondary and primary datasets, this thesis resulted in the following summary contributions to knowledge.

Regarding the scoping of the VAS, the study contributed to the understanding that the VAS is typically limited to the traditional Statement of Profit or Loss with little or no room for additional items of value that are captured in the Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and supporting footnotes to the accounts (annual reports). This scope limitation undermines the relevance and representational faithfulness of the value-added statement. Thus, the VAS should be holistic, flexible and adaptable to allow for easy identification, measurement and reporting of both financial and non-financial items of value. Typically, this thesis extended its scope beyond the work of Haller and van Staden (2014) whose research into the

Value-Added Statement (VAS) as a value-added reporting tool had relegated the VAS to the same conventional statement of profit or loss (or income statement) without cognizance to other items of value in the financial statements. However, the contribution of this study has been to confirm that values are not limited to only one component of the corporate annual reports (i.e. the income statement or statement of profit or loss). Instead, values are embedded in all components of the annual reports of a company includinding financial or quantitative and non-financial or qualitative metrics.

The study further found that the contexts, scope and contents of any reliable and relevant SRs or VARs supplied by an organisations should be founded on the globally accepted UN Sustainable Development Goals (SDGs). To achieve this, there is the need for a multi-disciplinary approach to reporting a firm's sustainability and value-added functions. Additionally, companies should weight the costs, benefits and information needs and appetites of the wider stakeholders in order to decide on whether the SRs and VARs should be integrated into the annual reports or kept as standalone reports. Prior to this study, it was difficult to state whether SRs are subjects to the VARs or otherwise. However, the study revealed that the matter of subsets and supersets are immaterial to the information needs of the wider stakeholders. The major requirement of the SR and VAR should be tailored at providing incremental value to the users of these information.

Prior to this study, it was difficult to differentiate the wording sustainability and value-added assurance statements from the wordings of the assurance statements conventional or traditional financial accounts. Brendan O'Dwyer's (2011) research paper had confirmed that there were no separate sustainability assurance and reporting frameworks for such functions other than relying on the derivatives of the conventional accounting reporting frameworks for reporting on firms' sustainability and value-added activities. This led to lack of interest in these reports by the users of the SRs and VARs due to the technical language used by companies to report their SR and VAR functions. Thus, this thesis contributes to the current debate of having a globally acceptable and unique reporting framework for SRs and VARs. The empirical findings of this study provide a basis for courting the interests of the wider stakeholders in the SRs and VARs if these reports are prepared and reported in languages that are easily understood by the users. The contribution of this study has been to confirm that securing a universally acceptable reporting framework for the SRs and VARs aids in consistency or reporting and comparability of the sustainability and value-added

functions of corporations within the same sector or industry over time. As a starting point, the study provides reasonable justifications for leveraging on the mechanics of conventional accounting practices to advance this cause since traditional or conventional accounting is globally accepted and has established procedures and structures for reporting on corporate activities. Organisations could thus deploy and/or adpat reporting templates used in conventional accounting to report on their sustainability and value-added functions.

In the seminar works of O'Dwyer et al (2011), the researchers proposed further research in the area of exploring the risk management dimensions of audit and assurance of sustainability (and value-added) reporting by corporate organisations. This study, thus, explored this grey area by assessing the extent to which the audit and assurance aspects of sustainability and value-added reporting could be valuable to the various users of these reports by reducing the risks of misstatements in the SRs and VARs. This study contributed to the need to commodify non-financial variables or values by coopting other subject matter experts involved in corporate sustainability and value-added reporting in the area of national accounting and audit and assurance of the SRs and VARs. Furthermore, the study contributed to the understanding that for SRs and VARs to be risk-free, meaningful and relevant to the wider stakeholder groups, it is imperative to consult the user groups and solicit their needs prior to implementing any sustainability and value-added activities and reporting on same. In doing this, the company is able to supply accurate information that correctly appeals to the demands of the user groups. Finally, the study found out that the use of attestation and review engagements such as regular audits of the SRs and VARs will enhance the information usefulness and improve the sustainability and value-added functions of any organisation due to the element of verifications and independent assurance elements associated with the audit engagement.

1.7 Exposition and Structure of the Thesis

This thesis adopts the manuscript-style approach. This introductory chapter details the background, context and motivation for the research work or proposed study. In addition, the specific research question and guiding research objectives are aimed at providing a working solution to the question, "***How can the conventional Value-Added Statement or Report (VAS/VAR) and Sustainability***

Reports (SRs) be employed (presented, standardized and disclosed) and verified (audited and assured) to enable the wider stakeholders to adopt it for informed decision-making and accountability?" The research contributions – theoretically and empirically will be returned to during the redraft of the full thesis.

This thesis will contribute to a clear contextualization of the concept of value-added, e.g. the definition of value attributed to the government in the form of absolute and accurate taxation reports (i.e. PAYE from employees' wages, corporate taxes and levies, sales taxes, VATs, excise duties, etc.) will be clearly spelt out. This will avoid or reduce any material misstatement of values created for the government or society. Also, it is expected that the research will lead to a meaningful construction of a VAS or VAR that is not limited to the income statement but extends to cover relevant elements of value that could be traced to the firm's operations. This will make the VAS/VAR a holistic tool that envelopes and integrates all explicit and inherent corporate values.

In chapters 2 and 3, this thesis investigates the Systems Based Theoretical Foundations and Frameworks. This chapter serves as a standalone manuscript, a conceptual paper, targeted at being published in the *Accounting, Auditing & Accountability Journal (AAAJ)*. This chapter examines the need to adopt the Legitimacy Theory – as opposed to the Political Economy, Stakeholder, and Media Agenda Setting Theories – as legitimate grounds for representing sustainability activities on the VAR. Here, the research provides a valid argument in terms of depth for sustainability reporting using the lens of either of the two methods of VAS reporting formats for reporting.

Chapters 4 and 5 of this thesis address the research Methodology and Methods. Specifically, chapter 4 deals with the research methodology and follows the ontology, epistemology and overall social constructionist philosophy supporting the integration of sustainability and value-added reporting in conventional accounting practice. Chapter 5 details out the type of data used - both primary and secondary data sources, the number of and type of respondents interviewed for the primary data collection and the reasoning for adopting a case study research method of the study. Furthermore, in chapter 5, the researcher undertakes a secondary data analysis of published VAS and sustainability reports relating to the top 100 listed companies on the South African Stock

Exchange. A detailed content and method of analysis of the corporate reports (VAS and Sustainability reports) form key aspects of this chapter.

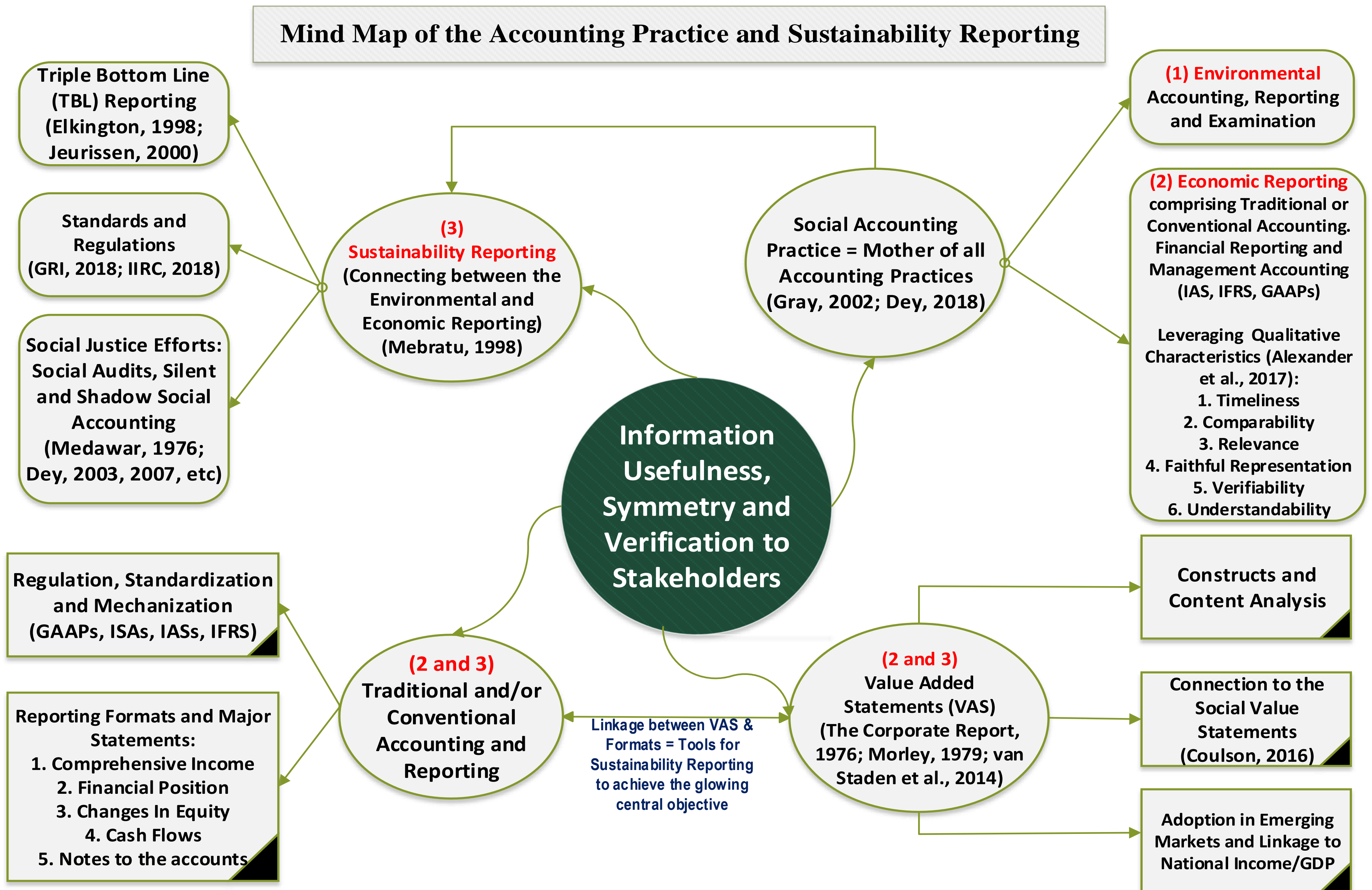
The Literature Review sections under the respective chapters 6 to 8 constitute manuscripts designed to be published in a journal, preferably the *Sustainability Accounting, Management and Policy Journal (SAMPJ)*. In these chapters, the thesis focuses on historical development of sustainability reporting in the areas of voluntary and mandatory reporting, special purpose reporting, annual corporate reporting and the introduction of the VAS as a reporting tool. The concept of sustainability is then systematically reviewed in the light of integrated reporting, <IR>, and how the VAS tool fits into <IR> framework. The study then devolves into identifying appropriate theoretical framework(s) that provide support for the deployment of the VAS as a sustainability reporting tool in addition to an examination of how the VAS fits into the overall national accounting reporting system that leads to the benefit of the populace/society.

Under each of the chapters 6 to 8, after the overview and related literature reviews have been provided, the researcher then conducts and assigns the corresponding empirical analysis and provides the finding, results, conclusions and recommendations to each of these chapters. For example, chapter 6 is limited to the empirical analysis that addresses the above research objective 1, i.e., Contextualization, Convergence and Divergence of SR vs VAR; whereas chapter 7 is assigned to the empirical analysis that addresses the research objective 2 above, i.e., Standardization and Regularization of SRs and VARs; with chapter 8 addressing the research objective 3 above on National Dimensions or Accounting, Historical Developments and Audit and Assurance of VARs and SRs. These chapters, after fully addressing the three research objectives help to resolve the research question on how VARs and SRs are presented and assured to aid with information usefulness and accountability to the wider stakeholder groups.

Summary contributions, recommendations and outputs from the research are then discussed in chapter 9. Where necessary, these conclusions will be cross-referenced to both the literature review and theoretical framework chapters. Such cross-examinations and reflections are necessary for drawing conclusions and making recommendations for empirical (policy setting), theoretical (education and academic) and methodological (further research) applications.

The above exposition is referenced and illustrated in figure 1.2 below.

Figure 1.1 - Illustrative mind map on Accounting Practice, VAS and Sustainability Reporting.



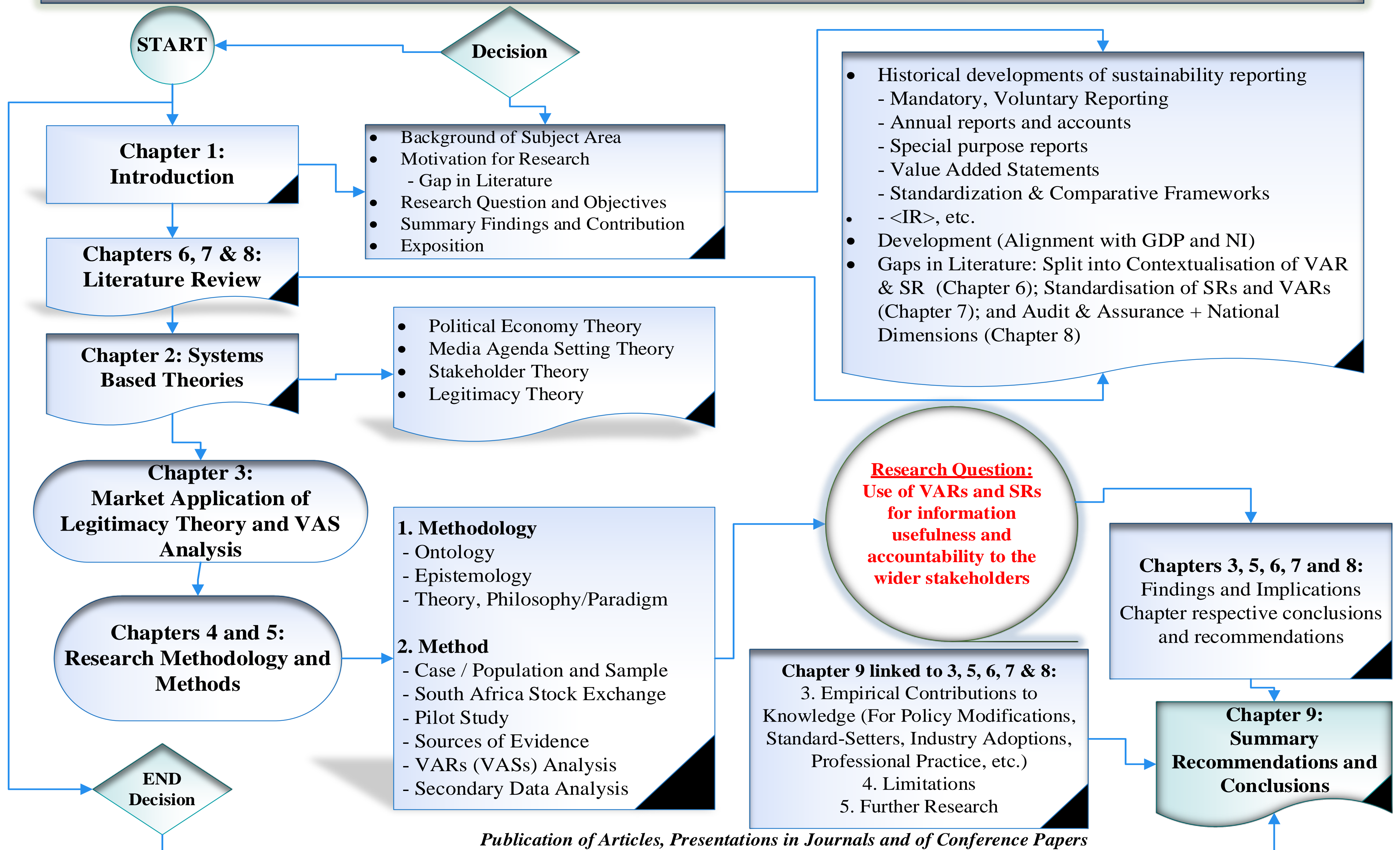


Figure 1.2: Exposition - Value-Added Reporting and Sustainability Reporting + Standardization & Assurance in Emerging Markets
START
Decision
Chapter 1: Introduction
Background of Subject Area
Motivation for Research
- Gap in Literature
Research Question and Objectives
Summary Findings and Contribution
Exposition
Historical developments of sustainability reporting
- Mandatory, Voluntary Reporting
- Annual reports and accounts
- Special purpose reports
- Value Added Statements
- Standardization & Comparative Frameworks
- <IR>, etc.
Development (Alignment with GDP and NI)
Gaps in Literature: Split into Contextualisation of VAR & SR (Chapter 6); Standardisation of SRs and VARs (Chapter 7); and Audit & Assurance + National Dimensions (Chapter 8)
Chapters 6, 7 & 8: Literature Review
Chapter 2: Systems Based Theories
Political Economy Theory
Media Agenda Setting Theory
Stakeholder Theory
Legitimacy Theory
Chapter 3: Market Application of Legitimacy Theory and VAS Analysis
Research Question: Use of VARs and SRs for information usefulness and accountability to the wider stakeholders
1. Methodology
- Ontology
- Epistemology
- Theory, Philosophy/Paradigm
2. Method
- Case / Population and Sample
- South Africa Stock Exchange
- Pilot Study
- Sources of Evidence
- VARs (VASs) Analysis
- Secondary Data Analysis
Chapters 4 and 5: Research Methodology and Methods
Chapters 3, 5, 6, 7 and 8: Findings and Implications Chapter respective conclusions and recommendations
Chapter 9 linked to 3, 5, 6, 7 & 8:
3. Empirical Contributions to Knowledge (For Policy Modifications, Standard-Setters, Industry Adoptions, Professional Practice, etc.)
4. Limitations
5. Further Research
Chapter 9: Summary Recommendations and Conclusions
END Decision
Publication of Articles, Presentations in Journals and of Conference Papers

Chapter 2

Theoretical Foundations and Framework

2.1 Introduction and Overview

The historical foundation of sustainability reporting centres on the core of corporate accountability to stakeholders via financial and non-financial disclosures. In addition, the influx of contemporary sustainability reporting practices, through additional organisation-centred reporting and parallel disclosure practices, such as the much-trumpeted social audits and "silent and shadow" accountings, contribute to the generic achievements of wider accountability and information decision usefulness to beneficiaries. Typically, corporate accountability and the provision of information that will promote decision usefulness among stakeholders, whether such information are generated through financial or non-financial reporting practices, will be more meaningful if values are ascribed to identifiable stakeholders.

The main premise of this thesis is to emphasise that most of the increase in sustainability reporting has actually been non-financial and that there is a relative lack of available reporting approaches that focus on financial reporting as a mechanism for wider accountability. It becomes quite convincing, hence, to adopt a value-added reporting format that is consistent with underlying conventional financial reporting principles in order to achieve value-added accountability and information usefulness to recognizable stakeholders.

In order to better understand the contexts of sustainability reporting via the value-added reporting route and in meeting the information needs of stakeholders, it is necessary to address the vintage authority and merits of systems-based theories that support corporate reporting. Specifically, the underlying issues of corporate sustainability and/or value-added reporting should hinge on the motivation by the reporting entity to disclose and other organisational factors such as the availability of resources to engage in full disclosures and the strategic directions of the company. Additionally, the issue of corporate sustainability disclosures (CSDs) should bother on the rights, demands and needs of the wider stakeholders; thus, there is the need for a balance in the supply and demand of CSDs by the company and stakeholders respectively. Thus, the researcher will be

discussing several theories that systematically underpin corporate sustainability and value-added reporting after which the researcher will then settle on one of the theories to advance his research.

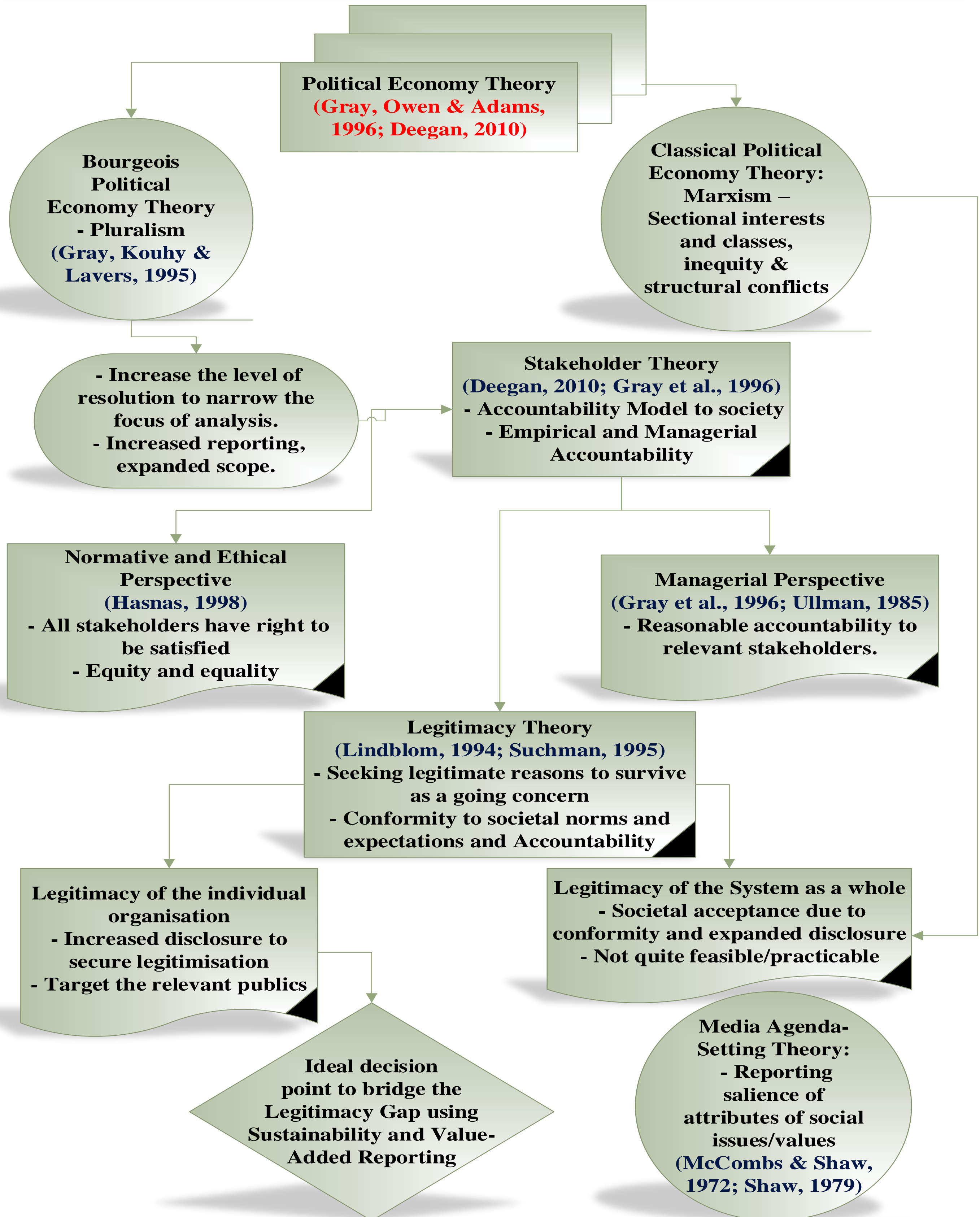
A systems thinking and perspective helps to recognize the wider structural factors and the political economy and agency principles underlying both management functions and stakeholder expectations of the company. Systems thinking in the field of corporate accounting is considered a viable pathway within which corporate reporting is streamlined and within which the supply of relevant information meets the required information needs (demand) by the users of corporate reports. This is what Rob Gray characterized as a "form of economic organisation" in which "firms account" for their operations and simultaneously provides a "performance measurement" framework to assess the reporting entity (Gray, 2006, p.799). In doing so, the reporting entity will undoubtedly contribute value to the lives of the beneficiaries of the corporate reports which will culminate in promoting sustainability or sustainable development. Such systems thinking has led to the promulgation of systems-based theories that examine the activities of corporations from a typically neo-pluralistic perspective where firms are deemed compatible with society.

On the other hand, critics have asserted that a systems-based thinking, especially in the field of accounting practice, has led to a narrow reporting of corporate activities since conventional accounting seems to be limited to the financial statements and disclosures with the non-financial components classified as externalities outside the scope of traditional accounting (Larrinaga, 2020, p.188). Perhaps, a more-encompassing systems thinking could aid in achieving wider accountability and a broader assessment or measurement of the performance of the company's operations.

In corporate reporting and accounting literature, the widely accepted theories include the Media Agenda-Setting Theory, Political Economy Theory, Stakeholder Theory and Legitimacy Theory (and more recently, Institutional Theory). These theories, paramountly, authorize firms to enhance their information disclosure practices with the aim of satisfying the needs (and provision of values) to a wider stakeholder body. Below is a modified flowchart, figure 2.1, (adapted from Gray, Owen and Adams, 1996) of these systems-based accounting theories to inform this chapter on theoretical groundings. To a very large extent, the selected theories connect with the subject of corporate reporting, performance measurement or accountability of the reporting entities and

the achievement of sustainability through CSDs and value-added reporting as argued in the paragraphs that follow below.

Figure 2.1: Systems-Based Theories of Sustainability Reporting and Accounting



In the following paragraphs, the various theoretical frameworks will be critically evaluated after which the Legitimacy Theory will be singled out as the main and ideal theoretical foundation for this research. The major reasoning behind settling for the Legitimacy Theory for this thesis, as clearly identified in figure 2.1 above is because Legitimacy tends to draw from both the Political Economy (specifically Bourgeois) and Stakeholder (specifically the Managerial Perspective) theories. Additionally, Legitimacy Theory latently builds upon the Media Agenda-Setting Theory's proposition of using mass media to ensure that corporations operate in the best interests of the society that grants the company the license and opportunities to operate. Thus, the Legitimacy Theory tends to connect various accounting and accountability systems-based theories into one single umbrella by drawing on the pluralistic dimension of the political economy theory, the transparency and the reasonable accountability perspective of providing values to the wider stakeholders of media agenda-setting and stakeholder theories respectively.

It is also important to mention that although the social contract theme could be inferred in the Political Economy, Media Agenda-Setting and Stakeholder Theories, the Legitimacy Theory overtly highlights the social contracts existing between corporate entities and their relevant publics and the extent to which these social contracts are enforced through the double materiality principle, i.e. the impact of firm sustainability and value-added activities on the systems and how the topic of sustainability influences the firm's operations and value-creation or generation processes.

2.2 Adaptive Guiding Theoretical Frameworks

Regarding the subject matter of expanded corporate reporting, the above theoretical positionings support and underpin the case for firm accountability and responsible corporate behaviours re information usefulness. The four theoretical frameworks namely the broader Political Economy, the wider Stakeholder Theory, Legitimacy Theory and the Media Agenda-Setting Theory *(as adapted and modified from Gray, Owen and Adams, 1996)* critically examine the corporate practices of achieving information symmetry through communication and reporting, providing suitable qualitative and quantitative disclosures that are aimed at satisfying stakeholder information needs, promoting the social justice cause and carving an avenue for assurors to

validate and vouch the integrity of such corporate reports. Let us now examine these theories with respect to corporate value reporting, information and decision usefulness and accountability to the wider stakeholder groups to assess the motivation for organisational CSD practices and the need to meet the demands of the wider stakeholders insofar as sustainability and value-added reporting functions are concerned. Ultimately, these discussions draw down on the most ideal theoretical framework adopted by the researcher for this thesis.

2.2.1 Political Economy Theory and Empirical Application

The use of the phrase "Political Economy" has undergone various sociological interpretations (Weingast and Wittman, 2008). For instance, Adam Smith viewed the concept as the capitalist approach of managing an economy's resources to generate and maximize corporate and individual wealth. Conversely, Karl Marx considered the phrase to represent the acquisition of the means of production that are historically induced. Weingast and Wittman (2008) found significant contradictions in the application of the theory. Similarly, they observed a cross-section of scholars have attributed the theory to represent an independent field of study that examines the correlation between politics and economics. On the contrary, another class of researchers have considered the political economy to mean a dual methodological approach to examining the public choice or economic approach to individual rationality and sociological approach to assessing corporate and institutional behaviours towards their stakeholders. Following from this, Gray, Owen and Adams (1996, p. 47) points out that the "political economy" deals with the socio-political and economic framework which supports human lives. A more meaningful approach and application of the political economy theory to accounting practice will be to consolidate the various strands of the political economy in order to achieve a holistic and comprehensive goal of satisfying individuals, institutional and national needs.

Two variants of the political economy exist – the Classical Perspective which is associated with the Marxist approach and the "Bourgeois" perspective that usually relates with economists such as John Stuart Mill (Gray, Owen and Adams, 1996). The classical perspective is geared towards the Marxist approach of exclusivity, inequity, identification of sectional classes of stakeholders and structural conflict. At the core of the analysis, the classical political economy considers the

structural conflicts and societal inequalities and the role of the state in economic well-being. This perspective results in firms segregating and satisfying dominant stakeholders who command control, wield influence and power. Such an approach consequently leads to firms operating to meet the needs of the capital providers via profit maximization schemes. In contrast, the "bourgeois" strand is pluralistic in nature and considers the entire society as stakeholders worth satisfying (Gray, Kouhy and Lavers, 1995). What is interesting to note is that, although the bourgeois perspective results in greater interactions between corporations and society, there is the overt downplaying (if not total negligence of) the relative powers and capitals that sustain the corporation as a going concern. In effect, this pluralistic approach, which is the researcher's preferred perspective of the Political Economy Theory, results in expanded corporate reporting and disclosures that provides value-effects to the wider stakeholder groups by satisfying their required information needs. It is also determined that contemporary accounting and systems-based theories (such as Legitimacy, Stakeholder and Institutional Theories) are the by-products and outputs of the Bourgeois Political Economy.

The production of corporate annual reports by firms are designed to satisfy one group of persons or the other. Significantly, these corporate reports that denote wealth creation and maximization are prepared by management in line with prescribed accounting standards, say the IFRS, in order to promote the general trading interests of stockholders' and potential investors within a given regional block like the European Union (EU) (Alexander et. al., 2017, p.12). This appears to be the ongoing norm in ages past where specialized reports are generated for specific groups of interest-holders with the general information pieces posted onto public domains for the general public. This trend of corporate reporting is supported by Clark Everling's (2015) capitalism proposition – under the political economy theory - that political interests of key stakeholders for information and utility (satisfaction) leads to creation of classes, i.e. classes that struggle to attain both the concrete and abstract utilities for their personal interests. It is further argued that individuals will ultimately exert an influence in an economy once they have managed to identify their existence by association to a (strong and influential) social class (Everling, 2015, pp. 325 - 326). The more socially recognized a class of stakeholders and the extent of their global connections, the stronger their struggle and cohesion to exact or benefit from social phenomena (which includes corporate reports) due to their class dominance. Clearly, shareholders, lenders

and investors constitute a formidable class of stakeholders that exert significant influence on firms to provide corporate reports aimed at meeting the wealth maximization thirsts of this class of stakeholders.

In the same vein and comparative to the situation in the EU, corroborative approach used by Williams (1999) to ascertain why listed companies in the Asia-Pacific region voluntarily disclose expanded reports to corporate stakeholders hinges on the same premises above. Williams (1999), under the political economy theory, identified that firms have a "social contract" with the larger stakeholder groups. Thus, firms will voluntarily disseminate their economic, social and environmental reports to the stakeholders with which they hold such social contracts in order to protect the company's interests. The argument further details that each group of stakeholders seem to have divergent political interests in the firm's operations. Firms, in order to survive the barrage of divergent political interests from the various stakeholders, will need to produce stakeholder-specific reports that meet the varied interests. It is difficult to get away with this custom-made stakeholder reporting practice and usually the costs of tailoring such reports to meet the various stakeholders' political interests outweighs the benefits of such disclosures and reports.

Besides the cost-benefit analysis, other considerations impede the free flow of information and disclosure of both financial and non-financial reports to the wider stakeholder groups. For instance, companies that operate in culturally sensitive domains that value secrecy will tend to shield social and environmental disclosures in order to meet management's interest (Williams, 1999, p. 212). On the other hand, a regime which has robust and well-regulated legal frameworks that protects the economic, social and environmental systems will cause companies to fully comply with the political and legislative systems by extensively reporting on their corporate activities in order to satisfy the legal beneficiaries (Williams, 1999, p. 214). Similarly, in the wake of increased socio-economic developments such as improved standards of living, enhanced education levels and better work safety environments, the general populace will seek to sustain such developments by requiring firms to report on their operational activities (so as to ascertain the contributions of firms to socio-economic developments) (Williams, 1999, pp. 214 – 215).

What most researchers fail to recognize is that the Political Economy Theory virtually ripples a positive effect onto the reporting company since firms will usually seek to protect their interests to survive as going concerns. The idea that political interests are not just limited to stakeholders external to the company makes the political economy theory quite debatable. To elaborate, pluralism is simply not about the whole society having a social contract with the organisation; instead, pluralism is limited by power imbalances which means that only the most important and powerful stakeholders are able to make their demands and voices heard. This perspective is more of a neo-pluralist perspective which is definitely important as a conceptual framing and sets out the role of value-added and sustainability reporting from both a legitimacy and an accountability perspective. By way of illustration, firms produce sustainability and financial reports, using reporting formats such as the value-added statements, to external stakeholders with the aim of satisfying these stakeholders in order to avoid any future rebellion from these interest-holders (van Staden, 2003, p.242). These reports, usually presented in arithmetical formats, must be interpreted with caution in that, the short-term interests are to meet the craving political desires of the stakeholders (shareholders, government regulatory bodies, the public or society and lenders/suppliers). However, the long-term interest is to sustain the company as a going concern wherein will be a significant customer base, greater public support, striving in a well-regulated work environment and running its operations to the satisfaction of the internal stakeholders (employees and management via higher profit retention or accumulation).

In contrast to the notion of presenting the financials (the numbers) to the sole satisfaction of a select class of domineering beneficiaries, Stanley Jevon's Theory of Political Economy indicated that, the numbers, which tend to provide satisfaction (utility) to stakeholders should not be presented for the sake of the numbers (and by extension to the restricted class of powerholders). Instead, such economic approach of reporting the arithmetics should be undertaken for the "practical applications of the numbers" to the larger populace (Potier and van Daal, 2005, p.541). One possible implication of this is that companies should voluntarily disclose their financial and non-financial activities without recourse to any immediate (or possible long run) interests. It is believed and thought that expanded corporate reporting should be discharged by firms because it is their moral right and obligation to do so. However, except for the cases of the not-for-profit

organisations, most profit-making firms will rarely and voluntarily disclose such information without a hidden political interest of making future profits and surviving as going concerns.

In recent times, profit-making companies are not legally mandated but tend to be compelled through institutional pressures and coercion to disclose their sustainability reports and assured statements due to strict protocols from regulators (such as stock exchange listing requirements) by leveraging on the mechanics of the traditional financial reporting practice. This fits into the economic interpretation of the political economy theory strand of expected responsible firm behaviours towards their societies (Weingast and Wittman, 2008). For instance, the Johannesburg Stock Exchange (The JSE Ltd) requires all listed companies to publish their sustainability reports (whether assured or not) via the use of the value-added statements (VAS) as part of annual reporting guidelines issued by the regulator (Haller and van Staden, 2014; van Staden, 2003; van Staden, 1998). Moreover, market indicators have recently disclosed that firms with increased and expanded corporate reporting and disclosures have positive outlook to attract socially responsible investors at large and to also improve upon their profitability measures (Adams, 2015). Again, the adoption of a proxy of the sustainability reports such as the value-added statement (VAS), which will be further discussed in this chapter, is considered a contemporary viable tool that simplifies the political complexities associated with sustainability reporting. This is because the VAS integrates the multiple capitals by representing each stakeholder's political interests via the disclosure of value creation, wealth maximization and possible appropriation of such wealth to satisfy individual, institutional and economic needs (Adams, 2017).

The political economy theory fails to resolve the contradiction between global and jurisdiction-specific reporting frameworks. The core of the political economy is about how firms affect behaviour within a legislated framework. Corporate reporting, in order to achieve the aim of accountability, operates within a regulated reporting framework. However, corporations within specific countries are at will to choose and modify global reporting frameworks to guide practice and conform to national standards or legislations. National Generally Accepted Accounting Principles (GAAPs) and Generally Accepted Accounting/Auditing Standards (GAASs) and Companies Codes dictate firm reporting formats and practice. Thus, a political economy framework operates more as an explanatory regime rather than constitutive of practice. Political

economy can be mobilised to help practitioners and the reporting entity to understand and explain developments in practice. Currently, the direction of travel of corporate sustainability reporting standards is moving steadily towards a single dominant regime. Hence, the political economy reveals the tensions and contradictions around the evolution and diffusion of reporting practices which implies that a degree of variation and modification is always likely to emerge to aid in the sustainability and value-added reporting practices of organisations.

Another notable weakness emerging from using the political economy theoretical framework is the lack of pervasiveness of its application. The political economy theory, besides its notable quest to satisfy the divergent political interests of stakeholders (which could be unreasonably exacting on firms' resources), tends to be predominantly applicable in the developed western economies (Weingast and Wittman, 2006, 2008). This is because the western developed worlds have to their merits an advanced democratic system and tenets, in addition to the ease of obtaining valid data sets for analysis and decision-making. These traits permit for ease of application of the theory in the developed economies. On the contrary, less developed economies lack these positive traits associated with the advanced worlds; hence, it becomes practically unfeasible to apply the political economy theory in such jurisdictions. It is an open fact that accounting and corporate reporting practices are pervasive in nature. Whether or not firms use different or modified reporting frameworks and/or adopt global standardized formats in disclosing their corporate activities, there are consistent metrics, themes and classes of accounts that are highlighted consistently across board. In effect, accounting and corporate reporting is uniform regardless of divergent or convergent guiding frameworks which confirms its classification as the "language of business" (Stolowy and Ding, 2017, p.2). Hence, if the political economy theory is not pervasive to permeate all businesses – either in the advanced, emerging or under-developed economies - then it cannot be a best-fit for a conventional corporate practice that is and of itself pervasive and all-encompassing in nature.

2.2.2 The Media Agenda-Setting Theory and Empirical Application

Another significant aspect of meeting societal information needs and corporate accountability is thrust in by the Media Agenda-Setting Theory. According to Shaw (1979), humans become

enlightened, exposed, aware of, pay attention to, take cognizance of societal, economic, governance and environmental issues as a result of their exposure to the varied media outlets such as the radio, internet, television and newspaper publications. This media exposure and enlightenment process helps to "bridge the gap between the world outside and the pictures in our minds" (McCombs and Valenzuela, 2007, p.45). Conversely, when there is little or no exposure to the various media outlets or the available media contents are less emphasized by the broadcasters, then people (stakeholders) are deemed not to assign any significant interest or importance to sustainability issues affecting the society. To Shaw (1979) and McCombs and Shaw (1972), the emphasis of the media agenda-setting theory is not about moral persuasion of the public to societal issues (i.e. substance of the report) but instead on the cognitive effects such reportages have on the stakeholders (i.e. the structure of the report for ease of assimilation by the consumers which shapes human understanding of media content). In the same vein, McCombs and Valenzuela (2007) argued that such diligent media exposé has led to enactments of legislations to regulate public behaviours and protect the interests of the masses.

Shaw's (1979) proposition identified how pervasive the media outlets are and given the current influx of the internet and social media the scope of the media agenda-setting theory tends to transcend even global dimensions. This angle of the media agenda-setting theory induces moral behaviour among corporate entities which has possibly caused firms, especially listed entities whose activities are publicly available to investors and the society, to publish their sustainability and CSR reports (Van Staden, 2000; Cahan and Van Staden, 2009). Taken together, these breadths and lengths of the media agenda-setting theory suggest the possibility of firms voluntarily disclosing their corporate sustainability activities in order to court public favour and retain their status as going concerns. One criticism of this development is that firms will only report what society expects to hear (the positive content) lest they incur the society's wrath with a potential public boycott of their products. One notable limitation identified by Shaw (1979) is that the newspapers and related media publications employ diversion tactics by choosing and picking content that will sell-out with the sole aim of consolidating their power and satisfying their parochial self-interest.

Several lines of research evidence suggest that there are two distinct levels characterizing the media agenda-setting theory (Weaver, 2007; Russel Neuman et al., 2014; Shafi, 2017; Yioutas

and Segvic, 2003; Wu and Coleman, 2009; McCombs et al., 2014). Whereas the first level of the theory deals with the relative salience or purported importance of the issues carried in the media, the second level deals with the relative salience of the traits and attributes of the issues being reported. The second level is quite pronounced since it leads to stakeholder reactions and responsible corporate behaviours. According to Wu and Coleman (2009), the first level of the media agenda-setting theory which relates to the scope of the reportage and the extent of coverage of the issues is not what is of prime importance to the stakeholders. Instead, the main concern has to do with the salience and attributes of the reported elements, which is the second level, that in effect determines the public's or stakeholders' reactions to the reported issues and legal entities to whom the issue relate. In promoting the tenets of the second level of the media agenda-setting theory, two contemporary congruent concepts namely framing and priming, have emerged to aid in the contextualization of salience of attributes of societal issues being reported.

Contemporary literature on framing centres on a careful sampling of a broad set of information and customizing same within a context with the aim of advancing a social cause, promoting environmental awareness and inducing ethical or responsible corporate and individual behaviours (Weaver, 2007). Examples of framing involves the use of catchphrases, visualizations, graphical illustrations, taglines and metaphorical representations. Similarly, Weaver (2007) denoted priming as the process of highlighting certain reported issues or attributes of a publication and making these highlights prominent in the eyes of the users of such information. In Weaver's stance, the systematic sampling and highlighting of salient issues will arouse stakeholder interests in these matters which could culminate in either positive or negative patronage of firm's activities.

In sustainability reporting, the highlighting of unique social, economic and environmental issues that borders on human existence are projected in the corporate reports. Mandatory disclosures usually rate and rank the risks associated with the commissions and omissions of firm activities by deriving the sustainability condition in question and possible best practice criteria being violated. Voluntary disclosures, on the contrary, highlight the positive traits of these corporate reports in order to avert any adverse public reactions. These reactions by corporate entities by either compulsorily or voluntarily disclosing firm activities tend to tie in with the framing and priming tenets associated with the media agenda-setting theory. This is because a proactive step

taken by the corporate entity serves as a deterrent to the media practitioners from identifying and highlighting core issues that borders of social welfare. However, Weaver (2007) and Yioutas and Segvic (2003) point out that the major weakness associated with framing has to do with the ambiguity surrounding the definition of the term - various definitions and meanings have been assigned to framing and the term keeps evolving every now and then. Similarly, the theoretical foundations between media agenda-setting and priming is well under-developed even though the association between the two notions has enabled the society to not only know "what to think about", but in addition learn "what to think" (Russell Neuman et al., 2014). However, Russell Neuman and his fellow researcher's position disclosed that the objective of directing the public on "what to think" has tilted towards issues such as reproductive health, gun control and drug abuse other than socio-economic issues.

At the heart of the media-agenda setting are two interrelated outcomes; first, the highlighting of public issues in the media outlets to enable debates, evaluations and resolutions; and secondly, the bringing to light of public issues that have not been highlighted to enable public reaction and action (Berger, 2001). In both, the salience of the issue(s) is key. Berger (2001) is critical of the order of salience by indicating that issue salience on the corporate agenda supersedes that on the government's policy agenda which in turn precedes those on the media and public agendas. In effect, the media agenda-setting theory seems to position the public interest a bit distant from the corporate objectives especially in areas where there are divergent political interests being sought to be satisfied by both the firm and media to the public. Following from this, it is generally expected that negative media reportage about an entity should assume prominence and induce public reaction that could adversely affect the individual or firm in question thereby re-aligning the order of prominence identified by Berger (2001) above.

The idea that negative reportage about a prominent entity takes precedence in the public's eye and could cause an entity to face dire consequences was questioned by Yioutas and Segvic (2003). Their research finding concluded that, in order to influence public reaction on such negative social issues, there is the need to properly orientate the masses on the effects of these societal malpractices perpetrated by legal entities. This stance was corroborated by Wu and Coleman (2009) who posited that people's perceptions direct their reactions to negative reports other than the negative media contents influencing the decisions of the public. This is because

humans tend to focus less on already-known phenomenon and tend to pay more attention to new sources of knowledge. Hence, once the society form a positive impression about a household brand, any subsequent negative media coverage rarely affects such an entity's brand unless conscious efforts are made by the reporter to orientate the public to change their pre-conceived knowledge. However, this need for orientation is deemed to be associated with the first level of the media agenda-setting theory other than the second level.

An alternative interpretation of the media agenda-setting theory to achieve a sustainable system is the use of valence as postulated by Wu and Coleman (2009). Here, if the media folks consistently report negative issues about an entity, there is a natural turn of events where humans self-orientate themselves and coin the same negative perceptions about the firm. The reverse is true. This is evident in the twin contemporary practice of sustainability reporting – the "silent and shadow" social accounting practices. These practices virtually limit themselves to publishing the hidden negative social aspects of the company's activities that renders the society unsustainable. The outcome is public reaction to the corporate entity's activities as a result of the embedding of these consistent negative social reports about the firm. In fact, the traditional audit and assurance practice is no exception since the management reports issued to the clients (but which are usually not made public) tend to highlight only the internal control weaknesses associated with the firm operations (Gray et al., 2019; Millichamp and Taylor, 2018, 2021). Should such management letters, also termed letters of weaknesses, be made easily accessible to the public, there could be public outrage and boycott of the firms' operations altogether.

A significant theoretical liability associated with the media agenda-setting theory has to do with the major actors and reporters (Liu et al., 2011; Shafi, 2017). Journalists spearhead this process. On the contrary, in sustainability reporting, academics, industry experts and professional accountants carry out the mandates within regulated regimes. These two groups of professionals communicate differently. For example, the journalist speaks in a layman's language whereas the accountant uses technical language designed for the fraternity and related stakeholders. Professional accountants and academics report on "what is, as is" with the intent to meet reporting guidelines and technical requirements; on the contrary, media practitioners report in order to sell out their publications, achieve greater media coverage and market share and induce

public reactions (usually negative in nature). This could pose a challenge in achieving information symmetry and realising the social justice cause.

Another challenge associated with the media agenda-setting theory is timing (Wu and Coleman, 2009; Yioutas and Segvic, 2003). Media practitioners will be communicating about historical and past events which may have little or no effects on the present needs. Besides, majority of the media reportages are basically skewed towards politics with little recourse to economic development. Corporate activities, including conventional accounting are also historically based. However, current accounting practices permits the use of live and current data to project or budget for future transactions. This helps the firm to shape their lives for better future actions and to gain better public image.

A potential weakness associated with media agenda-setting theory is the fact that reporters and practitioners cannot easily generalize their findings to cover all the stakeholders. For the theory to be applicable and meaningful, a smaller sample size is required to achieve information validity. Extrapolation of findings to a larger populace could pose a risk of drawing erroneous conclusions due to demographic differences, variances in literacy and socio-economic status of the inhabitants and strong political affiliations of stakeholders to specific legal entities.

2.2.3 Stakeholder Theory and Empirical Applications

The concept of stakeholder is quite encompassing given its holistic scope of definition. By definition, *"a stakeholder is considered any group of persons or individual agencies whose actions affect (influence) or are influenced (affected) by the achievements of the firm's objectives"* (Freeman, 1984; Gray, Owen and Adams, 1996, p.45). This broad definition thus considers entities such as employees (including management), customers, government and regulatory agencies, the public at large, suppliers, competitors or rival companies, the ecosystem and natural environments, social systems, foreign nations, posterity, inanimate objects and unknown future generations (possibly aliens) as stakeholders. These interpretations and unending scope for recognizing stakeholder groups has led scholars such as Clarkson (1995) to categorize stakeholders into primary and secondary segments. According to Clarkson (1995), primary

stakeholders directly influence corporate activities and without whom the company could struggle to operate as a going concern. Examples include shareholders, management and customers. On the other hand, a secondary stakeholder's actions do not necessarily affect the survival prospects of the firm and bodies such as lobbyists, inanimate objects and future generations fall within this cluster.

Consistent with Clarkson's stakeholder categorization is the recent segmentation of stakeholders into three groups – internal, connected and external (CIMA, 2018, 2019). Internal stakeholders are considered integral to the survival and operational status of the firm and are engaged in the day-to-day running of the business (e.g. employees and management); external stakeholders include the pressure groups, communities and public who are not engaged in any direct transactions with the firm although their indirect actions impact on firm survival; whereas the connected strand of stakeholders serves as the linkage between the internal and external groups via the provision of capital and related resources, e.g. the shareholders, customers, lenders and suppliers.

The generalizability of much publicized research on the current recognition of who a stakeholder is shifts radically from the criteria of materiality (i.e. those without whom the organisation ceases to exist) to include additional dimensions of immediacy and legitimacy (i.e. those who can affect or be affected regardless of materiality or significance of impact evaluation). Following from this identified lapse in the scoping of stakeholder concept, Stenberg (1997, p.4) claimed that any associated theory will traditionally advocate for the inclusion of unrealistic parties (like wildlife and terrorist groups) that may be hostile to business objectives and values. Similarly, Gray, Owen and Adams (1996) purported that the stakeholder model renders its associated theory to imply accountability to the larger systems without recourse to any known boundaries insofar as these recognizable parties can affect or are affected by the firm.

The stakeholder theory is a developed branch of the Bourgeois Political Economy Theory and it is widely accepted as the canon that organisations should operate for the general benefit of both stockholders and perceptible stakeholders. A core component of the stakeholder theory requires the corporation to balance the competing interests of the various stakeholders whilst ensuring optimum and equitable accountability and provision of relevant information to these

beneficiaries (Sternberg, 1997; Deegan, 2010, 2014). By implication, the stakeholder theory recognizes a legitimate company as one whose principal obligation is to balance various stakeholder benefits at the express expense of the capitalist approach of profit maximization for just the capital providers.

More recent arguments have classified the stakeholder theory into the moral or ethical (sometimes referred to as the normative) perspective – which subsequently forms the basis for the researcher's proposal around using the VAS as a tool for SR and VAR - and the managerial perspective – which consequently represents a more realistic basis for exploring and explaining the extent to which management might engage with the VAS (VAR) in practice. The ethical branch of the stakeholder theory argues that firms must treat all stakeholders fairly and equitably. Hasnas (1998) holds the view that the corporation owes a fiduciary responsibility to all stakeholders for which reason maximization of firm profitability for the select few (shareholders) does not make much sustainability sense. Hasnas (1998) further postulated that the normative perspective is a firm-driven approach, an equitable reverse-action, i.e. the extent to which the firm's activities affect the stakeholders should determine the extent of responsibilities to the stakeholders regardless of the relative powers and influences of these beneficiaries. This presupposes that the relative powers and influences of the various stakeholders should be downplayed to ensure equity and acceptable balance. It is thought, from the ethical branch of the stakeholder theory that both primary and secondary stakeholders (or internal, external and connected stakeholders) ought to be treated fairly and accounted to by the firms.

It is important to bear in mind that information disclosure and reporting to stakeholders by firms takes place within a 2-way reporting dimension as proposed by Gray, Owen and Adams (1996). Gray et al., (1996) observed that the responsibility by corporations to undertake or refrain from undertaking certain actions forms the first corporate accountability and reporting dimension; whereas the second dimension deals with the firm's consecutive duty to provide a reasonable (accurate and complete) account of those actions to allow for informed and useful decision-making. In consonance with the general stakeholder theory, a major anticipated accountability and reporting measure, as expounded by Gray et al., (1996) is the practice where companies who undertake sustainability activities must subsequently produce commensurate corporate reports (disclosures) that appropriately interprets these CSR activities. Consistent with the normative

perspective of the stakeholder theory, Gray, Owen and Maunders (1991) elucidated that corporations should uphold the principal-agent (stewardship) relationship. This stance by Gray et al., (1991) asserts that the firm (agent) should fully disclose all material value information to the society (principal) regardless of whether the principal demand these corporate reports. To effectively achieve the stewardship accountability and reporting practice, Hurst (1970) disclosed that corporate disclosures should be administered using reporting criteria or benchmarks as set and required by the society. A possible reason for this approach is to ensure that corporate disclosures provide the necessary value information that meet the satisfaction criteria of the publics (and not otherwise).

The normative or ethical perspective of the stakeholder theory is fraught with systemic deficiencies as clearly noted by social scientists. Sternberg (1997, p.4) has questioned the supposed stewardship model enshrined in the theory with a contrasting view that the ethical perspective rather violates the basic tenets of stewardship or trusteeship. Sternberg (1997) is critical of the tendency of corporations to balance off varied stakeholder interests (which calls for a trade-off of company profits to satisfy other stakeholder needs) at the expense of maximizing wealth for the primary stakeholders. Sternberg (1997, p.4) further questioned the never-ending infinite lists of stakeholders that need to be satisfied. A company cannot satisfy all stakeholders and such satisfactions will require a cut-off at some point in time. Consistent with Sternberg's stance is Jensen's (2010, p.34) criticism that satisfying all constituents will require multiple corporate objectives that could render the manager indecisive, confused and consequently make a couple of illogical decisions bothering on the survival of the firm. Jensen (2001, p.14) thus proposed a trade-off of unprofitable stakeholders in order to appropriately create values that satisfy both the immediate and long-term needs of the firm and the stakeholders.

Critics, in support of Sternberg and Jensen's positionings, have also questioned the measurement metrics or appropriate benchmarking criteria that could best be used to ensure that an equitable balance has been achieved for all stakeholder interests. Besides, even in the case of a cut-off or trade-off situation as proposed by Jensen (2001), the question of whom to include and exclude from the pool of stakeholders becomes a challenge to the firm since a less important stakeholder could evolve to become a more powerful constituent in future (Friedman and Miles, 2002;

Deegan, 2010, 2014). In a more sophisticated reasoning, firms could be troubled with identifying stakeholders that are cross-cutting in nature, e.g. whether the community should be considered as part of the larger society or as an integral part of the government; whether employees are not part of the society; etc. More recent arguments in the area of corporate accountability under the ethical/normative stakeholder theory has questioned the value propositions of holistic corporate disclosures. This is exemplified in the inquisitorial positioning that queries the values derived from producing various extensive corporate sustainability disclosures (CSDs) when a good number of the expected stakeholders do not use or rely on these CSDs for informed decision-making (O'Dwyer, 2011; O'Dwyer et al., 2011; Deegan, 2010, 2014).

On another hand is the managerial or empirical branch of the stakeholder theory that is more "organisation-centred". Under this perspective, the firm is required to practically and reasonably attend to the needs (manage the expectations) of the powerful and relevant constituents whose actions ultimately impact the going concern and future sustainability of the corporation (Gray, Owen and Adams, 1996). Once again, the use of CSDs tend to serve as the major means of providing values and meeting the information needs of the relevant publics. Unlike the ethical and normative branch, the managerial perspective emphasizes that the most important and influential stakeholder groups must be, first of all, attended to due to their ranking in hierarchy, extent of influence (pervasive and material) and complex nature of their expectations, information needs or values (Gray et al., 1996; Bailey et al., 2000; Buhr, 2002; Nasi et al., 1997; Wallace, 1995). Ullman (1985) re-echoed the above stance by highlighting that stakeholder groups whose resources and capitals are critical and necessary for the continued sustenance and viability of the company will be given priority treatments in times of information disclosures and value appropriations. Accordingly, Ullman hypothesized that a robust and viable corporation is the one that meets the conflicting value needs of its several influential and powerful constituents.

It is worth highlighting that stakeholder power is not a static and stagnant position; it changes over time. Thus, Friedman and Miles (2002) and Unerman and Bennett (2004) pointed out that once these alterations in stakeholder powers and influences occur, the organisation must adapt to these variations and adjust her stakeholder satisfaction strategies to conform to these evolving trends. This observation conforms to Aubrey L. Mendelow's stakeholder matrix that establishes a direct relationship between stakeholder power (relative strength) and the firm's responsibilities

to meet stakeholder needs. The greater the level of the relative power of the stakeholder, the higher the firm's responsiveness to meeting such needs (through corporate disclosure strategies). To briefly elaborate, Mendelow (1991) stipulated four quadrants on a grid within which stakeholders are classified based on their relative interests (value and information needs) and power (relative strength, influence and critical nature of their resources). As indicated in the figure 2 below, Mendelow identified that:

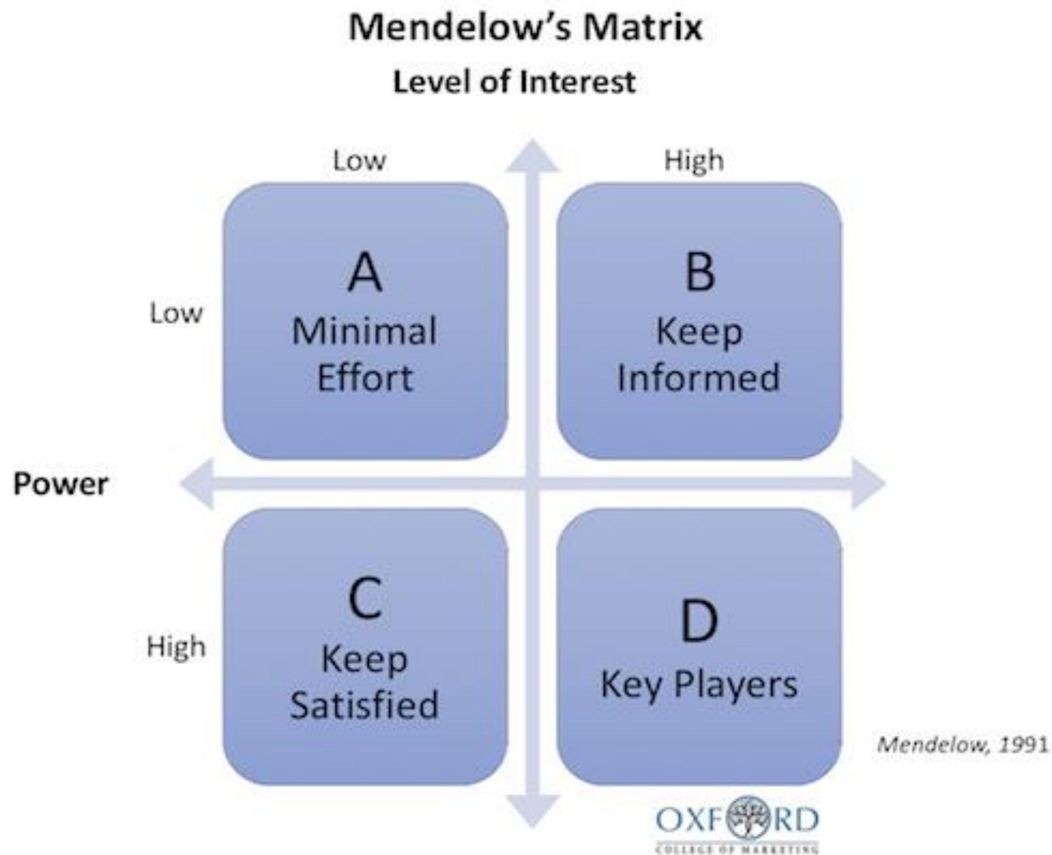
1. Stakeholders with *high power and high interest* (identified in quadrant D – Key Players) will need to be closely managed by providing them with all the necessary information needs that fully meets their needs.

2. Constituents with *high power but with less interest* (identified in quadrant C – Keep Satisfied) in firm activities will equally need to be satisfied to the optimum and with relevant information that do not run into excesses.

3. Stakeholders that exert *low power or influence and yet tend to be highly interested in the firm's operations* (identified in quadrant B – Keep Informed) will require adequate information or disclosures on a consistent basis. A consistent engagement with this crop of beneficiaries helps to identify operational and corporate reporting gaps worth resolving.

4. However, the class of constituents who *exert less power or influence and tend not to be interested in the affairs of the company* (identified in quadrant A – Minimal Effort) will only require consistent monitoring to ascertain if their relative interests and powers have changed over time. Accordingly, this segment of stakeholders will require little or no information disclosures.

Figure 2: Mendelow's Stakeholder Mapping Matrix



Source: Mendelow, 1991 (Adapted from Oxford College of Marketing Blog)

In the empirical applications of the stakeholder theory to ascertain how beneficiaries respond to corporate sustainability disclosures, Roberts (1992) reiterated that the relative power and thirst for specific information needs by stakeholders will determine the extent of corporate disclosures. In the same vein, Neu, Warsame and Pedwell (1998), who examined the corporate reports of Canadian listed firms operating in environmentally sensitive industries between 1982 and 1991, confirmed the proposition of Roberts (1992). Neu et al., (1998) established that in situations of conflicting interests, firms will naturally satisfy the needs of stakeholders who command the most influence (or who wield significant control and power) over the firm, prior to considering the interests of the less influential. To corroborate the above positioning, Deegan and Islam in

their 2008 study of CSDs of a major firm operating in a comparative emerging economy, confirmed that corporations must adapt to or respond to the changing preferences and values of significant stakeholders in order to court investor interests and survive into the foreseeable future period. For instance, major customers could demand extensive CSDs in the areas of child labour, health and safety precautions and security of the natural environments. Hence, the extent of corporate reporting and its corresponding adaptations becomes a function of the changing needs, demands and expectations of the influential stakeholder groups.

Advocates of the managerial perspective of stakeholder theory have indicated that a generic and wholesale accountability to all stakeholders results in no (meaningful) accountability nor provision of relevant information for decision-making (Sternberg, 1997; Jensen, 2001, 2010). They advocated that any meaningful accountability and information provision should be clearly defined within a measurable framework and in conformity to a clear-cut objective. All stakeholders cannot have a common purpose; hence, it is advisable to tailor stakeholder needs by setting boundaries to these needs. From a typically capitalist approach, Sternberg (1997) questioned the integrity of the stakeholder theory if the theory compels managers to break the traditional agency theory of stewardship by betraying the capital providers or owners for the sake of satisfying some other stakeholders who may not even have the company's interest at heart.

Perhaps, the most significant criticism of the stakeholder theory as explicitly espoused by Sternberg (1997) is founded on the legislative structures of firm incorporation. Firms are incorporated under specific enactments and acts, e.g. companies, to be legally recognized to operate, need to file the Memorandum and Articles of Association and related documents in compliance with the Companies Acts with the Registrar General's department. These legal requirements stipulate the specific obligations and expectations of the company. For instance, firms are to account to the government by paying specific corporate taxes. These enactments incorporating the company into existence rarely stipulate that firms need to account to vast and infinite range of stakeholders. Firms will need to operate within the legal obligations and confines of its incorporation and account accordingly. The added responsibility of providing extra values and corporate disclosures to the society should be decided by the firm's ethical disposition and not obligatory in nature, unless otherwise required by the regulatory and legal frameworks or structure.

Capitalists and profit-oriented shareholders and critics of the stakeholder theory have equally questioned the morality of the framework. Questions have revolved around the notion that the (in)perceptible stakeholders had no idea how the business was set-up; the extent to which the firm had struggled from loss making, breaking-even to accruing reasonable profits only for these constituents (who contributed no capital nor were they in the limelight during the days of struggling) to reap what they have not sown. Further questions query why these other stakeholders do not share in the losses when companies run into deficits and why the stakeholder theory is principally directed at distributing wealth and accountability of wealth to stakeholders and not otherwise.

2.2.4 Legitimacy Theory

It is a widely held view among accounting researchers that Legitimacy Theory is an ideal theoretical positioning that underscores corporate sustainability reporting or disclosures due to its extended framework. This argument is considered viable since the legitimacy theory consolidates the empirical or managerial perspective of the stakeholder theory and the classical political economy perspective of structural conflicts and dissentions (Gray, Owen and Adams, 1996, p.46). Legitimacy is considered a resource that is conferred on the organisation by the society in which case the firm's operational system, culture and values tend to conform to the value systems, norms, mores and expectations of the society (Lindblom, 1994). In support of Lindblom's definition, Dowling and Pfeffer (1975) and O'Donovan (2002) sided that legitimacy is a valuable resource upon which the organisation survives. However, this resource is location and time related and could be altered over time by the society (Suchman, 1995), although this resource is practically regulated by the firm through its reporting and disclosure strategies (Deegan, 2010, 2014). This implies that the more varied, pervasive and holistic a firm's disclosure strategies, the greater its legitimacy status. Accordingly, the extent of disclosure of relevant information underscores the quality and quantity of legitimacy as a firm resource.

Under the legitimacy theory, firm activities must be construed as being "legitimate" in the eyes of the general populace, i.e. corporate operations (and disclosures for that matter) must conform with generally accepted societal norms, ethical codes of conduct and value systems. Deviations

from and disparities between the expected social value systems tends to erode firm legitimacy (Deegan, 2010, 2014). Many scholars hold the view that legitimacy is not solely about what the firm does right; instead, firm legitimacy pivots on how the society perceives the organisation to be (Nasi et al., 1997; Suchman, 1995; Dowling and Pfeffer, 1975). In effect, a consistent disclosure strategy by organisations to court positive societal perceptions is key to acquiring and sustaining legitimacy as a resource. To substantiate this posture, Lindblom (1994) is critical of four (4) admissible measures and disclosure strategies that firms must adopt to secure a lasting legitimacy. These legitimization strategies, as reiterated by Gray, Owen and Adams (1996, p. 46) are:

1. Education or sensitization of the stakeholders about the corporation's plans to improve firm performance. A sensitization programme should ideally be conveyed using a communication strategy that will educate a greater stakeholder group without preference to the elites or privileged few.

2. An attempt to change the public's perception of an event whilst maintaining the actual performance of the organisation. This strategy is contestable due to its ability to result in falsification of corporate reports that is tantamount to fraudulent reporting.

3. Using manipulative tactics to divert society's attention away from an issue of concern (a failure) whilst simultaneously concentrating efforts on positive firm activities that are remote from the issue at hand. Similar to point (2) above, any manipulative tactic that cannot be assured as conforming to generally acceptable standards could lead to public deception, misrepresentations and fraudulent reporting.

4. Seeking to change external expectations about the organisation's performance, e.g. by elucidating or amplifying why a lucrative profit-making company is not responsible for the construction of infrastructure in a socialist economy. An overt criticism of this strategy is that it could lead to controversy. The firm can hardly win against the entire society. It is thought that the firm cannot hold itself as the repository of wisdom and reason whilst perceiving the entire social system as being unreasonable.

In addition to the four (4) generic and feasible legitimization techniques proposed by Lindblom (1994), Suchman (1995) and O'Donovan (2002) argued that these legitimization strategies could oscillate depending on the firm's quest to either *gain, maintain or repair* legitimacy. Donovan (2002) argued that it is relatively easier to maintain legitimacy than to repair or gain legitimacy due to the former approach's tactic of simply projecting societal expectations and adjusting accordingly. Suchman (1995) thus proposed two legitimization strategies that aid corporations to maintain legitimacy, i.e. to maintain legitimacy, firms must (ought to):

1. Monitor and forecast stakeholders' expectations so as to conform to or meet these future societal needs; and

2. Sustain their past gains of legitimacy by riding, trading and leveraging on the past legitimacy laurels or status.

Comparatively, it is quite challenging to gain or repair legitimacy since firms must strive to acquire the resource or go an extra mile to correct a negative perception lurking and hanging on the image of the company. The authors collaboratively (although in separate publications) corroborated that gaining and repairing legitimacy are similar, since, in both situations, legitimacy is either non-existent, eroded or lost. Conversely, the difference between the two dispositions is that, firms adopt *post ante reactive* strategies to repair legitimacy (e.g. by undertaking sustainability activities in areas where unforeseen or immediate crisis has occurred); however, firms will employ *ex ante proactive* strategies to gain legitimacy due to the absence or non-existence of any crisis (Suchman, 1995; O'Donovan, 2002). Thus, it is prudent to administer similar legitimization techniques to regain, gain or repair legitimacy.

2.3 Comparisons of Adaptive Theories

Comparative analysis has shown marked similarities and differences between Legitimacy and Stakeholder theories (Deegan, 2010, 2014; Gray, Owen and Adams, 1996). In terms of

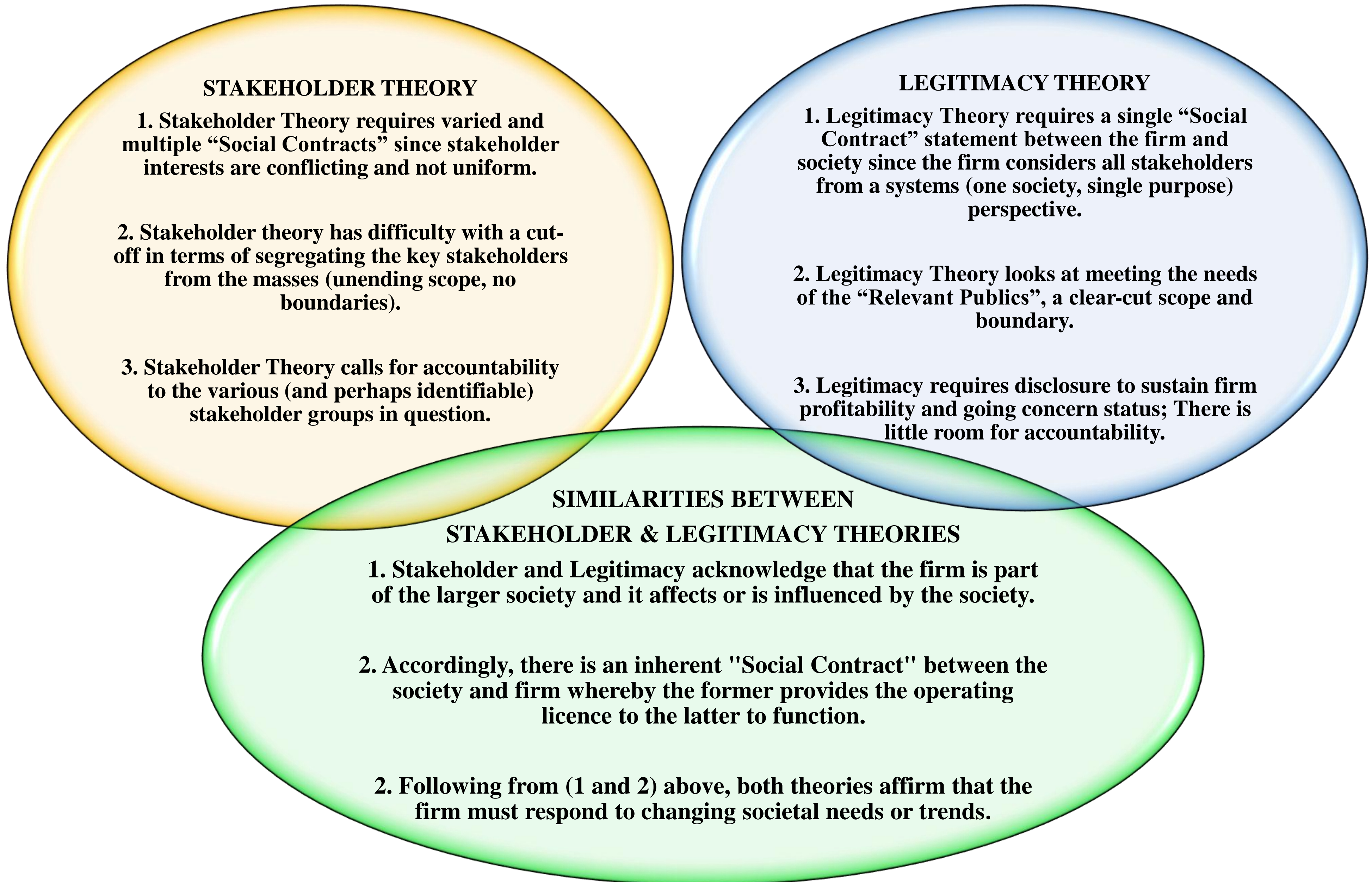
similarities, both theories assume that society provide the enabling environments and permits corporations to operate to the extent that these firms comply with the inherent “social contracts” mandating organisations to function. Subsequently, both theories accept that firms are part of the larger society and they heavily rely on the society for inputs or resources, for which reason firms must operate for the general good of the public. It is worth emphasizing that the social contract notion is just a theoretical abstract and that there is no actual contractual agreement negotiated and signed between the society and the corporations. Hardcopies of these contracts cannot be obtained.

Conversely, differences existing between Legitimacy and Stakeholder theories centre on defined stakeholder groups (cut-off boundaries or relevant publics), specific “social contracts” with these relevant and identifiable constituents and the call for firm accountability (not just lip service or mere disclosures without any recourse to responsible accountability).

The above comparative analysis per this thesis is illustrated in ***Figure 2.2: Relationship between Stakeholder and Legitimacy Theories below.***

Before proceeding to critically examine legitimacy in corporate practice, it is important to highlight the perceived relationships existing among the political economy theory, media agenda-setting theory, stakeholder theory and legitimacy theory. These relationships have been clustered in the form of similarities and differences as represented in the table 2.1 below:

Figure 2.2: Relationship between Stakeholder and Legitimacy Theories



Sources: Gray, Owen and Adams (1996); Deegan (2002; 2010); Gray, Kouhy and Lavers (1995); O'Donovan (2002)

Table 2.1: Comparative summary analysis of the System-Based Theories of Sustainability Reporting and Corporate Accounting

	Media Agenda-Setting Theory	Political Economy Theory	Stakeholder Theory	Legitimacy Theory
Similarities Identified Among the Theoretical Frameworks				
Approach and Focus: Satisfying varied stakeholder interests	Ensuring that firms and individuals act ethically in the best interest of the general populace.	Aimed at meeting the varied political interests of stakeholders whose interests are vested in corporate entities.	Earmarked to hold corporations accountable to both immediate and distant stakeholders who affect and are affected by the firm's operations.	Corporate disclosures to the society at large by providing evidence of conformity to the societal norms and value systems.
Scope, Coverage and Boundaries: All recognisable stakeholders	The public (i.e. CSOs, ecosystem, individuals) is identified as the major stakeholder that need to be accounted to and satisfied.	All identifiable bodies that have either a direct or indirect political interest in and exert some political impact on the firm need to be satisfied.	The scope identifies all stakeholders, by definition, who are influenced by or do influence the organisation, albeit directly or indirectly.	Legitimacy is sought from the Society. Society equals the public and includes all human, social and environmental factors.
Link to parallel theory and practices: Correlation with an implied or overt "Social Contract" theory.	Entities cannot exist without the public set-up. It is required of firms to behave ethically towards the public. There is an overt social contract requiring legal entities to exhibit responsible social behaviours.	Firms acquire resource inputs from society to create wealth. Hence, it is expected of firms to reward the factors of production equitably, for ethical and business considerations. An implied "social contract".	Firms are supported by the society; thus, the firm owes the society a duty of trust and responsibility. There is an overt social contract between the firm and society for the former to sustain societal interests.	The society provides the enabling environment and resource inputs. Firms must thus conform to societal changing needs. An overt social contract is ascertained.

Actors and Practitioners: Practiced by technically trained professionals.	Spearheaded by journalists and media practitioners trained to communicate reality. Information supplied by the various media outlets are backed by research and investigations.	Usually advanced by Economic Theorists who are relate quantitative metrics to underlying data and realities. Such reports serve as basis for future theorisations.	Academics, practitioners and sociologists advance this theory. Disclosures are usually tied with corporate reports to allow for independent evaluations.	Accounting researchers, social scientists and practitioners are the main proponents of Legitimacy. They relate the theory to empirical practice.
	Media Agenda-Setting Theory	**Political Economy Theory**	**Stakeholder Theory**	**Legitimacy Theory**
Differences Among the Theoretical Frameworks				
Professional Dialect and communication strategy	Journalists and media practitioners usually communicate to promote their self-interests and gain public recognition. More of a marketing approach to sell the media outlet's products and services.	Usually, the theorists report on the need to identify utility and how such satisfactions could be realized by the economy. A balance between politics and economics and the possible maximization of wealth is the key strategy here.	Practitioners focus on substance over form. Sociologists concentrate on social effects of firm actions. Environmentalist are interested in safeguarding the ecosystem. Critical accountants focus on ethical reporting.	Practicing accountants focus on material disclosures. Disclosures usually adopt technical jargons in line with the GAAPs, ISAs, IASs and IFRSs.

Pervasiveness and Materiality	Salience of the attributes is highlighted. Materiality is assigned to negative reportage than to the positive. Pervasive disclosures centre on politics and general public issues such as health and education.		More prone to the private sector and for-profit organisations with a capitalist approach to wealth creation. Interest is more on economics, national income accounting with a political balancing.		The scope of coverage is quite pervasive, significant and unrealistic. This appears to be its major theoretical liability since the corporate entity cannot be accountable to everyone.		Materiality is considered only in situations where non-disclosure could impair legitimacy. Pervasiveness is limited to relevant publics.
Major Theorists	Weingast and Witman (2006); Gray, Kouhy and Lavers (1995); Everling (2015); Gray, Owen and Adams (1996)		McCombs and Shaw (1972); Shaw (1979); Weaver (2007)		Freeman (1984); Gray, Owen and Adams (1996); Ullman (1985); Jensen (2001, 2010); Sternberg (1997)		Deegan (2010, 2014); Suchman (1995); Lindblom (1994); O’Donovan (2002)
Standardization and Legislative Instruments	Depending on the approach, e.g. whether to provide mere editorials, provide investigative outputs, or critique a policy, the disclosures could vary from one jurisdiction to another. No standardization of reporting.		Method of reporting and disclosures are within legal frameworks of national accounting, traditional financial reporting and disclosures. Global standards provide an umbrella framework for customization and adoption.		Dual processes exist here. For the practitioners, disclosures are regulated to ensure that identifiable stakeholders are satisfied. To the environmental and social scientists, disclosures are designed by the subject matter experts (SMEs) using appropriate, not necessarily standardized or legislated, metrics and formats.		Practitioners usually disclose their CSDs within a regulated regime by using standardized reporting frameworks. Disclosures are usually standalone or integrated into the annual accounts.

2.4 Legitimacy Gaps and Corporate Practices

One question that needs to be addressed, however, is whether there is a risk to firm operations when the company's operations deviate from societal norms and expectations. It is expected that when societal perceptions and norms change (about a company), the firm must equally adjust her operations and strategies to kowtow to the revised societal expectations in order to retain her legitimacy status. However, if the firm declines to adapt, a negative development known as a Legitimacy Gap develops between the firm and the society. Lindblom (1994) has recognized the dynamic nature of legitimacy due to the equally changing nature of the publics. Hence, it makes both theoretical and empirical sense for corporations to continuously monitor the changing nature of the economic, social and natural environments in order to tailor firm outputs to meet these fluctuations. Proponents of legitimacy theory such as Sethi (1977), Nasi et al., (1997) and O'Donovan (2002) contend that two major events contribute to legitimacy gap, namely:

1. When societal expectations change yet the organisation remains glued to its former ways of doing things (operations, reporting and disclosures) by not adapting to these new societal expectations; or when the society adapts to these changes but at a rather slower rate than the expected level or rate or change; and

2. When previously unknown information (and relatively negative in nature) about the company is unravelled and disseminated or circulated to the public. Here, the media agenda-setting theory plays an interrelated and key role in creating legitimacy gaps within the operating atmosphere.

Best corporate practices proposed by Suchman (1995) and O'Donovan (2002) to close the legitimacy gaps include (but not limited) to forecasting societal expectations and leveraging on the past merits and gains of the corporation, as earlier discussed above. In both techniques, the authors recommended extensive corporate disclosures to counter the negative reportage being circulated in the media and elaborate publications highlighting the continuous positive gains of the company. These disclosures could take the form of value-added reports, CSR reporting and comprehensive and integrated audited financial statements annexing both the economics (quantitative and traditional financial statements) and non-financial qualitative statements (such as disclosures on climate change, greenhouse gas (GHG) emissions, water accounting, health and safety protocols and ecosystem accounting.

2.5 Empirical Applications of Legitimacy Theory

Difficulties and scepticisms arise when theory is not made applicable or pragmatic in real-life situations. As such, accounting researchers have materialized the legitimacy theory by connecting it to the accounting practice, thereby rendering legitimacy theory as the most widely accepted theoretical framework underpinning the profession or practice. Organisations typically adopt sustainability activities aimed at improving human lives in the society in which the firm operates in order to gain, secure, maintain or repair legitimacy. Nevertheless, should firms ignore to disclose and retain a trademark license over these sustainability activities, it will be almost difficult to justify and reclaim corporate legitimacy. It is in this wise that accounting scholars have strongly advocated the adoption and application of corporate sustainability disclosures to gain and retain, sustain and secure, repair and maintain legitimacy (Deegan, 2010, 2014; Lindblom, 1994; Dowling and Pfeffer, 1975).

It is worth emphasising that Accountancy is an ever-growing complex field which requires technical acumen and continuous professional development to sustain and enhance the practice. Accountancy exists in various forms and each form of the practice contributes significantly towards gaining the public trust through the various processes of corporate reporting and holding firms accountable for their operations. In Accountancy practice, practitioners obtain the legitimacy to function as recognizable public trustees whose line of work deals with validating the legitimacy resources endowed to corporate organisation by the society. For this reason, Accountants are viewed by the wider stakeholder groups as social actors who operate in the interest of the public (Spencer, 2020) and whose functions, though sometime repetitive and predictable, enable them to derive legitimation via their ability to resolve societal issues in the areas of financial reporting and financial management (Richardson, 1985).

Legitimacy exists in a substantive and symbolic form. Whereas the substantive form of legitimacy deals with the “structural relations and processes” by which practitioners clearly define, disclose and report a company’s activities for the common good and interests of the wider stakeholder groups, symbolic legitimacy hinges on a set of universal codes (symbols) to express value-addition standards through those codes (Richardson, 1985). Although symbolic legitimation sets out the theoretical framework or codes of practice to conform to societal values, it is on the backdrop of the substantive form of legitimation that this thesis is grounded since the symbolic form of legitimacy is more superficial and offers little in terms of genuine practical change. Comparatively, by application, the substantive form of legitimation typically provides

alternative forms of corporate (sustainability and value-added) reporting structures and clearly outlines the roles and responsibilities of the key actors in the corporate sustainability and value-added reporting functions. This is what this thesis is founded upon – what types and forms of reports need to be provided by the suppliers (the reporting entities) to meet the demands of the wider stakeholders.

The idea that corporate sustainability disclosures, which are prepared and presented in line with globally or generally accepted accounting standards or reporting frameworks, was supported by Carpenter and Feroz (1992). Carpenter and Feroz argued that the use of Generally Accepted Accounting Principles (GAAPs) and possibly other internationally regulated reporting frameworks for sustainability reporting unequivocally legitimizes firm operations due to the apolitical nature of the GAAPs, ISAs, IASs and IFRS. Consequently, few or no individuals will oppose or question such reporting systems due to their "generally acceptable" natures.

In Craig Deegan's (2010, 2014) recent book publications, *Financial Accounting Theory, 3rd and 4th Editions,* where he examined in detail the annual reports of corporate entities prepared under country-specific or internationally acknowledged GAAPs, he pointed out key reporting strategies that will either impress and sustain or otherwise damage legitimacy. Deegan (2010, 2014) identified that corporations that overtly ignore the community representation in their annual accounts tend to lose legitimacy in the immediate to long-term which adversely affects the firm's operations in terms of customer or community patronage and support. Capitalizing on the relevance and reliability qualitative attributes of financial reporting, Deegan (2010, 2014) critically advocated that companies will cement their legitimacy if their annual reports faithfully represent the societal needs by considering and recognizing the key needs of the relevant publics. Deegan's arguments indicate that faithfully representing key stakeholder needs to underscore the relevance, completeness, reliability and perhaps the accuracy of the firm's annual accounts. What a faithful representation of annual accounts implies is that the corporate reports could be subjected to assurance and related attestation or review engagements thereby permitting comparability over time. Furthermore, it leads to practically tracing and reconciliation of the (management assertions in the) annual accounts to the actual corporate interventions in the society.

2.6 Conclusion

This section has identified that system-based theories are essential in the practice of sustainability and value-added reporting across organisations. This is because a systems thinking approach clearly spells out the extent to which corporations influence their wider stakeholder groups and are in turn impacted by the economy or society in which they operate. The organisation is seen as an integral part of the wider system and it behoves on researchers and practitioners to approach the performances of corporate bodies using a systems-based theoretical framework. What is striking about these systems-based theories is that they are complementary and not contradictory. However, depending on the dominant theme or research question(s) or hypothesis underlying a particular research work, a researcher or practitioner could align him/herself to a specific systems-based theoretical framework.

Summarily, the researcher leveraged on the Substantive Form of Legitimacy Theory on the premises that it provides the reporting entity the publicly recognized resource – the legitimate right and social contract and licence – to operate as a going concern and survive into the (un)foreseeable future period. Additionally, Legitimacy Theory endows the practitioner and accounting researcher with the prerogative to practice for the common good of the society or wider stakeholder groups. Under Legitimacy, the researcher believes that corporations could be required to expand their periodic reporting structures to extend beyond the mere representation of financial statements into the realm of valuable non-financial disclosures that bother on sustainable development of the current dispensation. Finally, Legitimacy provides the practitioners with the impetus to hold companies accountable for their operations and to safeguard the forthcoming interests of posterity.

Chapter 3

Legitimacy Theory and Conceptual Analysis of Value-Added Report or Statement

3.1 Introduction and Overview

Having discussed the selected four (4) main theoretical frameworks above, namely the Political Economy, Media Agenda-Setting, Stakeholder and Legitimacy theories, the interrelatedness among these theories and the roles they play in ensuring that corporations operate in the full interest of the wider stakeholders, this section of the thesis addresses the degree to which the researcher's preferred Legitimacy Theory could be applied in practice. The paragraphs that follow beneath delves into how the value-added report (in the form of the value-added statement) could be applied in the corporate world. The chapter then critically analyses the content and mechanical structure of the VAS by building upon the Haller-van Staden 2014 model of the VAS.

The researcher's aim is to ensure that any proposed or expanded model of the VAS operates extensively to incorporate all relevant items of value created and distributed across the company to enhance useful and informed decision-making as well as hold firms accountable for their corporate strategic directions and operations. It is expected that a more extended VAS model will be produced from this section of the thesis in order to carve out an avenue among the practitioner, accounting researcher and reporting entity to contribute towards the sustainability and value-addition prospects of the current dispensation.

3.2 Market Applications: Value-Added Reporting and Legitimacy

In conformity with the traditional approach of using conventional financial reporting frameworks (standards and regulations) to uphold legitimacy, Carpenter and Feroz (1992) argued that corporations that use the GAAPs to expand conventional reporting stand the chance of meeting varied stakeholder needs. Consistent with this position, Deegan, Rankin and Voght (2000) intimated that organisations could thus introduce voluntary value-added reporting metrics in their annual accounts under various sustainability themes. However, it is required that these voluntary and additional reporting metrics should be admissible by the industry within which the firm operates. It seems possible that these voluntary (and in some cases mandatory) corporate

sustainability disclosures (CSDs) could aid standard setters and regulatory agencies to enact standards and best practices to guide responsible corporate reporting in the areas of value or wealth creation (Gray, Owen and Adams, 1996, p.47).

Following from the above, this thesis develops the argument that value-added reports, such as the Value-Added Statements (VAS), which are typical of voluntary CSDs produced by corporate entities could serve as a tool for bolstering corporate legitimacy in a more substantive rather than purely symbolic sense, thereby resulting in a degree of greater accountability being discharged by the reporting entity. This is probably due to the multi-faceted nature of the VAS in that it is a tool for representing the values attributable to the relevant publics (stakeholders); it is wholly prepared from the pool of traditional financial statements with its preparation and presentations being guided by the GAAPs; its core attribute of being a voluntary report that is accompanied by narratives accentuating both quantitative (financial and economic) and qualitative (social, environmental and governance themes) metrics; and a possible reporting format that drafts in the general acceptance of the wider stakeholders, especially the larger society (or community in which the firm operates) under whose domain is the legitimacy resource due to be conferred onto the company.

The VAS in and of itself addresses a relatively overlooked area of sustainability reporting, i.e., serving as a financial report that measures value to stakeholders. Potentially, the VAS could be deployed to satisfy the (as yet un-met) needs of stakeholders as well as the fill the gap in existing regimes of sustainability reporting. The constructive design, development and structuring of the VAS to provide value for the wider stakeholder groups, not just value for management or the organisation is key to this thesis. This is intended to provide a solution to where integrated reporting <IR> has gone wrong since <IR> focuses on addressing the extent to which multiple capitals aid the firm in meeting its mission and vision. For example, given its complexity in addressing the multiple capitals, <IR> has been fraught with a lack of clarity in achieving most or all of the information user-needs of the wider stakeholder groups (The ACCA, 2019). Additionally, the <IR> framework appears to be unstandardized which allows and enables corporations to choose to present their integrated reports in formats that suit the supply side of corporate reporting instead of being tailored to meet the demands (pull-side) of the wider stakeholder groups. In doing so, integrated reports are generally considered to be partially useful to a limited group of stakeholders, usually the capital providers which undermines the general acceptability of the <IR>. Perhaps, the most obvious drawback of the <IR> is its lack of

compatibility and compliance with other generally acceptable corporate reporting frameworks such as the IFRS, country-specific GAAPS and the IAS used by the Accountancy discipline (The ACCA, 2019; The Accountant Online, 2023). The gaping loopholes of the <IR> framework pave the way for the design and development of corporate reporting standards and principles to augment this gap.

Following from the above, a value-added reporting framework which will be both complex and yet standardized for global acceptance could go a long way to bridge the loopholes created by the <IR> framework. For example, a value-added reporting framework that provides guidelines, formats and templates for reporting corporate values and detailed disclosures will aid in meeting both the supply (push side) and demand (pull-side) of corporate reporting. This will typically result in the provision of timely and relevant information to the wider stakeholder to allow these user-groups to make informed decisions regarding the firm's operations. Such a detailed framework will be all-encompassing to accommodate an integrated reporting of the multiple capitals whilst advancing far more broader dimensions of sustainability or sustainable development. In the case of value-added reporting (VAR) framework, it means that a generally acceptable tool like the VAS is something that could be adopted by corporate entities to provide a resolution to a yet unresolved problem within sustainability reporting through the creation of robust financial reports of sustainability, alongside existing non-financial reports. This is clearly evidenced in the VAS through the provision of financial metrics – numbers and ratios – and supporting narratives or disclosures, albeit limited in nature due to its developing scope. Probably, a continuous engagement with regulators, company management, information user-groups and standard-setters could aid in streamlining the broader SR frameworks to accommodate and align with the <IR> framework and VARs.

It is upon the above premise that this thesis advances the argument for practitioners, academics and industry experts alike to possibly adopt an expanded format of the VAS as an appropriate CSD tool in securing organisational legitimacy whilst simultaneously achieving information symmetry (via its attribute of representational faithfulness), promoting social justice (through its equitable accountability and allocation of values, adjustment or redistribution of value away from the most wealth and powerful stakeholders towards others who are more marginalised) and providing holistic wealth to the local community and employees (via its multi-dimensional reporting metrics, i.e. economic, social, environmental and governance facets).

It is important to highlight that legitimacy as a theoretical framework is not sacrosanct. A major theoretical liability associated with the theory is the mere practice of corporate disclosures which is motivated by the firm's pursuit to survive as a going concern (Gray and Bebbington, 2000). What this presupposes is that firms will not be truly accounting to the stakeholders but to only disclose for the beauty of the practice and obtain that invaluable legitimacy resource from the society. If this argument holds, then companies could possibly (and fraudulent report) and disclose their sustainability activities in order to satisfy the status quo except that such disclosures will provide little or no values to the constituents - this is what symbolic legitimacy denotes. However, there is an inconsistency with this argument since corporate disclosures form a core component of the traditional definition of accounting, accountability and provision of useful information needs.

Regarding the market adoption of the VAS, Morley (1979) identified that about 25% of the 100 largest companies in the UK in 1979 were voluntarily incorporating the VAS in their annual corporate accounts. According to Meek and Gray (1988), the UK (and the rest of Europe) tower towards the socialist order and require firms to help fix the society since their operations hinge on society and impact the social system. It is thought that this socio-political stance of the UK (and the rest of Europe), motivated by the system-centred legitimacy theory, should motivate firms to constantly report on the value they create for the society. However, in recent times, the practice of voluntarily reporting on the values created for and attributed to the various stakeholders have waned, possibly due to the loss of interest by the stakeholders and the extensive effort required to provide footnotes for the VAS (Aldama and Zicari, 2012, van Staden, 1998; van Staden, 2000).

On the other hand, Meek and Gray (1988) identified that US firms are more prone to a capitalist regime (driven by the classical political economy and consequently individual or firm-centred legitimacy theories) and think that they do not owe anything to the society. Hence, it is expected of US firms to produce less of VAS in their annual accounts. This is because the arguments made by proponents of a capitalist approach and classical political economy theory argue that, since the shareholders are the owners and ultimate financial risk-bearers of the firm, organisations must operate for the sole benefit of these risk-takers (Prikens, Jr., 1986). Nevertheless, in a *Business Week* article published in 1987, the chairman of Avon Products argued that corporate organisations must extend their mandates beyond the economic urge of profit maximizations to cover other drivers of the firm, i.e. the employees, community leaders, customer base,

government and few minority stakeholders whose daily decisions could either make or sabotage the going concern prospects of the firm (*International Business Week, May 18, 1987*).

The production of the VAS, thus, achieves the going concern argument to a very large extent since all stakeholders, and not just the providers of capital, are recognized as participants in the legitimization of the firm as a going concern. Additionally, the VAS could be potentially expanded to provide the financial dimensions of sustainability as well as detail out the non-financial dimensions of sustainability through its supporting narratives or disclosures. Furthermore, the VAS, in addition to providing the legitimacy for the firm to survive as a going concern within its society, could provide the platform to hold firms accountable for any value derived from and provided to the community. However, these arguments become short-lived when the UK and Western European firms (who are more geared towards society and system-centred legitimacy theory) are losing interest in the voluntary publication of the VAS; the rhetorical question that remains open is that, what will become of the North American firms that tilt towards a capitalist regime and a classical political economy theory.

Despite the waning interest in the production of the VAS in the UK and USA potentially due to its non-value-addition attributes yet coupled with much work and resource investments, emerging markets such as South Africa seem to be developing keen interests in the adoption and effective implementation of the practice. This development is probably driven by the legitimacy theory which calls for extended corporate disclosures. For instance, as at 1998, over 50% out of the 400 firms listed under the industrial sector of the Johannesburg Stock Exchange (The JSE Ltd) are required to mandatorily publish their VAS in addition to the usual traditional financial statements (van Staden, 1998). A possible reason for this trend in emerging markets could be attributed to the strong positive linear correlation that exists between VAS information versus market indicators and related accounting variables such as cashflows and earnings (Riahi-Belkaoui, 1993; Karpik and Belkaoui, 1990). It is worth considering that the role of VAS from both a substantive (or stakeholder accountability) perspective is something that meets the unmet needs of the wider stakeholders for measures of value attributable to them. Nonetheless, there is the possibility that the VAS might become something more symbolic - a tool to maintain legitimacy in a more superficial way which does not really deliver anything meaningful to wider stakeholders.

Although extensive research has been carried out on VAS correlation with market indicators and econometrics, little or no research has been done to link VAS information to non-financial

interests of the (key) stakeholders, e.g. the safety and security of employees, lower levels of carbon emissions, less pollution and discharge of cyanide into water bodies and improved customer satisfaction and client retention ratios. Recent research has suggested the need to reconstruct a Social Value Statement (SVS), a variant to the VAS, through consultative efforts among firms, practitioners and regulators in order to aid in possible and potential commodification of social and natural factors (Coulson, 2016).

3.3 Value Added Statement: Constructs and Content Analysis

The VAS is constructed from the same pool of information as the conventional accounting database, a repository of economic transactions that are theoretically buoyed by the profit maximization scheme or classical (political economy) approach to capitalism. It is founded on the same accounting concepts and principles as the traditional financial statements, i.e., the historical cost concepts, consistency, matching or accruals, and going concern principles apply to the preparation and reporting of the VAS. This provides the impetus and leeway to easily audit and verify the content of the VAS with the aim of providing adequate assurance for the users of such financial (and non-financial) reports (*Corporate Report, 1975*).

It is important to note that that VAS is a place where various quite contradictory and unresolved issues within sustainability reporting might be productively addressed. On the one hand, there are some quite fundamental issues of social and climate injustice that could be addressed to the through the narrative section of the VAS; on the other, it is a reporting system that may largely ignores these issues except in a more non-financial sense. With integrated reporting focusing only on investor value-added, the VAS is a potentially important and still largely overlooked vehicle for integrating value for wider stakeholders into the financial reports.

Two models were proposed for the VAS – the Additive (Direct) Model and Subtractive (Indirect) Model. The additive model defines the social aspect and team membership of the value added by allocating the value created to the social stakeholders of the firm. In essence, the additive model represents the remuneration to all the social productive factors that have contributed the firm values created and to whom such values could be credited (*Corporate Report, 1975;* Haller and Stolowy, 1998). On the other hand, the subtractive model examines the economic performance phase of value added by simply deducting the total inputs from the aggregate outputs. This approach is consistently used when assessing the national income of an economy

where the aggregate inputs of all economic entities such as individuals, firms, industry and entire nation are summed up to obtain the national product arising from economic activities of these economic entities (Haller and Stolowy, 1998). Haller and Stolowy (1998) simply represented the Additive and Subtractive Models (based on the above explanations) as depicted below:

VA = RE + RG + RCP + NAP . . . . Direct or Additive Model

VA = O – I . . . . Indirect or Subtractive Model

Where:

VA = Value Added

RE = Remuneration of Employees (Salaries, Wages, Bonuses, Pensions)

RG = Remuneration of Government in the form of Taxes

RCP = Remuneration to Capital Providers in the form of dividends, etc.

NAP = Non-Appropriated Profits (retained earnings or residual income)

I = Inputs

O = Outputs

Haller and Stolowy (1998) had limited their definition of value added to the economic performance of social, economic and corporate entities in the *generation and aggregation of economic wealth . . . wealth that could be easily re-distributed to all stakeholders*; *wealth that contributes to the overall national income of the economy; and wealth measurement that is consistent with the macro-economic management of the economy*. This represents a clear case of a capitalist framework which is arguably related to both the classical and bourgeois political economy theories, the purported theoretical frameworks that give rise to legitimacy. However, the authors acknowledged that this definition and explanation of value added is not mutually exhaustive since there could be other classified definitions of the concept based on theoretical frameworks, classifications, contents and scope of the various elements captured within the broader term of value added.

The approach used by Morley (1979) in computing value added is similar to that found in Haller and Stolowy's (1998) model, especially with the additive model. Morley (1979) argues that value added could be presented either as Gross Value-Added or Net Value-Added, an approach hinging on the system-centred political economy theory which is typical of a system's value allocation approach. Consistent with Morley's (1979) proposition is that of Aldama and Zicari's (2012) empirical study that appeared to provide corroborative support to Morley's Gross and Net Value approaches (Aldama and Zicari, 2012, pp. 488 – 489). The Gross Value-Added approach, mainly used in practice by over 80% of UK firms, retains all the key contributors of value in its estimation of value prior to the deduction of depreciation and amortization of physical capacity or non-current assets (Meek and Gray, 1988). On the other hand, the Net Value-Added approach deducts depreciation and amortization before arriving at the final wealth or value created. Below is the depiction of the Gross and Net Value-Added models:

Gross Value Added: $R = S - B - Dep - W - I - Div. - T$; *and*

Net Value Added: $S - B - Dep = W + I + Div. + T + R$

Where: *R = Retained Profit or Residual Income*

S = Sales Revenue

B = Bought-In Materials and Services (interchanged with Cost of Sales)

Dep = Depreciation and Amortization of Fixed Capacity

W = Wages and Salaries of Employees

I = Interest payable or Finance Costs associated with borrowing

Div. = Total Dividends payable in the year

T = Corporate Taxes

It is almost certain that the computation of economic value-added and its accompanying definitions seem similar in most literatures because most economies, practitioners and firms tend

to adopt the UN's "System of National Accounts" (SNA) in measuring economic wealth and assessing value added. The SNA actually expands its scope of economic reporting to incorporate reporting of the natural capitals such as greenhouse gas (GHG) emissions, human capital, social capital and natural resources via the use of annexures such as the UN's System of Environmental-Economic Accounting (SEEA) (Obst, 2015; UN SEEA, 2014; UN SNA, 2009). A possible explanation of the expanded reporting system by the UN is the adoption of the Bourgeois Political Economy Theory, the umbrella framework under which Legitimacy Theory operates, which is pluralistic in nature, seeking to achieve greater societal welfare and economic well-being. These global measurement system and recognition criteria allows for consistency over time and comparability within firm, across industry and over time. In addition, this system creates avenue for assurors to test the underlying figures. However, the format and structure of the VAS is not without criticisms.

Critics have argued that the VAS is a mere transposition of the Income Statements (or Statement of Profit or Loss) since the VAS could be used in place of the traditional financial statements. This is probably due to the juggling of the income statement classes of accounts being represented in the VAS. Another possible reason is the fact that the VAS is solely limited to values hand-picked from the income statement. However, it should be noted that the VAS does not supplant the traditional financial accounts but instead augments and complements the Income Statements, Statement of Financial Position and Statement of Cashflows. The VAS should not be confused as a mere re-arrangement of the traditional income statements. For example, labour and depreciation costs associated with closing inventory are presented in the Statement of Financial Position (PwC, 2019; IFRS, 2019; IAS 2), whereas the VAS reports these items separately on the face of the statement.

Perhaps the most constructive drawback of the VAS is the reporting of taxes. Corporate taxes are attributed to the government and these values are usually the percentage of profits (net of all tax-allowable expenses) made that are returned to the state (IFRS, 2019; IAS 12). However, there are taxes returned to the government regardless of whether the company makes profits or losses, e.g. sales and excise taxes, income taxes withheld at source from the wages, salaries and bonuses of employees and directors, value added taxes (Input and Output VATs) and taxes on dividends. It is quite confusing to detect that sales and excise taxes are included in the sales revenue figure, input and output value added taxes (VATs) are also included in the sales revenue and purchases (or Cost of Sales) components respectively, income taxes are reported under employee

remunerations and withholding taxes on dividends are captured under the distributions to shareholders. These omissions lead to a material misstatement of the values attributed to the government as value added. McLeay (1983) argued that it is prudent to omit such taxes from the values attributed to the government since the *"government sector played no role in the wealth created by the firm"* (Meek and Gray, 1988, p.79). However, this position by McLeay is fraught with limitations since it is the government that provides a conducive atmosphere for business operations, legislates laws, regulations and decrees to permit local and foreign firms to thrive, and regulates the pricing mechanisms for fair trade leading to higher sales and customer satisfaction.

Another problem associated with either the Gross or Net Value-Added approach is the inclusion of Depreciation as a social factor or stakeholder. This overtly conflicts with Freeman's (1984, 2010) generally accepted classification of a stakeholder as a living organism. However, it could be argued that depreciation is a social factor that contributes to value creation in the sense that the physical capacity employed by the firm directly and/or indirectly results in wealth creation on daily basis. In this case, depreciation could be personified as a key stakeholder that aids in the achievement of firm objectives (Bryson, 2004; Friedman and Miles, 2006).

One additional major drawback of the VAS format is the bulk classification of dividends as values created by capital providers. Capital providers should be clearly categorized and classified into their respective pools. There are preference shareholders who are lenders to the company and not bonafide ordinary shareholders. These capital providers are debtholders in reality and they are given priority treatments in distributions of returns (dividends). Moreover, their debts could later mature into ordinary shareholders (irredeemable preference shareholders) or be considered as perpetual lenders (redeemable preference shareholders) of the firm (IAS 32). These financial instruments will require proper disclosures and presentations (IFRS 9; IAS 39; IFRS 7). It should be noted that ordinary shareholders do not always benefit from dividends and they tend to plough-back the profits into the company in the form of retained earnings. A better way of showing these distinct capital providers with varied interests in the firm will be to split the dividends into preference shareholdings and ordinary shareholdings. Most importantly, it will make a lot of economic sense to associate the residual or retained profits to the ordinary shareholdings since such values either result in increased share values of the ordinary shareholders or ultimately redistributed as dividends to the ordinary shareholders.

3.4 The Haller – van Staden Proposed VAS Model

Following some of the above lapses in the mechanics of the traditional VAS format, Axel Haller and Chris van Staden in 2014 proposed an extended format of the value-added statement to incorporate additional sources of value generation and clear-cut streams of value distribution. The proposed format maintained the segmentation of the sources from which values are generated, i.e. the input level, and the channelling or attribution of values to the various stakeholders, i.e. the output level. This paper further improved on the input and output levels by identifying extra sources of values created by the company and possible outflows and representations of all key stakeholders on the face of the VAS. Tables 2 and 3 below show the input and output channels of the VAS respectively.

It is worth noting that Haller and van Staden (2014) recommended such expanded formats of representing values created and distributed with the idea that the VAS could best be adopted as a tool for integrated reporting. This is laudable in the sense that the expanded format tends to encapsulate the multiple capitals from the financial, human and social/relational perspectives. However, this expanded VAS is pivoted on the political economy theory, more tilted towards a classical perspective of profit maximization and meeting economic values. From a theoretical point of view of legitimacy, this proposed expanded VAS format could be further expanded to include additional value metrics that will meet additional needs of the stakeholders.

Below in table 3.1 is the modified Haller-Van Staden (2014) expanded VAS format under which are empirical criticisms that are worth highlighting (at least from both a political economy and legitimacy theoretical points of view) to provide the basis for a more elaborate VAS structure.

Table 3.1: Sources and inflows of Value Added Generated

Panel A: Statement of sources of value added (Value Added Generated)			
	SALES REVENUE	XXXY	
Add	Prior year adjustments: Reductions in provisions for doubtful debts (sales pushed)**	YY	
Add	Prior year adjustments: Recoveries of doubtful debts written off (sales pushed)**	YY	
Adjusted Sales Revenue**			XXXY
Less	Cost of related bought-in materials and services (M&S)	XX	
Less	Decreases in finished goods and/or work in progress**	XX	
Total Cost of Value Added Generated**			(XX)
Sales-Based Gross Operating Value Added = A			XXXY
Add	Increases in finished goods and/or work in progress [less related bought in materials and services (M&S)]	XXY	

Add	Self-produced non-current assets [less related bought in materials and services (M&S)]	XXY	
Production-Based Gross Operating Value Added = B			XXY
Add	Revenues from intangible assets [less related bought in materials and services (M&S)]	YX	
Add	Other operating revenues [less related bought-in materials and services (M&S)]	YX	
Related Operating Value Added from Sources other than Sales & Production = C**			YX
GROSS OPERATING VALUE ADDED (Sales + Production + Other Sources): D=A+B+C**			XYX
Less	Depreciation of recognized tangible non-current assets	XY	
Less	Amortization of recognized intangible non-current assets	XY	
Less	Amortization of internally generated intangible non-current assets**	XY	
Less	Depreciation of self-produced non-current assets deployed for value creation**	XY	
Less	Revaluation losses from recognized tangible non-current assets**	XY	
Less	Impairment losses of recognized intangible non-current assets**	XY	
Operational Reductions in the Generation of Gross Value Added = E**			(XY)
Add	Revaluation surpluses from recognized tangible non-current assets**	XYX	
Add	Impairment surpluses of recognized intangible non-current assets**	XYX	
Operational Increases in the Generation of Gross Value Added = F**			XYX
NET OPERATING VALUE ADDED: G = D + E + F			YYXX
Add	Income from investments and other financial instruments	YY	
Add	Income from disposal of assets, scraps and other investment instruments**	YY	
Net Ordinary Value Added = H			YY
Add	Value added from extraordinary items (less associated costs incurred in the generation of the value**)	YXY	
Add	Value added from discontinued operations (less associated costs incurred in the generation of the value**)	YXY	
Value Generated from Extraordinary Items and Discontinued Operations = I**			YXY
Add	Increases in equity valuations: Stocks/Shares, Premiums and Reserves**	YY	
Add	Positive values arising from revision of debt covenants, e.g. interest rates reduction**	YY	
Less	Upward revision of debt covenants, e.g. increase in interest rates/finance costs**	XX	
Value Generated from Changes in Equities and Debts = J**			YYX
Add	Write-off of liabilities by Suppliers of Materials and Services**	YY	
Add	Tax rebates, Subsidies and refunds from Government and Revenue Authorities**	YY	
Less	Contingent Liabilities provided for prior year and paid for in current period**	XX	
Value Generated from Governments, Suppliers and Contingencies = K**			YXY
Total Value Generated for Retention & Distribution to Stakeholders: L = G + H + I + J + K**			YXYX

*****Asterisked items are amendments made by the researcher to the Haller-Van Staden proposed VAS reporting format.***

A much more comprehensive and systematic study on the VAS (in addition to professional practice and assurance) would identify the following items as worth capturing in the generation of values for the firm. These accounts and modifications of the value items, i.e. the inclusion of

the additional transactions worth classifying as value generation and appropriation items, must be approached with caution because of the current lack of theoretical clarifications or inference. It will make more academic sense if further research is conducted to support these value attribution transactions. The identified value items are strictly supported by existing accounting standards, policy frameworks, as referenced, in addition to the researcher's experience gathered from accounting and audit practice and industry. This should allow for further evaluations and analysis of the proposed updated VAS and value items.

3.4.1 *Prior year adjustments related to sales revenue.*

Sales revenues are basically generated from credit and cash sales to trade debtors or customers. It is imperative to note that not all receipts could be received from the customers. Debtors do default in their payments to the company. This reality allows firms to make provisions for doubtful debts in line with the IAS 8: Accounting Estimates (IFRS 2019). These estimates are charged as expenses and values lost in the financial statements in line with the company's policies. However, there are instances where these bad and doubtful debts are recoverable *(BAF-3.1, Associate Director, (Accountant), 2022; IIE-1.1, Financial Controller, (Accountant), 2022).*

Similarly, situations arise where economic indicators, such as boost in financial performance and positions of trade debtors, could trigger the need to reduce provisions initially made on these customers. These two situations lead to a generation of value to the company. Since they are sales-pushed, it makes economic sense to charge the increased values to the sales figure as a prior year adjustment to the sales revenue figure reported in the VAS. Difficulties associated with this approach is the recognition of total sales as value (*IGS-4.1, Senior Financial Analyst and Local Solutions Expert, (Accountant), 2022)*. Critics have argued that values created should be tangible (real cash sales received) and not abstract (either deferred income or credit sales). Since not all sales are actual cash receipts, a classification of a debt (accounts receivable) as value could be misleading to both the firm and other stakeholders. This is because the reported value (credit sales) might never be realized in real value (cash) should such values (credit sales) run into bad and irrecoverable debts.

3.4.2 *Values from Tangible and Intangible Non-Current Assets*.

Haller and Van Staden (2014) indicated that revenues from intangible assets should be recognized as values. Moreover, any depreciations and amortizations of both tangible and intangible assets should be accounted for in the value generation activity. These propositions are

consistent with the provisions of IAS 38 and IAS 16. The accounting standards do not permit for internally generated intangible assets to be recognized in the books unless they meet the strict criteria of identifiability, control, probable future economic benefits and reliability in measurement (IAS 38; PwC, 2019; IFRS 2018, 2020). However, what the accounting standards fail to recognize is that, though these items might not be reported as assets, yet they significantly contribute towards the creation and generation of values for the firm and society. It will thus make economic sense to report values generated from these (internal intangible) sources as well as adjust for any associated amortizations and devaluations.

3.4.3 Revaluations and Impairments.

Revaluation of assets could result in surpluses just as impairment reviews could lead to reversals of initial impairment charges. It is required by the accounting standards that all revaluation surpluses be charged to a reserve account and impairment reversals to be credited as income in the profit and loss account (IAS 36; PwC, 2019; IFRS 2018, 2020). These positive values need to be reflected in the VAS as potential increases in values created and generated for stakeholders of the company. Similarly, any corresponding revaluation losses and impairment charges should be adjusted for in the VAS as reductions in value generation. Regardless, we need to understand that any revaluation reserves credited to a prior Revaluation Surplus Account as “wealth created” cannot be subsequently distributed as a reserve (IAS 36; IFRS 2018, 2020, 2022). Such undistributable reserves can only be represented on the face of the financial statements and subsequently offset against corresponding impairment losses as required by the IFRS reporting framework *(BAF-3.1, Associate Director, (Accountant), 2022; BAF-1.1, Audit Partner, (Accountant), 2022).*

3.4.4 Values from Extraordinary Items.

Haller, Van Staden and Landis (2018)’s study clearly captured values accruing from extraordinary items and discontinued operations; however, they refused to recognize and adjust

for any associated costs incurred in the generation of values *(BAF-1.1, Audit Partner, (Accountant), 2022).*

3.4.5 Value Generation from Equities.

Although extensive research has been carried out in the recognition, reporting and presentation of the VAS, no single study exists which scoops out the values generated from the changes in equities. The VAS has been primarily limited to the income statement with no recourse to the values generated and retained from the other segments of the company, namely from the perspectives of the Statement of Financial Position or Statement of Cashflows. This has been the major drawback of the study on the VAS *(IIE-3.1, Vice President – Internal Audit, (Accountant), 2022).*

According to a practitioner in a Big Audit Firm, a reasonable approach to tackle this will be to report values using a holistic approach, encompassing the entire reporting dimensions of the company. Shareholders stocks appreciate in value and result in share price increases. Loan and debt covenants are periodically revised between the two parties to allow for ease of payments. These revisions result in favourable interest rates, say reductions in base rates. These are positive values created by the firm, arising from changes in equities and debts and must be recognized and reported as values generated from changes in debt covenants and equities *(BAF-1.6, Senior Associate, (Accountant and Sustainability Advisor), 2022).*

3.4.6 Value generated from suppliers and the state.

Suppliers of bought-in materials and services are key to the value creation and distribution system. It is paramount to report the values created from them in addition to appropriating the values to them. Governments provide rebates and tax reliefs or refunds to the firm. Also, the government could provide either conditional or unconditional grants to the firm in order to satisfy certain public needs (IAS 20; PwC, 2019; IFRS 2018, 2020). Similarly, suppliers of materials could provide bulk discounts or total write-off of liabilities owed by the company. In the same vein, prior year contingent liabilities could materialize in the current reporting period which could command a financial toll on the organisation.

It is quite informative to note that both practising accountants and non-accountants involved in corporate sustainability and value-added reporting confirmed that an appropriate value reporting system should report the positive values generated from the government grants and subsidies, and trade payables write off. Secondly, materialized contingent liabilities should be adjusted for in the value generation activities of the firm *(BAF-1.3, Associate Director, (Accountant), 2022); BAF-2.1, Senior Manager, (Accountant), 2022; BAF-1.5, Senior Manager, (Accountant), 2022; (IGS-2.1, Sustainability and Natural Resource Expert, (Non-Accountant), 2022; IGS-3.1, Financial Analyst and Local Solutions Expert, (Accountant), 2022).*

Table 3.2: Appropriations and outflows of Values Generated

	Panel B: Statement of Value Added Appropriation (Value Added Distributed)		
Employees' Share			
	Net Wages and Salaries (including Directors' Fees and Emoluments**)	***YYXX***	
Add	Contributions to Social Security and Pensions withheld	***XY***	
Add	Pension Premiums	***XY***	
Add	Statutory Health Insurance Levies **	***XY***	
Add	Other additional employee benefits and emoluments	***XY***	
Add	Periodic Bonuses (and one-off awards **)	***XY***	
Total Employees' Share: A			***YYXY***
Government and Society's Share			
	Corporate Income Taxes	***XXYY***	
Add	Indirect Taxes (e.g. VAT, tariffs, duties, sales taxes)	***YX***	
Add	Other public charges, levies and duties	***YX***	
Less	Government Subsidies, Rebates and Refunds	***YX***	
Add	Income Taxes (PAYE and WHT) from employees' and directors' pay **	***YX***	
Government's Share: B			***XXYX***
Add	Donations to society, Local Councils and Funding Agencies	***XYXY***	
Add	Support for Public Opinions and Related Sustainability Activities (e.g. cost of reducing pollution and carbon emissions, sensitization programmes, public awareness, etc.) **	***YY***	
Add	Infrastructural support to the community (e.g. schools, boreholes, hospitals, etc.) **	***YY***	
Add	Scholarship schemes set-up and disbursed to the public **	***YY***	
Add	Other contributions to society and social activities	***YY***	
Society's Share: C			***XYYY***
Total Contributions to the Public, Society and Government: D = B + C			***YYXY***

Capital Providers' Share			
	Interest paid/Finance Cost	***YXYY***	
Add	Dividend and other payments to Shareholders	***XX***	
Add	Appreciation in Stock Values for Ordinary and Preference Shareholders **	***XX***	
Total Capital Providers' Share: E			***YXYY***
Suppliers and Other Vendors' Share *			
	Payments for Bought-In Goods and Services **	***XXY***	
Add	Payments to Energy providers and related service providers **	***XXY***	
Total Contributions to Suppliers and Other Vendors: F			***XXY***
Value Added Retained in the Organisation		***YXY***	
Add/Less	Additions or Reductions to Retained Earnings	***XYX***	
Total Retained in the Organisation: G			***YXXY***
TOTAL VALUE ADDED DISTRIBUTED: H = A + D + E + F + G			***YYYXX***

*****Asterisked items are amendments made by the researcher to the Haller-Van Staden proposed VAS reporting format***

Following from table 3.2 above, an equally systematic study on how the generated values are distributed to the stakeholders could signal a form of power-play in the appropriation process. The major stakeholders are given prominence in the value distribution whereas the significant "minority" are rarely represented.

3.4.7 Appropriation of Financial Values.

Principally, the *panel B* illustrates how the generated values have been appropriated to the respective stakeholders in financial terms. The research expanded on the proposed Haller-Van Staden's (2014) model by introducing key distribution points such as the suppliers and vendors of materials and services. In addition, this study clustered all taxation elements under the government's share since taxes are either directly paid or withheld at source to be passed onto the government in the long-run. The researcher also provided a detailed breakdown of the streams of supports (outflows, distributions and appropriations) to the society or public. This is designed to court the public's buy-in and meet their specific information needs other than bulking up the appropriations in one financial transaction (O'Dwyer, 2011; O'Dwyer et al., 2011).

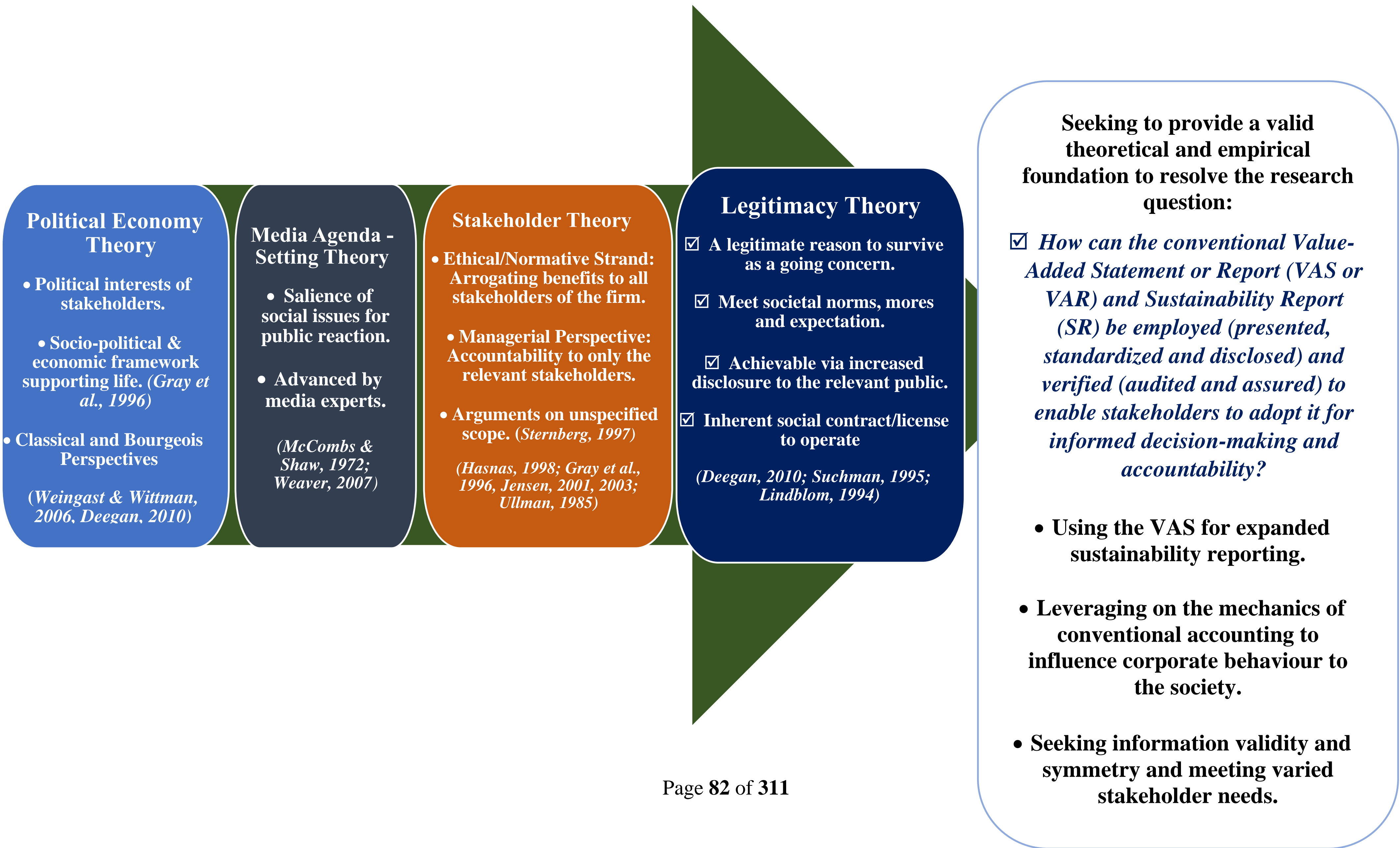
3.5 Conclusion

Studies on VAS in both emerging and developed economies, how the tool serves a mechanism for corporate accountability to key stakeholders and how it satisfies both the financial and non-financial information needs of the relevant publics will be more useful if researchers could expand their scope by undertaking more empirical case studies on the model. This will not only lead to a possible production of a Fourth or Fifth Financial Statement, but also give rise to sustained legitimacy due to the incorporation of additional value metrics. To retain and maintain legitimacy, the proposed scope extension should not just aim to reconcile the VAS to traditional financial statement, as detected by Haller et al., (2018), lest the VAS cause be limited to economic value measurement (typical of the classical political economy theory). Instead, the VAS should be holistic in nature, encapsulating all dimensions of the company including social, environmental and governance of the company with the aim of holding firms accountable to their stakeholders and contributing towards the provision of relevant information needs of its users.

If the VAS is considered a bridge between conventional accounting and sustainability reporting, then it should not just be limited to the mere commodification of social and environmental phenomena, but to incorporate easy-to-understand narratives, footnotes and disclosures for the unsophisticated stakeholders (Coulson, 2016). In addition, to bridge any perceived legitimacy gap that corporations might have incurred over the past, a detailed corporate disclosure using VAS should encompass the various dimensions of sustainability. For instance, since customer satisfaction, safety and security of the community, child labour risks, quantums of greenhouse gas (GHG) emissions and volume of reduction in pollution cannot be accurately quantified in monetary terms, an expanded VAS should provide detailed narratives disclosing these created values. This will possibly result in courting the support and patronage of more financial and non-financial users of corporate reports (Andon et al., 2015; Mitchell et al., 2015; O'Dwyer et al., 2011).

There is, therefore, a definite need for the expansion of the VAS to be deployed as a legitimate sustainability reporting tool, in which it will report on the economic, social and environmental values. The VAS should be clearly linked to the overall operating segments and perspectives of the company and should be clearly expressed in figures, narratives, possible graphs, charts, diagrams and concepts to meet a holistic need (i.e., informed and valuable decisions by the relevant publics. This will equally pave the way to adopt a multi-disciplinary assurance approach over the VAS and Sustainability Reporting activities of corporate entities.

Figure 3.1: Reconciliation of applicable theoretical frameworks to achieving information (value) usefulness to stakeholders.



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Chapter 4

Research Methodology

4.1 Introduction and Context

As discussed in chapter 3, it is evident that a substantive form of legitimacy provides a valid position and identification of an avenue of thinking around value-added reporting for sustainability. Riding on the merits of Legitimacy Theory, the VAS could typically be expanded to incorporate measurement criteria for assessing and recognising sustainability as well as set out the platform for incorporating non-financial components of values created by the organisation for the wider stakeholders. Conclusively, the previous chapter on market application of Legitimacy and analysis of the VAS confirmed that the VAS is a valid tool for advancing the accountability aspects of sustainability and also ensuring that measurable values are created by and for the wider stakeholder groups.

The methodological approach taken in this study is a mixed methodology based on the need to demand and supply appropriate corporate reporting contents that meet the needs of the provider (reporting firm) and the respective wider stakeholders. In addition, since the research work further considers the argument for corporate accountability to a wider stakeholder group, a mixed methodology that blends an empirical analysis and discussion of both quantitative metrics and qualitative reasoning (underlying narratives or disclosures) behind these reported metrics is deemed suitable. A blend of both the quantitative and qualitative metrics provides a holistic view for understanding corporate accountability and clearly charts an argument and basis for any reported quantitative variables. To clarify the above assertion, this thesis focuses on finding better ways to better integrate the needs of the wider stakeholder groups into valuation-based financial reporting rather than more narrative or quantitative non-financial disclosures since this is a relatively under-researched gap in the field of Accountancy.

In addition to the above, I adopted the Social Constructionism Philosophy for this thesis since I believe that social actors and professionals in the field of Corporate Reporting must converge to construct meaningful knowledge for our conventional accounting and sustainability reporting practices. For instance, the need to co-opt auditors, corporate accountants and sustainability reporting advisors or experts will definitely determine the proper content and variables that need to be incorporated into corporate accounts in order to achieve the dual aims of firm accountability

and supply of relevant and useful information to meet the requisite demands and/or make informed decisions.

A case study research method was used for this thesis with the focus on South Africa as an emerging economy. The reason for a choice of a case study hinges on the fact that it is ideal for the researcher, an early career researcher and academic, to leverage on a single case study approach to extrapolate research findings and draw out corroborative evidence to support the need for leveraging on accounting practice to promote value-added and sustainability reporting.

The secondary data analysis was generated from the Johannesburg Stock Exchange (The JSE Ltd) (South African economy). South Africa is chosen as a case study given the advancement they have made in the area of value-added reporting (via the use of the VAS) and sustainable development, regardless of their status as an emerging economy in the field of corporate value-added and sustainability reporting practices. Additionally, South Africa as an emerging economy is chosen as a case worth studying due to the researcher's extensive background experience in working in emerging countries in which such economies tend not to have robust corporate value-added and sustainability reporting regimes that regulate corporate activities. For instance, until recently, an emerging economy like Ghana did not have a well-documented corporate governance code that regulates corporate functions to achieve value for money, efficiency and effectiveness within organisations. However, it must be noted that the South African serves as the focal emerging economy used for this study with the aim of potentially extrapolating the research findings across other emerging economies, as practicable as possible.

Following from the above, primary data was collected through one-on-one interviews (via recorded zoom video calls) from corporate and sustainability reporting experts and practitioners who have in-depth and adequate years of field experiences in emerging economies like South Africa and Ghana. Primary data collected spanned sectors such as mining and extraction, corporate reporting and accounting advisory services, local solutions and financial analysis, financial services, internal audit, energy and oil management, management accounting services, and sustainable development and natural resource management fields. The reason for the choice of these sectors is to ensure a comprehensive and holistic coverage of value-added and sustainability reporting practices within South Africa and its affiliates. Such an approach will aid with corroborating evidence to address the research question on how the mechanics of traditional accounting could be deployed to meet the sustainability reporting needs of the wider stakeholders and to also hold operating or reporting firms accountable for their operations.

4.2 Methodology

4.2.1 Preamble

Conventional accounting practice is widely regarded as a fundamental operational and reporting function of any viable business organisation. Theoretically, accounting plays a critical role in the maintenance of financial management knowledge base, which provides a platform for academic research and professional practice (Collier, 2001; Bebbington et al., 2014). In the history of corporate financial management and sustainability, accounting has been thought of as a key factor in maintaining financial integrity of the books of accounts, in addition to consistently ensuring the inclusive sustainability of the firm. To date, questions have been raised about the constancy of accounting, especially in the light of its regular modifications, revisions and amendments (Vinten, 2005).

This debate calls for the need to clearly define the ontological assumptions, i.e. the structure and nature of accounting as a knowledge base or discipline of study. In addition, for accounting to be sustained as a fulcrum of financial management and sustainability practices, scholars and practitioners should clearly decide the manner and mode through which such knowledge could be acquired and justified as a true belief system, i.e. its epistemological positioning, in corporate governance (Ryan et al., 2002).

4.2.2 Ontological Assumptions

Ontology is a branch of philosophy that refers to the process by which knowledge is acquired and critically examines the nature and structure of the being (format or embodiment) of knowledge. In simple terms, it means the reality of knowledge and how to practically realize what knowledge is. In broad terms, ontology encapsulates the study of "being" and the understanding of "what is" knowledge in which case it narrows down to the existence and interrelationships between the social actors, cultural norms and social structures within the social world (Jupp, 2006; Snape and Spencer, 2003).

The approach used to critically understand and acquire knowledge under the ontological perspective is similar to that of the epistemological positioning in terms of categorizing such modes as objective or subjective. Mostly, ontology tends to classify knowledge constructions as

realism or abstractions for which reason researchers tend to differ in their understanding of the social world (of knowledge) depending on their leaning to a particular paradigm (Scotland, 2012). For instance, it is argued that research approaches that are typically qualitative in nature are tilted towards the abstractions although they can be very context-dependent and focused on the provision of meanings to concepts whereas quantitative researchers consider discussions and debates centred on empirical datasets other than definition and meaning of concepts as well as often rely on abstractions and generalisations (Goertz and Mahoney, 2012). Hence, the ontological positioning of a typical accounting practice or quantitative accounting and finance research work will be more of objectivism as compared to a qualitative accounting practice or research activity.

The above varied ontological positioning in accounting research and practice could possibly account for the disparities among academics and practitioners (e.g. academics vs. academics, academics vs. practitioners, and practitioners vs. practitioners) on clearly measuring and ascertaining a definite approach to the understanding of the social world (of accounting practices, principles and standards). It is almost certain that the continuous interaction between accounting researchers and practitioners had led to the consistent modifications, amendments and revisions to accounting standards and the enactments of new standards to regulate the world of corporate reporting.

Due to varied claims regarding the nature, structure and being of knowledge, the ontological position of one scholar or philosopher (even in the same field of study) could be dramatically different from the other with sharp contrasts, contradictions and be completely unrelated or unconnected to the other (Rawnsley, 1998). The idea that ontological positioning could drastically vary from one philosopher to the other was further trumpeted by Ryan et al., (2002, pp. 36 – 39) where the researchers identified six (6) ontological assumptions associated with particular schools of thought in the realm of the social sciences. In other words, the researchers described these six (6) ontological assumptions as alternative of understanding the real world (of knowledge) where these views are ranked from the most objective to the most subjective as tabled below.

Table 4.1 Six Ontological Assumptions

1	***Reality as a Concrete Structure*** - the external world is taken for granted and rather characterized by objective facts, figures and findings that can be appropriately verified ***(Naïve Realism).*** This level of Reality is Fully and Extremely Objective in nature.
2	***Reality as a Concrete Process*** – This position relaxes slightly on the axiom that reality is embedded in physical and social objects; instead, reality is assumed to subsist within relationship and generic laws, decrees, enactments and legislations that describe how things change from time to time ***(Transcendental Realism).*** This level of Reality is Slightly or Moderately Objective in nature.
3	***Reality as a Contextual Field of Information*** - Knowledge is acquired as a result of human beings continually processing information, learning and adapting to their known environments ***(Contextual Relativism).*** This level of Reality has the Lowest Level of Objectivity.
4	***Reality as a Symbolic Disclosure*** - Reality of knowledge is not necessarily a set of rules and laws; instead, it is embedded in the meanings and norms which are created through human experiences of events and situations and shared through social interactions ***(Transcendental Idealism or Kantian Philosophy).*** This level of Reality has the Lowest Level of Subjectivity.
5	***Reality as a Social Construction*** - Reality of the social world of knowledge is recreated by the human and institutional actors with their everyday encounter; Reality is the accomplishment of individual sense-making of events in the social world ***(Social Constructionism, Individual Constructionism or Socially Mediated Idealism).*** This level of Reality is Slightly or Moderately Subjective in nature.
6	***Reality as a Projection of Human Imagination*** - Reality of the social world and of the body and acquisition of knowledge exists only in the individual consciousness or human imagination and individual feelings; there is no room for empirical research ***(Idealism - Berkeley's Philosophy).*** This level of Reality is Extremely Subjective in nature.

Source(s): Adapted and modified from Morgan and Smircich (1980, p.492) and Ryan et al., (2002)

In their ground-breaking analysis of the six ontological assumptions underlying corporate financial management practices as summarized in table 4.1 above, in addition to their

justification that knowledge construction falls into either of two strands - Objectivism and Subjectivism – Ryan et al.'s (2002) philosophical positioning requires a contextual analysis and alignment of the corporate reporting practice. Of these strands, the researcher sought to identify the ideal philosophical position that could obtain and ensure a balance between assessing the costs or valuation of sustainability and narrating the impacts of these value-added activities. Effectively, the researcher's position is to ideally gravitate between the highly qualitative and quantitative dimensions of gaining constructive knowledge and understanding the realities of value-added and sustainability reporting through the use of the above philosophical strands in table 4.1. The following sections below examine an in-depth and specific discussions of the alignments of the epistemological and ontological positionings to corporate reporting among preparers, reviewers, regulators and users of these reports.

4.2.3 Epistemological Positioning

Historically, the term epistemology has been used to describe the sources of knowledge and its origins and structure; in simple terms, epistemology defines what knowledge is and/or what is the (our) generic or specific understanding of knowledge. Rawnsley (1998) argued that a key number of human activities that fall within the scope of epistemology as a branch of philosophy include belief, conception, perception, imagination, inference, recollection or remembrance, collaboration, reflection and construction of knowledge. Rawnsley (1998, p.2) pointed out that these human practices and/or principles tend to "struggle with the possibilities and limits of human knowledge" and become central to all social research requiring investigative approaches. This stance is similar to the assertion found in Ryan et al., (2002, p.11) who indicated that epistemology underpins the practices of how knowledge can be acquired in order to confirm a "justified true belief" system. The approach to defining what knowledge is, according to Ryan et al., (2002) is similar to Rawnsley's (1998) positioning in that the researchers identified "the nature of belief, the basis of truth and the problem of justification" as the three functional issues underpinning the philosophical branch and scope of epistemology. It is worth mentioning that epistemological positions will usually result in either of two strands, i.e. either of an Objective or Subjective standpoint.

To relate the above concept and context of epistemology to accounting practice, it is widely accepted that the financial statements (together with its related and accompanying notes to the

accounts) are pertinent to the informed decision making of users of these reports. However, it is not merely the format of the financial statements that inform the decision points of stakeholders; rather, it is the extent to which these stakeholders believe, perceive, conceive, imagine and evaluate the reported statements to be true that informs their decision making. What most stakeholders do not consider is the error margins of the reports especially in the case of placing reliance on audited or assured corporate reports which includes the financial statements (Velte and Issa, 2019; Harrison and van der Laan Smith, 2015). A likely explanation of this extent of reliance on corporate reports is that, wider stakeholders might relatively believe that the source and origin of their knowledge (of financial information for taking decisions and holding firms accountable for their performances) is founded in the true and justifiable empirical data that have been vouched by professional accountants and subject matter experts.

One major criticism of epistemology as a branch of philosophy is that, knowledge can best be defined and acquired through rationalism, i.e. logical reasoning of facts, figures and findings alike; and empiricism, i.e. where experience over time serves as the basis for justifying a belief (Ryan et al., 2002; Rawnsley, 1998).

4.3 Contextual Alignment of Corporate Reporting

Practitioners have, since the nineteenth century, recognized and prided their functions as duties that serve the common good and public interest (Walton and Aerts, 2017, pp.48-49). However, given the varied, diverse and unrelated stakeholder (public) interests, coupled with the extent to which key stakeholders hold corporate entities accountable for their performance, the theme and definition of a common public good has been questioned by both academics and practitioners alike (Spencer, 2020). For instance, the interests of investors and shareholders to maximize their profits and appreciate their stock values are anachronous to the common good and public interest. This is primarily because shareholder interests could lead to the opportunity costs of forfeiting CSR and charitable activities that promote the public good in order to leverage on higher returns in the short to medium term. By contrast, social accountants or social auditors whose interests in the corporate reports are geared towards ensuring social justice will sometimes look at social values created by the firm through quantifiable and measurable commodities administered to the public although social accounting is often focused on narratives and non-financial disclosures.

It is evident from most published corporate reports that both the quantitative and qualitative metrics are duly and comprehensively highlighted. For instance, a typical annual (integrated) report of a company will provide detailed disclosures and supporting narratives to explain the figures reported in the financial statements. These narratives and disclosures comprise the core and crust of these corporate reports since they provide the basis upon which stakeholders could appreciate the reported numbers. In addition, the narratives and footnote disclosures that walk hand-in-hand with the reported figures provide in-depth reasoning that could propel the users of these reports to hold the firms accountable and question the basis for the financial reports.

A possible alignment of the quantitative reporting metrics (the financials) in annual integrated reports to the above ontological assumptions is a leaning towards the Naïve Realism. There are two likely justifications for this alignment and leaning; one, the financials of any integrated annual reports are robustly quantitative and duly supported with graphs, charts, tables and figures. Secondly, these quantitative variables could be easily validated (verified, audited and assured) by benchmarking the reported variables against set standards, codes and regulations such as the IFRS, Companies Code, ISAs and IAS. Conversely, the narratives, footnotes and disclosures that accompany corporate reports and form the crust of sustainability report tend to generally lean towards the ontological assumption of Social Constructionism, Individual Constructionism and Socially Mediated Idealism. Generally, respective users of corporate reports derive meanings from segments and class of accounts as per the integrated reports. These directed readings enable the stakeholders to construct knowledge of the corporate accounts and make informed individual and corporate decisions. In addition, since the qualitative metrics (narratives, disclosures and footnotes) could be, to a very large extent, be connected and reconciled to the reported financials, it is ideal to align the Social/Individual Constructionism or Socially Mediated Idealism as a suitable ontological assumption on the basis that these metrics are not purely subjective nor extremely objective but rather lies in between the two extremities, i.e. the qualitative reports are moderately objective and subjective in nature.

Critics of corporate reporting contend that qualitative dimensions of corporate reports such as the CSDs and SRs tend to disconnect the impact of the reported externalities from the figures (Unerman et al., 2018). Thus, it is perceived and generally understood that the "financial dimensions of many externalities are opaque" in corporate value-added and sustainability reporting (Unerman et al., 2018, pp.498 - 499). To bridge the seemingly broader gap between Naïve Realism strand and the Social Constructionism, Individual Constructionism or Socially

Mediated Idealism ontological strands of corporate reporting, it will be appropriate to break down the silos between the financials and narratives which could be best achieved by linking up the economic and financial aspects to the social, and environmental dimensions of corporate reporting. One possible implication of establishing a proper connection between the financial and sustainability components of corporate reports is that preparers, reporters, assurors and users of these reports could draw on both the numbers and externalities to make informed decisions and hold companies accountable for their reported metrics or performances.

As it stands, the researcher assumes that the ideal positioning or philosophical strand for corporate value-added and sustainability reporting lies between the strands 3 and 4, i.e., *Reality as a Contextual Field of Information (Contextual Relativism)* and *Reality as a Symbolic Disclosure (Transcendental Idealism or Kantian Philosophy).* To the researcher, knowledge of accounting practice falls within these middle grounds of the six-strand continuum. This is because there is a form of an overlap in terms of what information (corporate accounts on value-added and sustainability activities) means to different stakeholders and what such information represent to individual constituents within the wider stakeholder groups. Accounting is a social practice that functions as a provider of information for decision-making by the wider stakeholders. However, accounting provides different layers of information for various and respective interpretations. Thus, the reality of profits and revenues, for example, becomes relative to different stakeholders within the wider group of beneficiaries which allows respective stakeholders to process such provided information within the context of his/her own information needs, level of understanding and interpretation. This could be argued out on the basis that accounting standards such as IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* allows reporting entities to apply relativism in their choices of selecting and applying accounting policies and estimates and reflecting corrections of prior year adjustments. This operating standard permits organisation ABC to report their social practices in a way that may be different from another entity, say company XYZ who operates in the same sector as ABC.

On the other hand, the researcher positions himself around strand 4 – Transcendental Idealism since there are some degrees of subjectivities in making meanings out these shared social processes of constructing knowledge and making meanings of these reported knowledge, i.e. the corporate value-added and sustainability reports. This is acceptable in the field of accountancy on the basis that corporate reports, though prepared on the foundations of accounting standards, rules and regulations, yet the respective constituents within the wider stakeholder groups tend to

make informed decisions through individual interpretations of the reported financials and experiences of their varied situations and social interactions. In effect, the researcher, who believes in the power of numbers but believes that the numbers alone do not convey full meanings and values to the respective stakeholders, gravitates towards the middle third and fourth philosophical positions of the six ontological assumptions described in table 4.1 above.

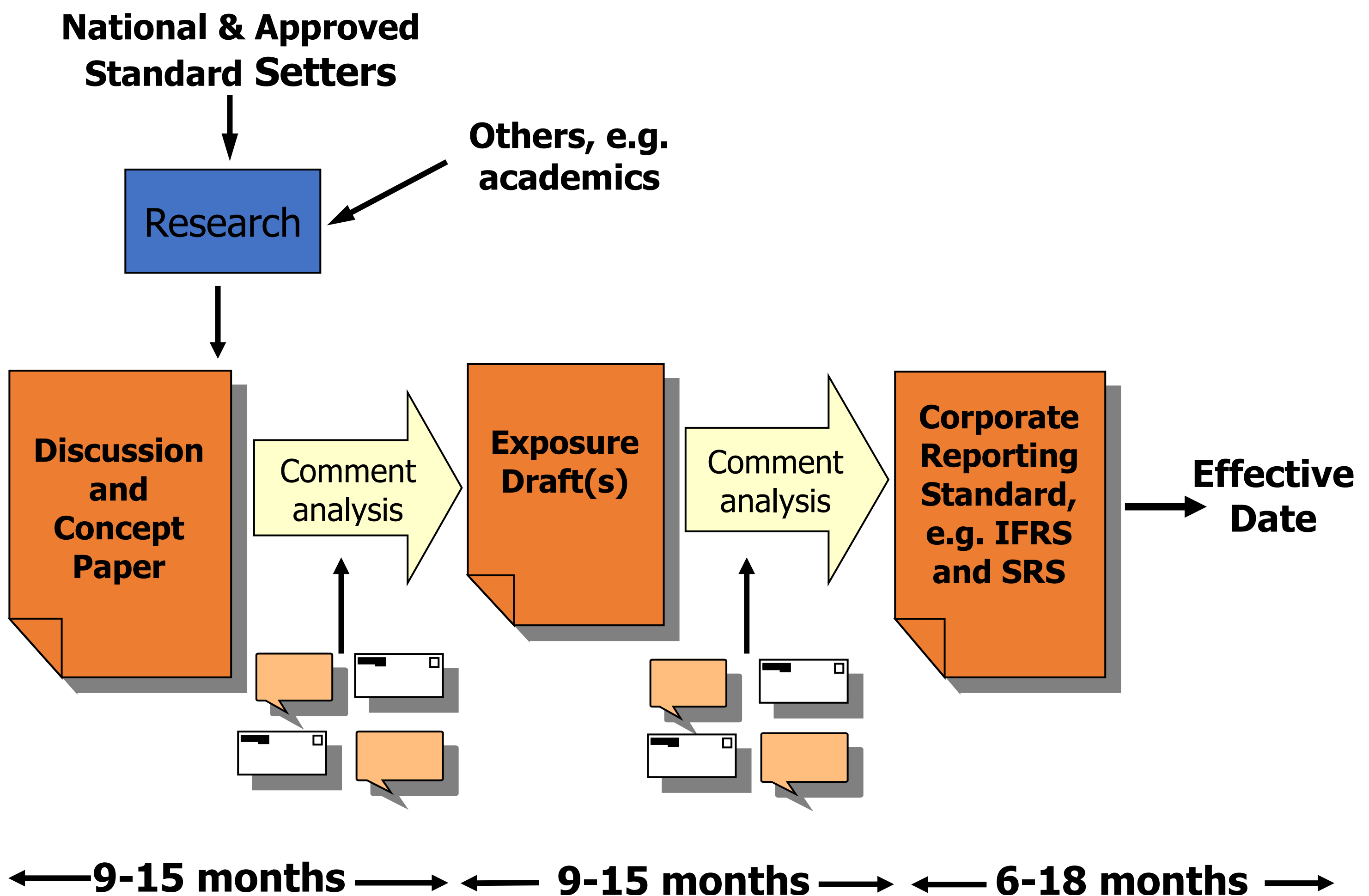
4.3.1 Philosophical Position underlying Standards and Application of Reporting Frameworks

Over the past three decades, detailed constructive processes have been instituted by the Financial Accounting Standards Board (FASB), International Accounting Standards Board (IASB), International Federation of Accountants (IFAC) and related standard setting bodies to develop, modify and promote a single accounting standard (Aerts and Walton, 2017). The intensity, collaboration and research that goes into the standard setting process could span a couple of years before finalization of an applicable standard for practice and implementation. Perhaps, this detailed approach is undertaken to underscore the legitimate rights of organisations to operate I the society whilst aiming to supply reliable and relevant information to its key or wider stakeholders (Donovan, 2002; Deegan, 2010). In *Figure 4.1,* there is clear evidence that the standard setting process could take up to 4yrs to conduct meaningful research, draft discussions papers and solicit comments on exposure drafts before finalizing a single accounting or corporate reporting standard. The possible intent for the detailed standard setting process is to permit a reasonable benchmark with which to objectify datasets generated from corporations. Pelger (2016) specifically confirmed that the body of knowledge generated from the inception to the completion stages of the standard setting process are calculated and designed to objectify data in order to enhance and promote valuation usefulness of such datasets.

Per figure 4.1 below, corporate bodies and regulators involved in the ongoing discussions surrounding sustainability and value-added reporting could leverage on the robust standard setting framework or processes adopted by conventional accountants. This will ensure the buy-in and contributions from practitioners, academic researchers and users of these sustainability and value-added reports. The varied contributions from key stakeholders will equally enhance the global acceptability of any agreed sustainability and value-added reporting standards or principles. However, as clearly noted in figure 4.1, it could take a couple of years to complete a

single sustainability and value-added standard which could undermine the timely adoption of a standard for implementation in corporate reporting practices. This is because the conceptualization, designing and drafting of a standard, coupled with its reviews, modifications and amendments by the respective stakeholders require constructive analysis and discussions that calls for adequate investment of time and money into the entire standard setting processes.

Figure 4.1 – The Financial Reporting Standard Setting Process



Source: Adapted and modified from Aerts and Walton, 2017

Similar to the positions argued above, Nichols et al. (2012) reiterated that regular post-implementation reviews are held by the standard setters to maintain alignment with professional and industrial practice with the aim of achieving a benchmark objective interpretation of reported data. It is, thus, not surprising that current professional practice regularly calls for consistent

reviews of financial reporting standards, such as the yearly reviews of *IFRS 16 – Accounting for Leases and IFRS 15 – Revenue from Contracts* to maintain its relevance and usefulness to the needs of the contemporary business world. In the same vein, the evolution and regular modifications of corporate reporting environment and tenets have significantly enhanced SRs, CSR Reporting, CSDs and other qualitative value-added reporting functions of corporations (Hsu and Chen, 2020; van der Laan Smith et al., 2014; Weerathunga et al., 2020).

The adoption, use and interpretations of corporate and sustainability reporting standards tend to differ from the standpoint of the implementers. Firms are at liberty to adopt accounting estimates and standards that conform to their operational needs and as applicable to the firm's purpose for existence (PwC, 2019). In the same vein, the entire standard setting process is not devoid of undue influences and lobbying from key regulatory bodies like the Securities and Exchange Commission, thereby typifying subjectivism in the design and implementation of the reporting framework (Morley, 2016; Zeff, 2018).

4.3.2 The Realism of Knowledge and Interpretation of Reported Data

To determine the extent to which accountants could communicate realities to the users of corporate reports, Hines (1988) articulated the prominent stance that interpretations of financial data are usually couched by the social groups that generate, prepare, report and/or interpret these components of knowledge. Similar to Hines' (1988) proposition, Sunder (2016) further argued that FRS are not holistic enough to provide detailed explanations of the social dimensions of business life. Instead, it is imperative for human social efficiencies to be employed in the subjective and relative interpretations of social accounting practices. Consequently, it is admonished that a neoliberal common-sense approach should be adopted in the subjective application of financial and sustainability reporting standards, objective reporting of quantified data and the complementary objective-subjective interpretation of the corporate integrated reports in order to add value to stakeholders' lives (Mantzari and Georgiou, 2019). Drawing on the above positions, accounting researchers and practitioners have acknowledged that the realism of knowledge and its concomitant interpretation of the reported corporate data are subject to the user's needs, desires and expectations. For instance, the reported profits will be categorized as materially relevant and objective to the investor due to its translation into dividend payments to these stockholders. On the other hand, the same reported profits could be categorized as

abstractions to the community pressure group who tend not to benefit from the liquidity flow emanating from these company profits.

Other authors have argued that the reality of knowledge is interwoven into the divergent needs of the users of these corporate reports. In his seminal article, Spencer (2020) concluded that stakeholders do not have a common interest. The varied interests of these stakeholders could likely result in the individual construction of knowledge that meets those personalized needs or interest. For this reason, it is imperative to provide adequate supporting narratives, footnotes and disclosures that are geared at satisfying the common good but divergent interests of the greater public or wider stakeholders. Thus, the researcher's methodological positioning around contextual relativism and transcendental idealism paves the way for the wider stakeholder groups to choose and pick dimensions of corporate reports that meets their contextual demands or needs as well as helps them to make sense of the social world in which they live. A balance between these two methodological positioning will potentially help corporations to sell out their reported metrics and sustainability disclosures to the wider stakeholders whilst ensuring that the reporting entity accounts for its operations and simultaneously meets the information demands of their stakeholders. This could be undertaken on a case-by-case basis, a potential reason why the case study research method was used for this thesis in order to clearly set out boundaries against which to assess the extent to which companies could reliable meet the needs of their key stakeholders to underscore legitimacy (Yin, 2009; Yin, 2014; Donovan, 2002).

Below in figure 4.2 is an illustrative mind map summarizing the above discussions into three main dimensions – the objectification of data, interpretation of data and the reality of the reported data to members of the wider stakeholder groups.

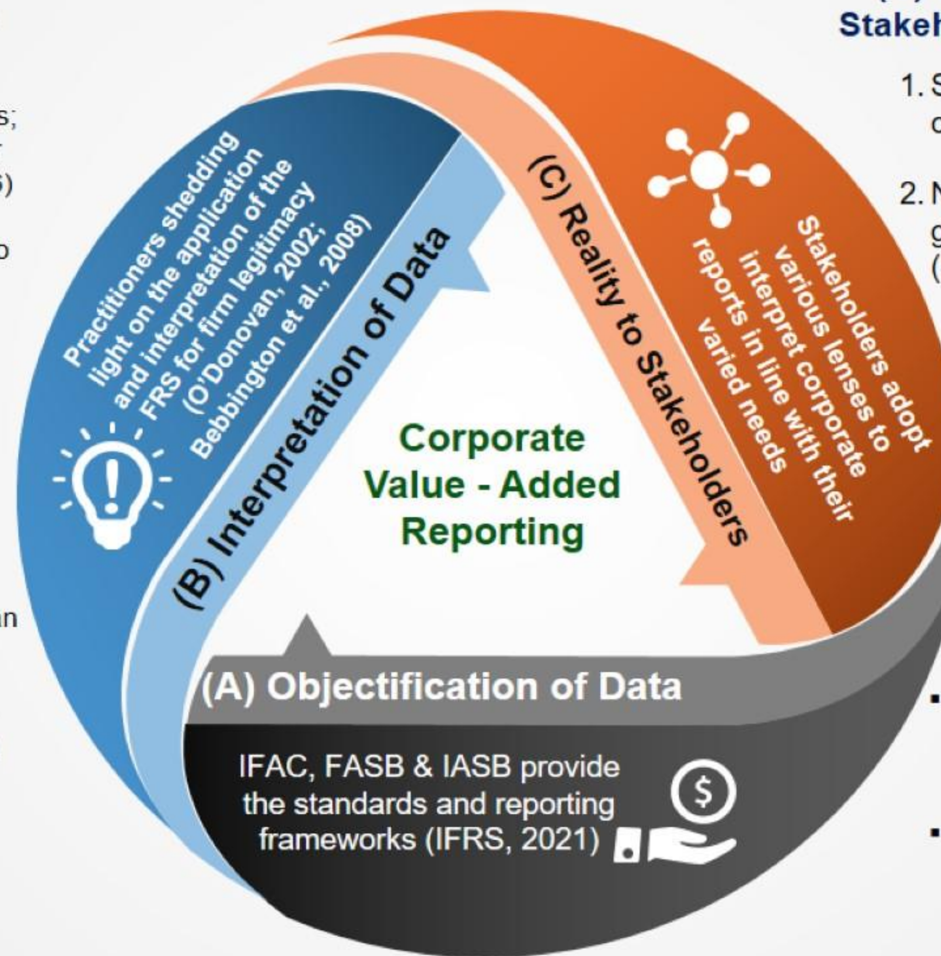
Circular Analysis of Value-Added Reporting: Objectification, Interpretation and Use of Data

(B) Objective vs. Subjective Interpretations

- Social Groups couch and interpret data (Hines, 1988)
- FRS biased towards quantitative metrics; human social efficiency is necessary for subjective interpretations (Sunder, 2016)
- A neoliberal common sense approach to standards application and subjective interpretation of information to stakeholders (Mantzari and Georgiou, 2019)

(A) Process of Standardization

- Detailed constructive process in setting an FRS (Aerts and Walton, 2017)
- Body of knowledge designed to objectify data to promote decision usefulness and accountability (Pelger, 2016)
- Standard setting process not devoid of undue influences from key regulators (Morley, 2016; Zeff, 2018)



(C) Stakeholders as Users of Data/ Stakeholders through Social Contracts

1. Stakeholders have divergent needs, not a common interest (Spencer, 2020)
2. Need to focus on meeting the common good and interests of the greater public (Spencer, 2020)

(A) Standards: Flexibility, Implementation and Impacts

- Firms are flexible to adopt estimates and standards as applicable (PwC, 2019)
- Regular post-implementation reviews held for alignment and objective interpretations (Nichols et al., 2012)
- Evolution of corporate reporting has enhanced SR and value reporting (Hsu and Chen, 2020; van der Laan Smith et al., 2014; Weerathunga et al., 2020)

Source: Tawiah, Richard (2023) on Circular Analysis of Corporate Value-Added Reports (FRs and SRs)

4.4 Social Constructionism as Ontology and Epistemology

Historically, there has not been any single concise and universally accepted definition of Social Constructionism as a Philosophy or paradigm. It is also necessary to clarify that there is no one trait or feature that identifies a Social Constructionist position in the field of research. However, the philosophical branch of Social Constructionism has been naturally associated with a "family resemblance" of ideas linked through familiar "family characteristics" (Jupp, 2006). For instance, the various debit and credit entries that link transactions into a common pool of accounts and aids to distinguish one class of accounts from the other feed into what the Accounting Family or Body defines as financial management knowledge.

Social Constructionism is multi-disciplinary in approach and a theoretical orientation of philosophy that permeates psychology, medicine, sociology and the other social sciences. According to Burr (2015, pp.1-3), Social Constructionism is quite extensive and pervasive and could to greater or lesser extent "underpin recent approaches such as 'critical psychology', 'discursive psychology', 'discourse analysis', 'deconstruction', and 'poststructuralism'". In effect, Social Constructionism is a broad area of study or philosophy that bothers on human and social lives, social processes and actions. It could be possible that the pervasive nature of Social Constructionism which cuts across various philosophical boundaries may be contributing to the reasons why some social science researchers detest the use of this philosophy to underpin their studies.

4.4.1 Case for Social Constructionism

Social Constructionism challenges the social scientist to critically consider the "taken-for-granted" avenues for gaining knowledge (epistemology) and understanding the reality (ontology) of corporate reporting. It admonishes the social science researcher to traditionally adopt a subtle form of interpretivism in addition to the positivist (or scientific) approach of understanding the natural world (Burr, 2015). Contrary to the positivist approach which indicates that knowledge acquisition and understanding of the real world is limited to quantitative and empirical validations (through the 'hard sciences' and use of the five senses), Social Constructionism requires the social scientist to go the extra mile of assessing the assumptions about how the real world appears to be. In effect, the social scientist is expected

to gather additional datasets in addition to the observed data by interviewing the requisite respondent groups in order to derive qualitative meanings of the social system and engage in collaborative and participatory research with the aim of exploring other non-traditional approaches of gaining knowledge and understanding reality. In doing so, the researcher gains a holistic understanding of knowledge and reality of the natural world.

Another key justification for selecting the Social Constructionism Philosophy for this thesis is the decision to not marginalize any wider stakeholder's interest insofar as corporate accountability and provision of necessary information to the respective user groups are concerned. Gergen (2010 as cited in Burr, 2015) indicated that if the decisions of humans are based on the hard scientific datasets observed from reported quantitative metrics without a corresponding matching of socio-cultural views (qualitative metrics), then it will be quite difficult to change the world in which humans inhabit with such decisions and choices. Relating this stance to corporate reporting, it suggests that stakeholders who rely only on the financials of the annual reports without an indepth understanding of any supporting disclosures, footnotes and narratives stand the chance of making limited informed decisions. In addition, without a justifiable explanation underpinning how the financials are derived, recognized, validated or measured and reported, it will definitely be difficult to hold corporate entities accountable for their actions on the society. It could probably be this reason that may have accounted for a consistent lack of interest by key stakeholders in the published sustainability and financial reports since the needs of these user-groups tend to be marginalized in corporate accounts given the orientation of these reports towards a more positivist stance (O'Dwyer and Owen, 2007; O'Dwyer, 2011).

Perhaps, the most convincing case for adopting the Social Constructionism paradigm is the use of appropriate language in constructing and disseminating knowledge and explaining realities (Burr, 2015; Burr, 2006; Parker, 1998). Corporate accounts and sustainability reports could be loaded with technical jargons that may lead to different interpretations by the user groups based on the stakeholder's level of understanding, cultural background and belief systems. For example, a layman's understanding of the term "losses" could mean that the reporting company is lacking in cash reserves. On the other hand, a practitioner will typically interpret "losses" as mere representation of excess operating expenditures over revenues. This is because a loss-making company will definitely have some amount of cash reserves (whether cash at bank or bank overdrafts) and yet operate at a loss due to the use of accounting estimates (and not real

cash inflows and outflows) in preparing these corporate financial statements. Plummer (1995) as cited in Burr (2015, pp.48-49) argued that the use of language in any discipline are "socially created and socially shared" among the actors and knowledge bearers within that field of study in order to disseminate meanings and gain an in-depth understanding of reality.

In applying the use of language in social constructionism to corporate reporting practices, it is generally understood that accounting is the "language of any business", whether for profits or not-for-profits (Stolowy and Ding, 2017, p.2; Jones, 2007, p.21). Conventionally, the definition of accounting clearly illustrates the communicating of abstractions (accounting estimates, policies and provisions) and realities, i.e. the concrete financials (Maynard, 2017; Jones, 2007; Alexander et al., 2023). Thus, conventional accounting practices simply underlines the quest to construct meanings from the technical languages used in reporting both the financials and non-financial elements of a company. It is in this dimension that traditional accounting directs its attention towards the use of appropriate footnotes, explanatory notes, additional narratives, supporting schedules and associated disclosures to better explain the extent to which these reported figures could be adopted for informed decision making by stakeholders. Similarly, sustainability reporting typically deals with the use of suitable language to communicate the reality of how company operations are affecting various members of the ecosystem. In addition, the use of these appropriate languages to underscore corporate reporting aids stakeholders to hold firms accountable for their words, which later translates to actions. In effect, corporate reporting is all about the use of appropriate language to meet the information needs of stakeholders and hold corporations liable for their operations.

Following from the above premises, it is almost certain that the need to adopt appropriate language for corporate reporting underlines the very foundation that had caused the corporate reporting standards such as the Financial Reporting Standards (FRS) and Sustainability Reporting Standards (SRSs) to undergo regular updates and modifications in order to reflect the languages needs and cultural interpretations of stakeholders. It is thus not surprising that the use of inappropriate or unsuitable languages in corporate reports could lead respective stakeholders to abandon such reports on the premise that the languages used do not meet the information needs and interpretations of the users of these reports. For example, the seminal work by O'Dwyer (2011) established that a cross section of stakeholders do not patronize SRs because the languages used in these SRs are too technical and are simply a rephrasing of the usual accounting jargons which adds no value to their lives. Hence, a better use of culturally

accepted language in the corporate accounts will help stakeholders gain adequate knowledge and understand the realities behind the reported values (of SRs and FRs) published by companies.

4.5 Dimensions of Social Constructionism

A detailed review of the works of renowned authors in the field of Social Constructionism could likely lead to the classification of this paradigm into four (4) dimensions. All of these four dimensions have been critically and fully adopted and adapted in this thesis and applied in the area of corporate financial and sustainability reporting practices.

4.5.1 Critical Evaluation of the Status Quo

A renowned stance advocated by the Social Constructionist Vivien Burr argues that, unlike the Positivist and Empiricist stance of gaining knowledge through observations and quantitative analysis, Social Constructionists tend to continuously suspect the "family's" assumption of what reality is (Burr, 2015; Burr, 2006). The argument follows that there is always the need to revise, modify and update the "family body" of knowledge to reflect current trends and contemporary cultural practices of the affected stakeholders. In order to make knowledge relevant to the needs of the current generation, there is the need to evaluate the status quo by assessing the limits of past knowledge, designing a knowledge acquisition and reporting framework that meets the needs of the current generation as well as charts a roadmap for future knowledge acquisition and understanding of reality. This calls for a *Dialogical* approach among all the requisite producers of knowledge who contribute towards creating a "language system that will logically explain the reality" of the natural work and corporate actions (Cunliffe, 2008).

Practically, conventional accounting practice has evolved over time in that the traditional accounting systems and practices in the early 20th Century rarely applies to our current 21st century's reporting needs and demands. Thus, practitioners and accounting researchers have consistently questioned the relevance, representational faithfulness and the extent to which old accounting practices or standards could be applied to contemporary corporate reporting

practices. To buttress the above point, today, corporate worlds continue to witness introductions of exposure drafts that solicit public inputs, feedbacks and comments in order to revise the FRSs, ISAs, IASs, SRSs and country-specific GAAPs in order to critically appraise the principles and standards underlying corporate reporting.

4.5.2 Historical and Cultural Specificity

The second possible strand of Social Constructionism suggests that human's understanding and knowledge of a reality or of the social world is relative to a particular time in history and depends on the cultural practices at that time (Burr, 2015; Hibberd, 2006). Essentially, a scientific discovery at a point in time should not be imposed as a timeless remedy or panacea for all social issues. One possible implication of extrapolating a historical knowledge of reality as applicable to all cultural settings and timelines is that such knowledge will not be sufficient to safeguard the respective constituents against new and emerging risks.

In relating the above dimension to corporate reporting practices, a similar argument under ***section 6.2.1*** could be made here, i.e., the accounting practices in the 20th century were relevant to their times; however, these 20th century accounting practices cannot be implemented to fully resolve the challenges of the 21st century accounting practices. For example, evidence suggests that there were no cryptocurrencies in the 20th century until recently. Thus, any existing IAS that measures and recognizes financial instrument in the 20th century cannot be deployed in the administration, recognition and measurement of cryptocurrency transactions in our 21st century dispensation. Any attempt to deploy old accounting practices to contemporary cultural settings and timelines could potentially result in fraud risks, misrepresentations of corporate activities and distortions of realities. Consequently, stakeholders might be misled into making uninformed decisions.

4.5.3 Knowledge Sustained by Social Processes

Social Constructionist have collectively argued that the process of knowledge acquisition and its ontological assumptions of understanding reality are constructed, fabricated and sustained by the social actors and processes (Burr, 2015; Hibberd, 2006). Many scholars hold the view

that knowledge acquisition and an adequate understanding of reality are functions of objective observations, effective social interactions and application of proper social processes. According to Cunliffe (2008, p.131), this results in the "continuous interplay of formal and informal social systems" leading to a dialectical approach to understanding how different and similar social processes intertwine to construct knowledge and understand realities. Simply put, the continuous interactions among social accounting processes result in the creation of conventional and sustainability accounting knowledge.

If Cunliffe's (2008) and Burr's (2015; 2006) propositions of a continuous social interaction to create knowledge and understand realities are accurate, then the consistent social engagements among auditors and assurors, accounting scholars and other practitioners have led to more robust constructions of accounting standards (such as the IFRS and ISAs). These corporate reporting frameworks could then be uniformly and universally implemented across all social settings and corporations since the social processes of corporate accountability will typically accept these standards as reliable global pieces of financial management knowledge. Peterson (2012, p.476) reported that these social processes could be effective if there are facilitating bodies or procedures that will ensure that "cross-cultural variations in the social processes are limited to development and maintenance of the specific domain of knowledge and realities".

4.5.4 Conclusion: Legitimate Need for Social Actions

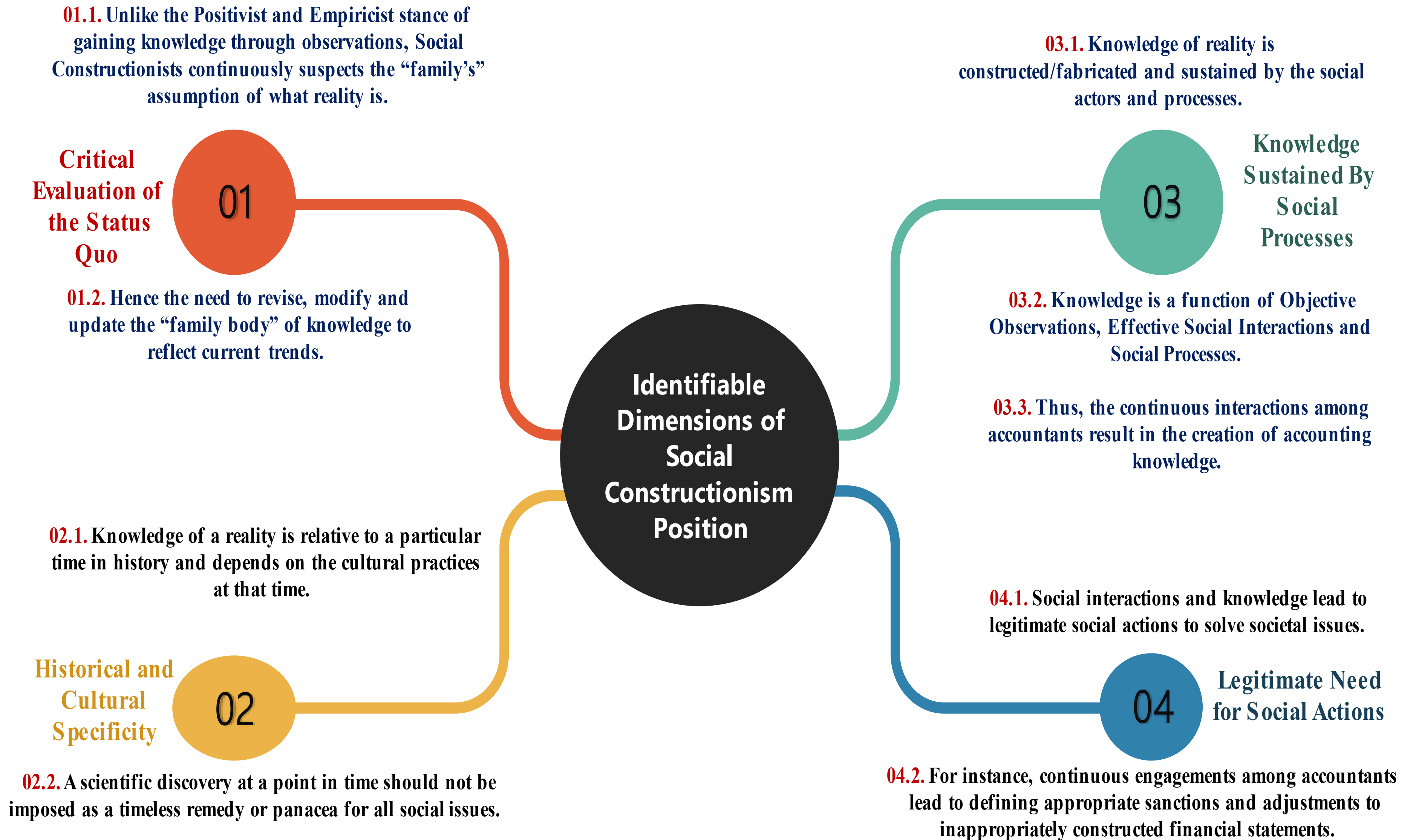
It is thought that social interactions among subject matter experts result in the creation of relevant knowledge which leads to legitimate social actions designed to solve societal issues. Humans live in a daily web of personal and social relationships and the continuous interplay of these relationships helps in coordinating human understanding of both objective and subjective realities (Berger and Luckman, 1966 as cited in Cunliffe, 2008). For instance, continuous relationships and engagements among accountants lead to defining appropriate sanctions and adjustments to inappropriately constructed financial statements. In addition to the above, both practitioners and academic researchers have, in recent times, effectively contributed towards the enactments of legislative instruments and corporate remedial actions to correct social cankers brought about by inappropriate financial reporting practices. This calls for a co-creation and interdisciplinary approach to allow for intersubjectivity such that any element of subjectivity in the knowledge construction and acquisition process and

apprehension of natural realities could be reduced to the barest minimum (Cunliffe, 2008; Camargo-Borges and Rasera, 2013).

A much more admissible example is the case of auditors – whether financial or non-financial - (a group of social actors) recommending corrective actions to identified weaknesses (knowledge of realities) during the course of their audit engagements. These recommendations are discussed and followed up with management (social actors) as a value-addition practice to aid in fixing the social issues of the firm. It is thus imperative for auditors to follow up and critically evaluate whether management legitimately implemented these recommendations (social actions) for the general good of both the firms and public at large (social system). Conclusively, the entire actors within the social practice of accounting need to actively contribute to the construction of knowledge, designing codes and standards of practice and development of avenues of interpretations for corporate reports in order to achieve three main objectives – supply of appropriate, relevant and valuable information (VARs and SRs) by the company; satisfaction of the information needs of the wider stakeholders within the social system of accountability; and ensuring that the reporting entities are held accountable for their actions on these social systems. In doing so, the aim and core definition of sustainable development will be achieved through the safeguarding of the resource endowments by the current dispensation for posterity.

Below is an illustration, figure 4.3, depicting the four (4) dimensional mapping or strands and frameworks of the social constructionist philosophy adopted by the researcher for this thesis for reference.

Figure 4.3: The adopted four (4) dimensions of Social Constructionism adopted for this thesis on VAR and SR



Chapter 5

Research Method and Empirical Analysis of Secondary Data

5.1 Research Method

5.1.1 Overview

As explained in the research methodology chapter, it is clear that the knowledge acquisition and reporting process, in addition to the reality of knowledge within the accountancy field hovers around contextual relativism and transcendental idealism in the sense that corporate reports (financial statements, notes to the accounts and disclosures) do not provide a standard level of satisfaction to all members of the wider stakeholders. In reality, what is considered valuable in a given corporate report by stakeholder A may not necessarily be interpreted as value to stakeholder B. The respective needs of these stakeholders tend to sometimes vary significantly from one another. Thus, corporate reports in the form of VARs and SRs should typically be structured in a way that meets the various information needs and interpretations of the wider stakeholders lest these reports lose out on their relevance.

In the same vein, the methodology chapter clearly disclosed that in order to achieve the qualitative characteristics of information relevance of the value-added and sustainability reports to the wider stakeholders, there is the need to engage all experts and knowledge creators within the social accounting space. Hence, the traditional qualified accountants and auditors, management accountants, sustainability and natural resource experts and academics within the field of social accounting and sustainable development practices need to be called onboard. In an attempt to onboard subject-matter experts in such a multi-disciplinary engagement, it is clear that the existing body of knowledge underpinning value-added and sustainability reporting will be modified to reflect the changing needs of the wider stakeholder groups. Additionally, engaging social experts in the VAR and SR projects will possibly lead to defining cultural and historically-specific information for stakeholders within such cultures and time scales. It will avoid the "one-size fits all approach" to the supply of corporate reports that supposedly meets all the needs of the wider stakeholders simultaneously. Furthermore, a social constructionist philosophy will lead to a well-defined adjustment system for adequately and appropriately infusing financial and non-

financial information in corporate accounts to meet the various and divergent needs of the wider stakeholders. Finally, the social constructionist philosophy is deemed appropriate for this research in that it permits the creation of social accounting knowledge that permeates various subject matters which does not restrict the VARs and SRs to mere quantification or commodification of activities. This stance will ultimately allow the wider stakeholder groups to hold the reporting entities accountable for their various sustainability and value-added functions whilst simultaneously satisfying the divergent information demands of these stakeholders.

Given that the aim of this research revolves around how corporate entities, industry experts and practitioners could construct corporate reports in the form that will meet the information needs and accountability requirements of the wider stakeholder groups, a mixed research approach is adopted to emphasize the reporting practices and understanding of the disclosure/reporting processes. This mixed research approach comprising an empirical analysis of various VARs from the South African context and collection of primary datasets from both industry experts and practitioners is seen as appropriate in the sense that it does not relegate the entire accounting and sustainability reporting practices into a mere conventional exercise but instead helps to bring constructive meanings to processes in real-life corporate environments (Denzin and Lincoln, 2000; Cooper and Morgan, 2008; Edmondson and McManus, 2007).

As a former industry expert and practitioner, the researcher believes in the conventional quantitative reports that characterize traditional accounting; however, he realizes that conventional accounting, voluntary sustainability and integrated reporting do not capture all the values that need to be reported and disclosed by these companies. In addition, given the fact that the researcher is an early career academic, he believes that there is less theorization in the field of social accounting, especially in relation to value-added reporting and the need to achieve a balance in the supply of and demand for relevant SRs and VARs that meet the divergent needs of the wider stakeholder groups. The missing link is to find a right balance between the appropriate supply of a comprehensive corporate account that is not necessarily historical in nature but could serve as a stepping stone for meeting the sustainability value-added needs of the wider stakeholders. For this reason, detailed one-to-one discussions with current practitioners and sustainability reporting experts or advisors with notable brands or international organisations was deemed the best research approach in gathering or soliciting ideas and thoughts that could

bridge the above missing link. It is worth mentioning that the primary data collected were premised on themes emanating from the secondary data analysis conducted by the researcher. This is because the researcher found that the secondary data analysis brought out lingering questions that require further probing which necessitated conducting one-on-one interviews with subject matter experts who have indepth experience working in emerging economies insofar as corporate reporting, value-added reporting and sustainability reporting functions are concerned. The use of qualitative research is a well-established approach in understanding the social and environmental impacts associated with conventional accounting practice since researchers in the social sciences have typically sought to understand the meanings behind social conventions and/or practices. This approach contradicts the acceptance of the status quo or usual positivist scientific approach of drawing conclusions based on quantitative analysis.

The current study adopts a case study approach for three main reasons. Firstly, a case study approach will allow the researcher to understand "how" the South African context could be used as a case for advancing value-added reporting as a tool for corporate sustainability disclosures (Yin, 2002; Yin, 2009). This is because South Africa is considered a leading emerging economy that has advanced in the field of corporate value-added and sustainability reporting practices over the past decade. For instance, the South African SEC has mandated that all listed companies on the Johannesburg Stock Exchange (The JSE Ltd) must include a value-added statement or value-added report and/or sustainability report in their annual filing with the SEC and publications. Perhaps, this sets South Africa apart as a case study worth examining and replicating across other emerging economies.

Secondly, the issue of value-added reporting and sustainability accounting is a contemporary phenomenon as opposed to a historical development. Thus, the need to study these contemporary "cases" require a case study approach for a better understanding of the phenomenon especially when there is no clear-cut boundary between the contemporary phenomenon and corporate or country-specific context (Yin, 2014). Thirdly, there is no rigid or mechanically laid-out formula for undertaking a case study research. The issue of value-added and sustainability reporting could be complicated due to its continuous and ever-expanding pervasive nature (Yin, 2009). Researchers and even practitioners tend to have little or no control over the pervasiveness and ongoing developments of sustainability and value-added reporting dimensions or events. Hence,

a well-designed case study approach that focuses on the “why” or “how” corporations could extensively expand their accounting practices to aid in drawing out their reported values could lead to an in-depth understanding of how conventional accounting could be leveraged upon to enhance sustainability reporting (Hollweck, 2015; Yin, 2014).

In effect, as argued by Hägg and Hedlund (1979), a properly designed case study research in the field of accounting enables the wider stakeholder groups to generate and test hypotheses that question contemporary accounting practices and social interventions such as sustainability and value-added reporting. What this means is that a case study approach sets out a level ground for the wider stakeholders to engage with corporate bodies and question whether the reporting entities current accountability and communication practices and sustainability activities adds value to the society and other members of the wider stakeholder groups.

In this chapter, the researcher delves further into the need for adopting a case study approach for this study after which he provides in-depth explanations for designing his secondary and primary data collection strategies. This chapter then focuses on the content analysis of the secondary datasets generated from the South African (emerging economy) context. The content analysis are limited to the Value-Added Statements derived from the top or largest 100 companies by market capitalization listed on the Johannesburg Stock Exchange (The JSE Ltd) as of October 2020. The results from the thematic or qualitative analysis of the generated primary datasets are separately reported into three (3) distinct manuscripts or chapters that immediately follow this very chapter. The three themes that make up the primary data analysis are as follows: Convergence and Divergence of Value-Added and Sustainability Reporting; Standardization of Value-Added and Sustainability Reporting; and Corporate cum national dimensions and assurance of Value-Added and Sustainability Reports. It is worth indicating that the set of semi-structured questions that led to the generation of the primary datasets were designed based on the themes or results arising from the secondary data analysis and reviews of relevant literature.

The idea for using the key themes from the secondary data analysis to design the semi-structure set of questions is to obtain valid reasoning and understanding behind the reporting and disclosures of key financial metrics in the value-added statements and how these disclosures serve as potential avenues for advancing the cause of sustainability reporting.

5.1.2 Case Study Method

The current thesis adopts a case study research method that incorporates a mixed study approach in which an empirical quantitative (cum trend) analysis of secondary data (generated from the South African system) and a thematic analysis of primary data (collected from practitioners and industry experts across emerging and advanced economies) were performed to corroborate evidence and draw out valid conclusions. These valid conclusions are linked or tied to the need to leverage or capitalize on conventional accounting practices in order to enhance sustainability and value-added reporting as well as hold the reporting entities accountable for their corporate actions or activities. It has been constructively asserted that the choice of case studies as a research method by social scientists could be a daunting task for a major reason, i.e. it requires rigorous literature review of the subject matter and cross-validation of corroborative evidence gathered to protect the validity of the research (Yin, 2014; Yin, 2009). Practically, the social phenomenon of sustainability and value-added reporting is an ever-growing contemporary development which is quite pervasive and material in scope, theory and application. The literature on this current phenomenon is enormous, evolving and requires critical analysis of the developing themes in order to chart-out a meaningful understanding of the concepts of sustainability and value-added functions of corporations. Thus, clearly segregating the key themes of sustainability (or value-addition) and subjecting a specific theme to a rigorous constructive literature review helps in better appreciating how corporations could better report their value-added and sustainability activities.

In addition to the above, Yin (2014) explained that the adoption of a case study research method is ideal in situations where boundaries could be set over datasets for ease of analysis, whether quantitative or qualitative in nature. It is from this perspective that this thesis clearly limited its empirical secondary data analysis to a constricted set of datasets, i.e. the top 100 listed companies on the Johannesburg Stock Exchange (The JSE Ltd) (which is further bounded by their market capitalization). Furthermore, corroborative evidence for this thesis were sourced from practitioners and industry experts via the primary data collection method in order to cross-validate the empirical analysis performed on the secondary datasets. Ultimately, these cross-validations and corroborative analysis aids in drawing valid conclusions, generalizing a theoretical position from an empirical point of view and ensuring the validity of this research.

Yin (2014, p.37) points out that among the few disciplines and professions that adopt case study research methods, the Accounting and Business Administration professions typically employ this approach in practice and research. Another constructive argument advanced by Yin (2014; 1998; 1994) is that case study research is appropriate for studies in which the researcher has less or no control over complex socio-economic variables being investigated. Socio-economic concepts like value-added reports (accompanied with supporting narratives or disclosures) or sustainability reports (with reconcilable footnotes that links the narratives to the financial statements) are complex in nature and over which the researcher has no determinate control over such variables. In this particular thesis, it is obvious that the researcher has no control over the sustainability reporting practices or metrics being disclosed by the sampled companies (i.e. the top 100 listed companies on the JSE); neither can he influence the research subjects who were interviewed during the primary data collection.

Probably, the most significant and compelling argument for choosing a case study research method for this thesis is the fact that the researcher leveraged on secondary datasets as an initial point for designing the semi-structured (set of) questions for the primary data collection. This approach allowed the researcher to clearly hone down on specific components of sustainability and value-added reporting instead of attempting to fully investigate the sustainability and value-added activities of companies – a boundary setting approach as postulated by Yin (2014). In generating the secondary datasets, the researcher sourced the data from the annual reports of the sampled companies and the GRI Sustainability Disclosure Database. The results from the empirical analysis then served as the foundation for designing the set of questions used in interviewing the industry experts and practitioners involved in corporate sustainability and value-added reporting. What is striking about this approach is that the case study research method does not permit the researcher to settle for a mere quantitative and hypothetical analysis without recourse to further and better understanding the contemporary explanations behind the empirical results. Such detailed analysis aids in contributing significantly to the literature supporting sustainability and value-added reporting in emerging (and perhaps in advanced economies).

Sustainability and value-added reporting are multifaceted in nature given its representation of core events such as ethics and governance, environmental and economic, social and corporate responsibilities of the reporting entity. These different but interrelated events are of keen interest

to the wider stakeholder groups who hold firms accountable for their actions as well as adopt these reports for their informed decision making. These dimensions further deepen the complexities of events surrounding sustainability and value-added reporting functions of companies. Case studies are also ideal to use when studying complex social phenomena. Moreover, its procedural characteristics of the situation being studied includes instances where there are many variable interests with multiple sources of evidence. These factors, in addition to the already advanced arguments above, have led the researcher to opt for a case study research method to investigate these interrelated but multifaceted complex phenomenon (Yin, 1994; Yin, 2014).

Potentially, the major weaknesses associated with the choice of a case study research method is the lack of scientific basis for generalization. In addition, since case studies are generally used in assessing social and contemporary phenomenon, there is usually a lack of a scientific and systematic handling of data. This lack has the potential of resulting in the jamming up of gathered responses which then has a rippling or cascading effect of culminating in the drawing of invalid responses by the researcher. However, critics have defended this position on the premise that the object of case studies research method is to generalize a theoretical proposition and not to necessarily deduce from any statistical point of view (Yin, 1994; 2014). Another significant drawback of the case study research method is the amount of time taken to analyse and evaluate the gathered responses. Due to the pervasive, complex and contemporary nature of the events being investigated, it takes too long for the researcher (using the case study research method) to fully draw out valid conclusions. This is due to the cross-verification exercises conducted by the researcher by mapping empirical results with thematic results generated from primary data (corroborative) sources.

Below in figure 5.0 is an illustrative summary of the arguments for the researcher’s choice of a case study research method for this thesis.

Why the Choice of Case Study Research Method

Nature of Research Question

No standard scientific formula for conducting the research; Instead, when seeking to explain the "How" and "Why" of a current social phenomenon (Yin, 2014).

- How and Why Sustainability and Value-Added Reporting should be conducted

Cross-Validation of Evidence (Yin, 2014)

- Empirical analysis of secondary data on Sustainability and Value-Added Reports
- Corroborative validation of the secondary data from primary data collection (practitioners & industry experts)

Set Boundaries and Multi-facet

- Sustainability = ESG, Ethics, Corporate Responsibilities, etc. (Medawar, 1976)
- Need to set boundaries to allow for a determinate interpretation and conclusion

Key Fields and Complex Socio -Economic Variables

- Accountancy and Business Management Professions (Yin, 2014)
- Complex socio-economic variables being researched cannot be controlled by the researcher

Potential Weaknesses

- No scientific basis for generalization (Yin, 2014)
- Takes a long time to analyse and evaluate (Yin, 1994)
- No systematic way of handling data (Yin, 1998)

Figure 5.0: Arguments for choice of Case Study Research Method

5.2 Research Design – Secondary Data

Secondary data were sampled and collected from the Global Reporting Initiative (GRI) Sustainability Disclosure Database. The major advantage of sampling data from the GRI Sustainability Disclosure Database is that it is the most comprehensive international database related to sustainability reporting. Another merit of using the GRI Sustainability Disclosure Database is that the database has been developed over the past ten (10) years by the GRI with added support from its data partners that include a Big 4 Audit Firm, KPMG. The database provides both individual and corporate stakeholders with unbridled access to all types of sustainability reports and information presented and disclosed by corporations. As of 1st October, 2020, the database consisted of 15,373 organisations, 63,818 corporate reports and 38,447 GRI reports (GRI, 2021).

5.2.1 South Africa Stock Exchange Case

A total number of the top hundred (100) industrialized companies in South Africa, an emerging economy that is well positioned, comparatively to the developed nations, were selected. The company listings were selected as of 1st October, 2020. The criteria for selecting these top 100 industrialized companies are based on the Sunday Times ranking of the top largest companies based on the market capitalization and return of 5billion Rands with a continuous trading record on the Johannesburg Stock Exchange (The JSE Ltd) over a minimum of five (5) years. All sampled firms are still trading on the JSE as of 31st August, 2019. In addition, all companies sampled are either large enterprises or multination companies. By definition, the GRI describes both a multinational and large entity as one with a minimum number of 250 employees and a total annual revenue in excess of €50million or net assets exceeding €43million. In contrast, any organisation with less than 250 employees and net turnover/annual revenue and net assets of less than €50million and €43million respectively is considered Small and Medium Enterprise (SME).

A major driving motif for selecting data from the South African Economy is based on the country's experience with and generally accepted stance wherein listed (and/or the top industrialized firms) voluntarily report on sustainability activities via the value-added reporting

format. Historically, South Africa is noted for its stance in requiring trading companies, albeit voluntary, to furnish the exchange (and the Securities and Exchange Commission) with value-added information as part of the annual returns to these regulators (see van Staden, 1998, 2003). It is argued that the South African model and stance on Sustainability and Value-Added Reporting practices is characteristic of the UK cum Anglo-Saxon Model whereas countries like Germany and Italy representations of the same corporate practices exemplify the Continental European model of Accounting (Haller et al., 2016). Secondary data analysis in this context is not focused on identifying cross-country value-added reporting differences but rather centres on determining intra-country or inter-firm corporate reporting practices of value added, either as stand-alone disclosures (sustainability or sustainable development reports) or integrated in the annual reports. The idea here is aimed at understanding South African country contexts of VARs and SRs, the extent to which these reports could be compared to relevant benchmarks and ensure that value is created or supplied by the reporting entities to meet the information demands of the wider stakeholders.

5.2.2 Data Integrity and Method of Analysis

A dual approach to maintaining information integrity was used for the data collection and sampling. Initially, the annual sustainability reports and/or integrated annual reports of the one hundred South African companies are spooled from the GRI Database. To confirm the validity, legitimacy and veracity of the reports, these reports are then cross-referenced to the annual reports that are disclosed and published publicly on the corporate websites of the sampled companies. Analysis of the information collected are made in terms of the key features required of corporate value-added information as determined from the comprehensive value-added literature earlier reviewed (. In addition, the traits of useful value-added information that bothers on the format of presentation, the value-added reporting model adopted and the verifiability, audit and assurance of the information are considered in the data analysis. In addition to the above, data collected are analyzed based on the sector or industry, type of firm, size of the entity, ownership type and listing status, reporting type, GRI application level and confirmation. Other core criteria used in the analysis are the levels of assurance and assurance standards used for

information verifiability, value-added incidence status and the type of VAS terminologies used in the reporting process. Further analysis hinged on the VAS format used, form of VAS information included in the annual reports and the VAS Model adopted by the reporting entity.

A comparative analysis between the selected companies was used to ascertain whether the value-added information are constricted to the traditional income statement (i.e. profit and loss account or statement of comprehensive income). The analysis then detailed out whether the value-added information could be traced and reconciled to only the afore-mentioned report or to other corporate reports, namely the statement of financial position (balance sheet) and statement of changes in equity. The basis for this further analysis is to examine whether corporations are either overtly or latently adhering to the UN System of National Accounting which advocated for recognition of corporate (and national) values that are hitherto embedded in the natural capitals and related corporate reports such as the balance sheet (Obst et al., 2016; Obst, 2015). Additionally, this method of analysis was deemed appropriate since the topic and practices of sustainability and value-added reporting have been rarely studied indepth nor have they been properly understood by both practitioners and researchers alike (Cooper and Morgan, 2008; Edmondson and McManus, 2007). A comprehensive disclosure of meaningful value-added activities should be holistic and not just constrained [further limited] to income statement variables. The analysis thus culminated in the determination of qualitative metrics, variables and characteristics of corporate activities in firm(s)' annual reporting. This process was done by assessing whether value-added or sustainability reports recognized non-financial variables (such as GHG, water pollution levels, customer satisfaction ratings and employee safety and security measurements) in their annual accounts. In consonance with the above and to achieve a verifiable metric, the analysis examined whether firms adopted multipliers to quantify these non-financial/qualitative values to achieve stakeholder acceptability (O'Dwyer, 2004).

Lastly, the secondary data analysis focused on achieving the qualitative characteristics of accounting information, chief among which are the need for representational faithfulness, information comparability, validity, verifiability and understandability. An ideal mode used to achieve this procedure is by confirming the assurance levels (whether conventionally or traditionally based or sustainability assurance centred or both). Also, the analysis sought to confirm consistency of value-added reporting and intra-firm comparability to allow for drawing

standardized conclusions by examining the adoption and modification of the VAS statements/formats and compliance levels to the GRI standards over time.

5.3 Research Design – Primary Data

A series of semi-structured interviews with industry experts and practitioners who are involved in corporate reporting, sustainability reporting and audit and assurance of integrated reports were carried out. These semi-structured questions are informed by the themes emanating from the secondary data analysis. Respondents were chosen from three Big 4 Audit Firms, industry experts and practitioners from International Governmental Organisations whose functions involve comprehensive audit and assurance and provision of advisory services to clients and corporations involved in corporate and sustainability reporting. The respondents from the audit firms are code-named BAF-1, BAF-2 and BAF-3 for anonymity purposes. Interviewees from industry are code named IIE-1, IIE-2 and IIE-3 whereas interviews with IGO Specialists involved in sustainability reporting are code-named IGS-1 and IGS-2 to maintain the anonymity of the respondents.

5.3.1 Case Samples and Sources of evidence

As per table 5.1 below, a total number of 19 interviews with 17 respondents were conducted and each interview spanned an average of approximately 45 minutes. The minimum interview time was for 30 minutes whereas the maximum interview spanned 2 hours 30 mins. Out of the 17 respondents, one person was interviewed thrice and another was interviewed twice. One industry expert who plies his profession as a senior sustainability advisor with an IGO opted to provide written responses to the semi-structured set of questions. Another seasoned retired deputy senior partner of a Big Four Audit Firm equally provided in-depth email responses to a cross-section (key samples) of the semi-structured set of questions. The reasons provided by these two written responses boiled down to the fact that the respondents did not feel at ease to engage in a one-on-one interview nor had a holistic response to all the semi-structured set of questioned designed for this study.

Interviews were conducted via Zoom. The researcher is based in the UK whereas the respondents are based in Ghana, USA and Canada with the majority of the respondents domiciled in and plying their profession in Ghana, an equally emerging economy. The choice of using the Zoom online portal for the interview is convenient, cost effective and sustainable in arranging the meetings due to the distance between the researcher and the respondents. The respondents have had extensive and exemplar field experiences with corporate integrated and sustainability reporting in emerging economies. Specifically, all of the Big Four Associate Directors, Audit Partners and Senior Managers who were interviewed have had years of secondment duties in South Africa and Nigeria, countries that are classified as emerging economies insofar as corporate and sustainability reporting are concerned. The interviewees are considered thought leaders and leading experts in the field of corporate reporting and sustainability reporting and assurance due to their extensive roles in ensuring that their audit clients, implementing partners (on behalf of the IGOs) and collaborators produce salient corporate reports that add values to the wider stakeholder groups. Thus, soliciting the experiences and thoughts of these respondents contributed significantly to the quality and relevance of the primary data gathered for this study.

The three Big 4 audit firms, the IGOs and industries or companies from which the interviewees are selected are noted for their significant contributions in the development and implementation of value-added reporting protocols and involvements with the Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), International Audit and Assurance Standards Board (IAASB), Financial Reporting Standards Board (FRSB), International Financial Reporting Standards (IFRS), Sustainable Development Goals (SDGs) and the World Business Council for Sustainable Development (WBCSD). For example, two of the partners from the Big 4 audit firms who were interviewed confirmed the extent to which their firm has compulsorily included training and development of all audit and assurance and advisory staff on a comprehensive understanding and implementation of the ESG (Economic, Social and Governance) dimensions of sustainability in their daily audit and assurance functions. They explained how their audit firm has developed and adapted a Value Reporting Methodology that provides a guideline and foundation for advancing sustainability reporting and its related audit and assurance.

The researcher was privileged to work closely with two of the three Big Four Audit Firms as well as one of the IGOs. Contacting the respondents was primarily through the established strong

networking relationship between the researcher and all the respondents due to the past field practice and experiences between the researcher and the firms and interviewees on hand. An official request on the subject of leveraging conventional accounting practices to promote and enhance sustainability reporting was sent by the researcher to all the potential respondents via email. The researcher specifically requested the need to seek approval from the respondent's firm if applicable incase the respondent's firm require explicit permission and approval prior to interviewing any of their staff. Since the research was not about seeking the respondent's firm's opinions or thoughts on the subject matter but rather focused on obtaining the independent interviewee's experiences and thoughts on the research topic, the issue of seeking approval and permission from the respondent's firm was non-applicable. All interviews follow ups and transcriptions of recorded interviews were conducted by the researcher. It is worth highlighting that all respondents expressed profound interest in the research topic since this is a developing area of interest to the participants – practitioners, industry experts and sustainability reporting advisors – who are keenly interested in devising a novel approach to broadening the scope of corporate reporting, value-added reporting and sustainability functions of reporting entities.

As per appendix 6, interview schedule and set of semi-structured interviews below, the set of semi-structured questions were segmented into three (3) core themes – these themes compose the next three chapters of this thesis. The first segment of a set of semi-structured questions focused on the context and concept of value-added reporting (VAR) and the extent to which VAR converges with or diverges from corporate sustainability reporting (SR). The second section of the semi-structured set of questions delved into the standardization and regulation of VAR and SRs. The final category of the interview questions focused on the changing national and corporate trends in VARs and SRs and the extent to which conventional accounting practices could be leveraged upon to ensure that SRs and/or VARs meet the demands of the wider stakeholder groups in addition to aligning with the supply capacity of the reporting entities. These set of semi-structured questions were sent to the respondents a couple of days or weeks prior to scheduling a one-on-one zoom interview. This allowed the participants to prepare adequately for the interview session.

During the live interviews, respondents' permissions were sought to allow the researcher to record the meetings. The reason for recording the interviews was to allow the researcher

sufficient time to accurately transcribe and analyse the datasets. However, during the interview, the respondent is at will to request for the recording to be stopped provided he/she is not comfortable to proceed with the recording of the interview. These premises were explained to the respondents and all of them agreed for the researcher to record the interviews only for the purposes of accurate transcriptions. The respondents then categorically requested the researcher to delete all audio or video recordings after the researcher has submitted his thesis and to avoid any attempt to archive the recordings on a public storage system or a personal cloud storage system such as iDrive, Google Drive, University-wide or personal OneDrive, Dropbox, etc. It is worth highlighting that all respondents consented to the research interviews by signing off the Participant Information and Consent Form prior to the start of the interviews.

As earlier discussed, the primary data which were analyzed for this PhD thesis were generated from various sources. Two written responses were collected from a retired deputy senior partner of BAF-1 (coded as BAF-1.0) and an International Development Specialist responsible for Sustainability Reporting (IDSSR) with IGS-1 (coded as IGS-1.1). The retired deputy senior partner is currently based in Ghana whereas the IDSSR is based in the West African Regional Office of IGS-1, located in Ghana. In addition to the above, in-depth interviews were held with two Senior Financial Analysts in charge of Local Solutions and Corporate Reporting with IGS-1 (coded as IGS-3.1 and IGS-4.1 respectively). These two respondents are also based in the West African Regional Office of IGS-1, located in Ghana. Moreover, two in-depth interviews were held with two Audit Partners of BAF-1 (coded as BAF-1.1 and BAF-1.2 respectively); two detailed interviews were held with two Associate Directors of BAF-1 (coded as BAF-1.3 and BAF-1.4); one in-depth interview was conducted with one Associate Director of BAF-2 (coded as BAF-2.1); one in-depth interview was conducted with one Associate Director of BAF-3 (coded as BAF-3.1); and one in-depth interview each were held with a Senior Audit Associate and a Senior Audit Manager with BAF-1 (coded as BAF-1.6 and BAF-1.5 respectively); all of these other respondents are based in Ghana with extensive field experiences in corporate reporting, audit and assurance and advisory services within the West African and South African regions.

In terms of interviews with industry experts, a 2hr 30mins interview was held with the Former Financial Controller of a Multinational Company located in Ghana (in which the researcher

coded this as interview with IIE-1.1). He was typically involved in the management and financial reporting functions of the MNE with added responsibilities over the sustainability functions of the company. Additionally, three in-depth interviews were held with the Accounting Manager of an MNE based in the USA (coded as interview with IIE-2.1); the Vice President, Internal Audit with a global Investment Company based in the USA (coded as interview with IIE-3.1); and the Assistant Vice President, Account Manager with an MNE based in Canada (coded as interview with IIE-4.1). IIE-4.1 had had extensive secondment working opportunities in South Africa prior to serving as the Head of Management Accounting for a renowned Mining Company in Ghana for several years at which point his roles included sustainability reporting functions. The above three respondents (IIE-2.1, IIE-3.1 and IIE-4.1) were former staff of BAF-1 who worked as experienced Auditors for several years prior to their current roles.

Similar to the above, three additional interviews were held with the following respondents: a Natural Resources Management expert who works as a Senior Environmental Specialist with the Ghana Offices of a Global or International Financial Institution (coded as interview with IGS-2.1); the Internal Auditor of a renowned utility provider in Ghana (coded as interview with IIE-5.1); and the Head of Investigations and Quality Assurance of a reputable banking institution in Ghana (coded as interview with IIE-6.1). Except for IGS-2.1, both IIE-5.1 and IIE-6.1 were former experienced respective auditors and advisory providers who worked with BAF-1 for several years prior to moving from practice into industry.

There was no pre-determined sample size for the interviews although research of this nature usually engages about a maximum of 15 experienced participants for such studies. It is usually difficult to get these busy industry experts and practitioners to set aside 30 minutes of their time for an academic exercise. Thus, being able to interview 19 industry experts and practitioners could be considered a detailed and important milestone achieved on this study. Out of the 19 respondents, eight are still in active practice as auditors, assurors and corporate advisors; eight are in industry practicing General Accountancy; one is a retiree running his own private consultancy practice; two are in industry practicing as specialist sustainability advisors. Furthermore, out of the above 19 respondents, all of the 17 practitioners involved in Accountancy are all qualified accountants (i.e. ACCA, ICA, CIMA, CGMA, CPA, CIA, etc.). Table 5.1 summarizes the details of the interviewees for this thesis or research work.

Table 5.1		*Interview Details*					
No.	**Respondent's Code**	**Designation and Years of Experience in the South African Context**	**Position in Organisation and Location of Respondent**	**Date of Interview**	**One-on-One Interview / Written Responses?**	**Interview Duration (In Minutes and Seconds)**	**Follow Up Conducted for Additional Clarifications**
1	BAF-1.0	Chartered Accountant; 25years Experience	Retired Deputy Senior Partner; Currently Based in Ghana	2nd April, 2022 4th April, 2022 5th April, 2022 16th Nov., 2022	Written Responses	N/A since these were written communications	Yes; 4x
2	BAF-1.1	Chartered Accountant; 15years Experiences	Audit Partner; Currently Based in Ghana	22nd May, 2022	One-on-One	36mins, 20secs	No
3	BAF-1.2	Chartered Accountant; 17years Experience	Audit Partner; Currently Based in Ghana	16th June, 2022	One-on-One	35mins, 33secs	No
4	BAF-1.3	Chartered Accountant; 6years Experience	Associate Director; Currently Based in Ghana	29th May, 2022	One-on-One	56mins, 48secs	No
5	BAF-1.4	Chartered Accountant; 5years Experience	Associate Director; Currently Based in Ghana	2nd Oct., 2022	One-on-One	101mins, 3secs	No
6	BAF-2.1	Chartered Accountant; 5years Experience	Senior Manager; Currently Based in Ghana	4th June, 2022	One-on-One	57mins, 25mins	No
7	BAF-3.1	Chartered Accountant; 6years Experience	Associate Director; Currently Based in Ghana	4th June, 2022	One-on-One	57mins, 12sec	No
8	BAF-1.5	Chartered Accountant; 3years Experience	Senior Manager; Currently Based in Ghana	9th June, 2022	One-on-One	50mins, 20mins	No
9	BAF-1.6	Chartered Accountant; 1year Experience	Senior Audit Associate; Currently Based in Ghana	30th May, 2022 31st May, 2022	One-on-One	25mins, 12secs 73mins, 28secs	Yes; 2x

No.	Respondent's Code	Designation and Years of Experience in the South African Context	Position in Organisation and Location of Respondent	Date of Interview	One-on-One Interview / Written Responses?	Interview Duration (In Minutes and Seconds)	Follow Up Conducted for Additional Clarifications
10	IIE-1.1	Chartered Accountant; 4years Experience	Former Financial Controller; Currently Freelance	9th June, 2022	One-on-One	150mins, 23secs	No
11	IIE-2.1	Chartered Accountant; 8years Experience	Accounting Manager; Currently Based in the USA	25th March, 2022 10th April, 2022 24th June, 2022	One-on-One	36mins, 22secs 30mins, 22secs 23mins, 5secs	Yes; 3x
12	IIE-3.1	Chartered Accountant; 6years Experience	Vice Pres., Internal Audit; Currently Based in the USA	13th June, 2022	One-on-One	55mins, 15secs	No
13	IIE-4.1	Chartered Accountant; 5years Experience	Asst. Vice Pres., Account Manager; Currently Based in Canada	3rd June, 2022	One-on-One	70mins, 30secs	No
14	IIE-5.1	Chartered Accountant; No S.A. Experience	Internal Auditor; Currently Based in Ghana	19th July, 2022	One-on-One	76mins, 29secs	No
15	IIE-6.1	Chartered Accountant; No S.A. Experience	Head of Investigations and Quality Assurance; Currently Based in Ghana	7th April, 2022	One-on-One	61mins, 26secs	No
16	IGS-1.1	Sustainability Expert; 10years Experience	International Development Specialist responsible for Sustainability Reporting (IDSSR); Currently Freelance in West Africa	23rd April, 2022	Written Responses	N/A since these were written communications	No
17	IGS-2.1	Natural Resource Specialist; 12years Experience	Senior Environmental Specialist; Currently Based in Ghana	30th June, 2022	One-on-One	60mins, 3secs	No

No.	Respondent's Code	Designation and Years of Experience in the South African Context	Position in Organisation and Location of Respondent	Date of Interview	One-on-One Interview / Written Responses?	Interview Duration (In Minutes and Seconds)	Follow Up Conducted for Additional Clarifications
18	IGS-3.1	Chartered Accountant; 5years Experience	Financial Analyst and Local Solutions Expert; Currently Freelance in West Africa	16th June, 2022	One-on-One	59mins, 30secs	No
19	IGS-4.1	Chartered Accountant; 8years Experience	Senior Financial Analyst and Local Solutions Expert; Currently Freelance in West Africa	27th June, 2022	One-on-One	71mins, 2secs	No

5.4 Results of Empirical Analysis VASs and SRs

5.4.1 Table 5.2: Characteristics of the Sampled Companies

A significant number (92%) of the companies sampled for the empirical test are described as either large or multi-national companies per the GRI Sustainability Disclosure Database (Panel A). In terms of firm ownership structure 88% of the sampled companies were privately owned firms operating as either parents or subsidiaries whereas 5% were state owned companies (Panel B). Per the GRI Database, a private company is defined as "a business organisation owned either by a non-governmental organisation or by a number of stakeholders" (GRI, 2021, p.6). In addition, the GRI Sustainability Disclosure Database described a State-Owned Company as "a legal entity created by the government with the aim of undertaking commercial activities in the interest and on behalf of the government or populace", (GRI, 2021, p.6).

The generic definition of a parent and subsidiary company as per the GRI Database is similar to the generally accepted definitions in which a company is classified as a parent company if it controls another company (a subsidiary) by virtue of the parent's 50% or more stockholdings in the latter's voting shares/stocks (GRI, 2021, p.6; Alexander et al., 2023, p.556 – 561; Elliott and Elliott, 2019, p.570). Further to the above and as earlier stated, all companies selected are listed on the Johannesburg Stock Exchange (The JSE Ltd) as of 30th August, 2019 as per the Sunday Times. These companies comprise the top 100 (by Market Capitalization and Portfolio Value) South African Companies listed on the JSE.

Table 5.2: Company Descriptive Information

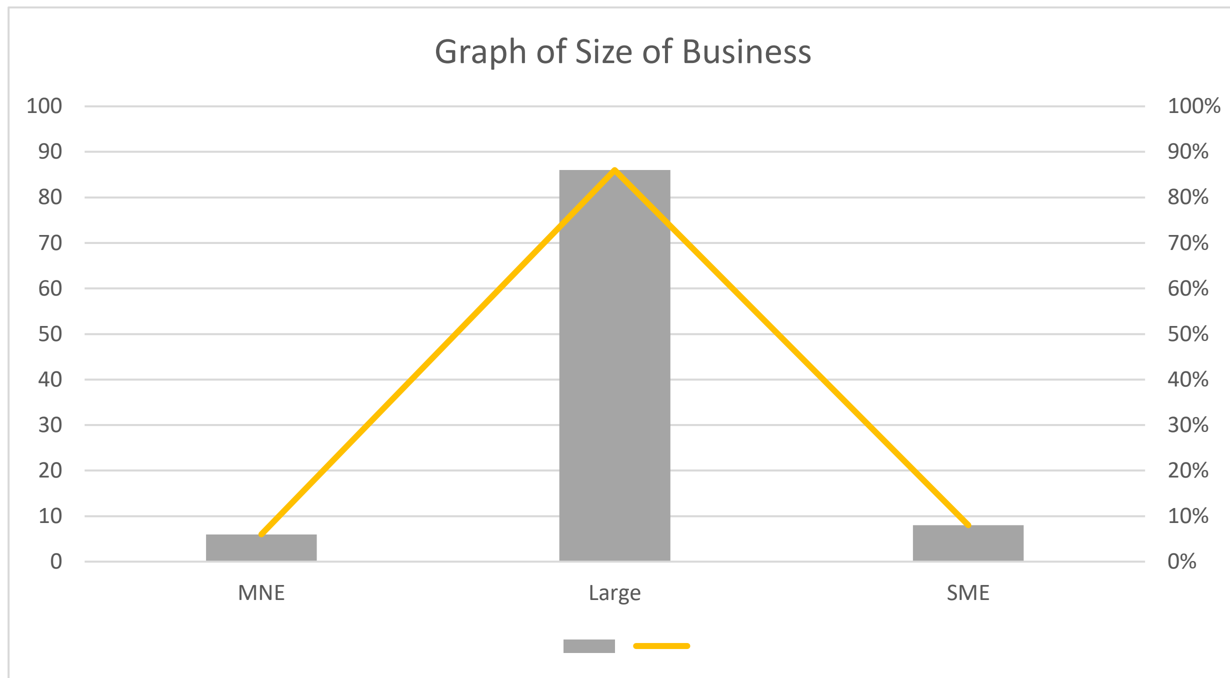
	Number	%age
Panel A - Business Size		
MNE	6	6%
Large	86	86%
SME	8	8%
Total	**100**	**100%**
Panel B - Business Type		
Private & Parent	85	85%
Private & Subsidiary	3	3%
State Owned	5	5%
Not Indicated	7	7%
Total	**100**	**100%**

From the above table 5.2, it evident that large and listed companies form the main business types on the JSE Ltd. Similarly, these large companies are typically privately owned and operate as conglomerates or group of companies. Comparatively, the composition of the conglomerates and/or group of companies on the JSE Ltd are similar to the number of large and multi-national companies. Specifically, the sum of the large companies and MNEs are 92% of the sample size whereas the proportion of groups of companies and conglomerate comprises of 88% of the sample size. This cross tabulation confirms that almost 90% of the sampled companies from the JSE Ltd operate consolidated accounts or corporate reports.

It is interesting to note that a smaller proportion of the sampled companies operate as small and medium sized companies. Similarly, these SMEs tend to be predominantly state-owned and do not operate a consolidated structure of operations or corporate reporting systems. This probably makes business sense since fewer state-owned entities are typically listed on stock markets and tend not to operate as groups of companies due to their vested interests in operating towards meeting the general good of the public. In addition to the above, given the threshold definitions of a large company or MNE as earlier explained in section 5.2.1 above, most of the state-owned enterprises will not be able to meet the total annual revenue in excess of €50million or net assets exceeding €43million since SOEs rarely engage in any sale of goods and services to generate

such significant sums of money. The above is further represented in figure 5.1 below for reference.

Figure 5.1: Business Size Categories



The sampled companies operate in 15 different sectors or industries with majority of them operating in the Financial Services, Mining and Extraction, Real Estate Investments and/or Construction and Retail sectors. The above mentioned sectors, which is further represented in Table 5.2.1 and figure 5.3 below, account for 72% of the sampled companies being analysed. The companies analysed cut across both high impact (environmentally-based) and service-based firms. For example, companies in the financial services composed the highest proportion of the sample (i.e. 29%) whereas companies in the mining and extraction business made up 17% of the sample. This observation slightly contradicts the supposition that high impact (environmentally based) firms are typically involved in value-added or sustainability reporting functions (Patten, 2002; Deegan, 2022).

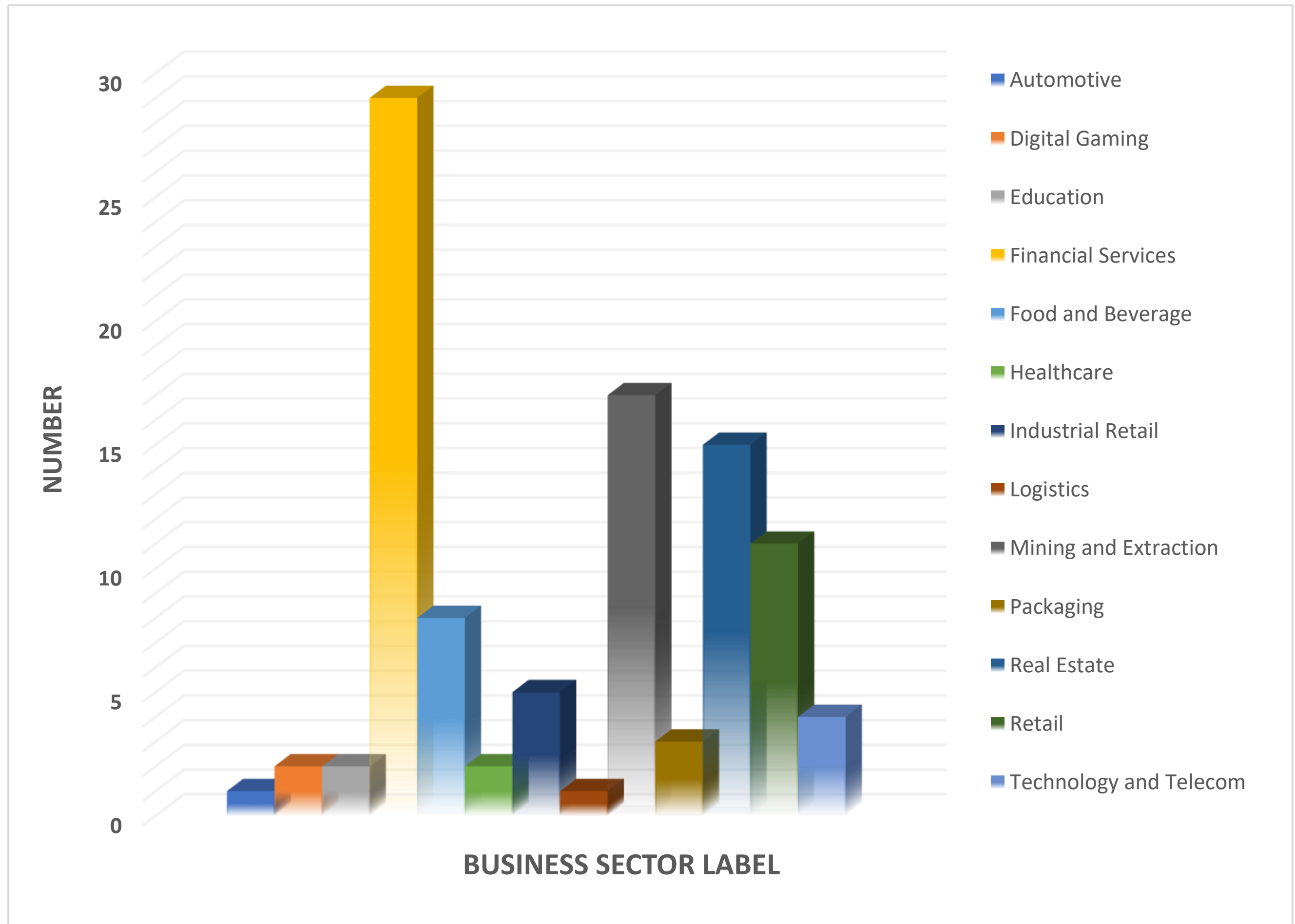
Table 5.2.1: Company Descriptive Information

Panel C - Business Sector	***Number***	***%age***
Automotive	1	1%
Digital Gaming	2	2%
Education	2	2%
Financial Services	29	29%
Food and Beverage	8	8%
Healthcare	2	2%
Industrial Retail	5	5%
Logistics	1	1%
Mining and Extraction	17	17%
Packaging	3	3%
Real Estate	15	15%
Retail	11	11%
Technology and Telecom	4	4%
Total	**100**	**100%**

On the contrary, a composite of both the mining and extractive sector firms and real estate investment (construction business) account for a significant proportion (32%) of the sample. With this consolidated picture, the position of Deegan (2022) and Patten (2002) which stipulates that high impact firms are typically involved in corporate sustainability disclosures (CSDs) becomes valid because the sum of the two sectors account for more than one-third of the sample. Surprisingly, the financial services sector was found to have accounted for almost one-third (29%) of the companies involved in CSDs. This development is quite laudable since it will enhance responsible investments and sustainable financial management practices in both developing and developed economies. For instance, effective 2022, the Bank of Ghana implemented its Sustainable Banking Principles which requires the financial services sector to incorporate ESG (Environmental considerations, Social inclusion and Good Governance factors) in their operations (Bank of Ghana, 2022). The aim was to ensure that banks typically cultivate sound sustainability principles in their lending decision-makings in Ghana (a developing economy) in order to promote and enhance responsible investment and sustainable financial management principles in the economy. This move by the Bank of Ghana has caused all tier-1

or high street banks to hire SR or CSR experts in order to comply with the Central Bank's directives.

Figure 5.3: Business Sectors per the Samples Chosen



5.4.2 Table 5.3: Characteristics of the Sampled Reports

The companies sampled leverage on the GRI4.0, GRI3.1 and GRI3.0 in their most recently published value-added and sustainability reports (Panel A). All of these versions of the GRI Guidelines require adopters to report their Economic Value Generated and Distributed (EVG&D or EVD&G) as a core indicator in their reports. Additionally, the GRI Guidelines require companies using these guidelines to indicate the respective levels of GRI application by clearly

specifying the categories A, B or C in which categories A and C refer to the highest and lowest levels of compliance to the GRI guidelines. In addition, according to the GRI (2013) an independently confirmed application level will typically be denoted with a "+" suffix; thus, an SR classified as A+ is considered to be in the highest level of compliance to the GRI guidelines since it has been independently verified and confirmed by an external evaluator. However, companies adopting a higher version of the GRI Guidelines, i.e. GRI4.0 does not need to indicate the application level since it is, by default, considered to be highly compliant with the regulations.

This study found that 80% of the top 100 listed companies on the JSE Ltd have higher reporting types whereas a significant proportion (87%) of the sample adopt higher application levels; represented in table 5.3.1 and figure 5.4 below. Similarly, most of the companies measuring around 89% ensured that these sustainability reports are independently confirmed and verified by trusted evaluators (reported in table 5.3.1 and figure 5.5 below). This finding is consistent with that of Haller et al., (2018) which stipulates that companies in emerging economies like South Africa adopt higher GRI application and confirmation levels to ensure that corporate value-added functions are adequately and appropriately reported to the wider stakeholder groups.

Table 5.3.1: Characteristics of the Sampled VAR and SR Reports

	Number	**%age**
Panel A - Reporting Type		
GRI 4.0	35	35%
GRI 3.1	31	31%
GRI 3.0	14	14%
Non GRI	20	20%
Total	**100**	**100%**
Panel B - GRI Application Level		
A+/A	17	17%
B+/B	52	52%
C+/C	20	20%
Non-Indicative Level	11	11%
Total	**100**	**100%**

Figure 5.4: GRI Reporting Types

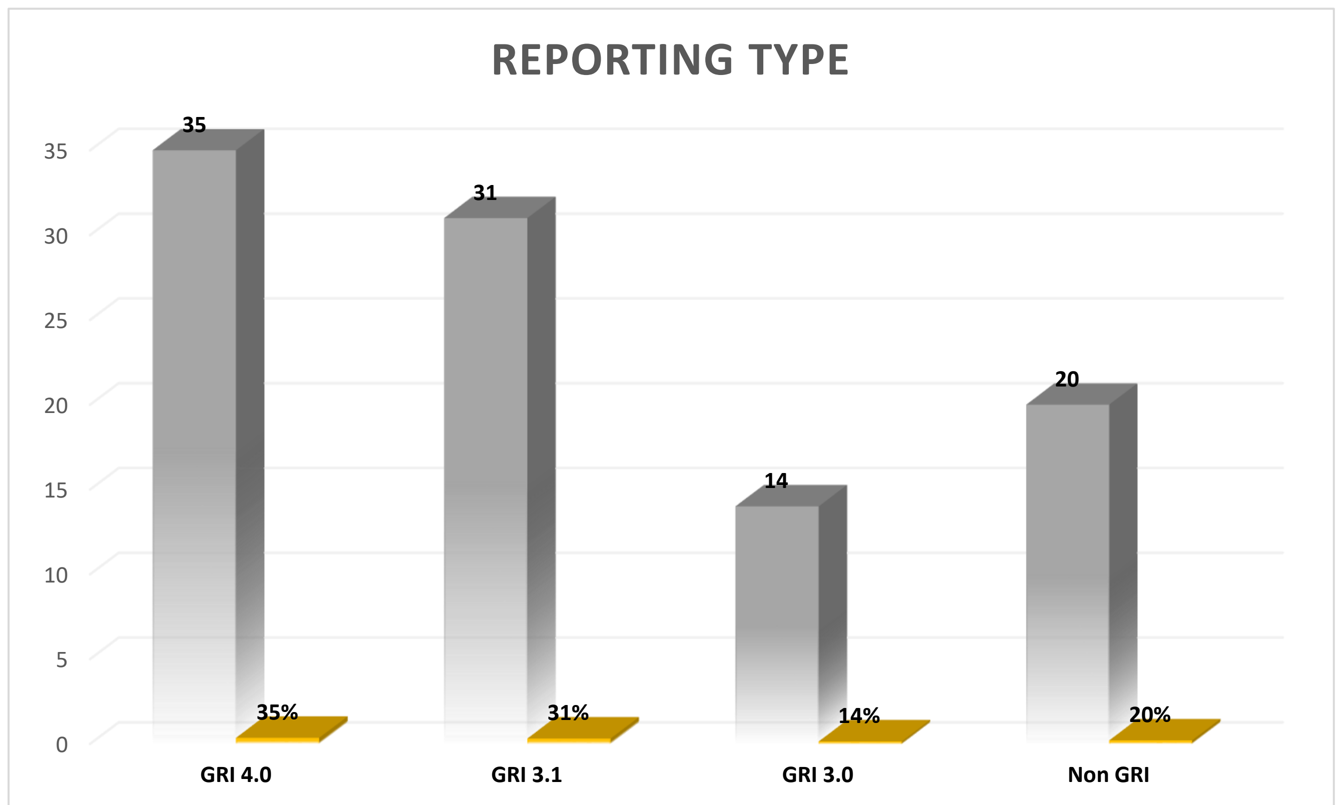
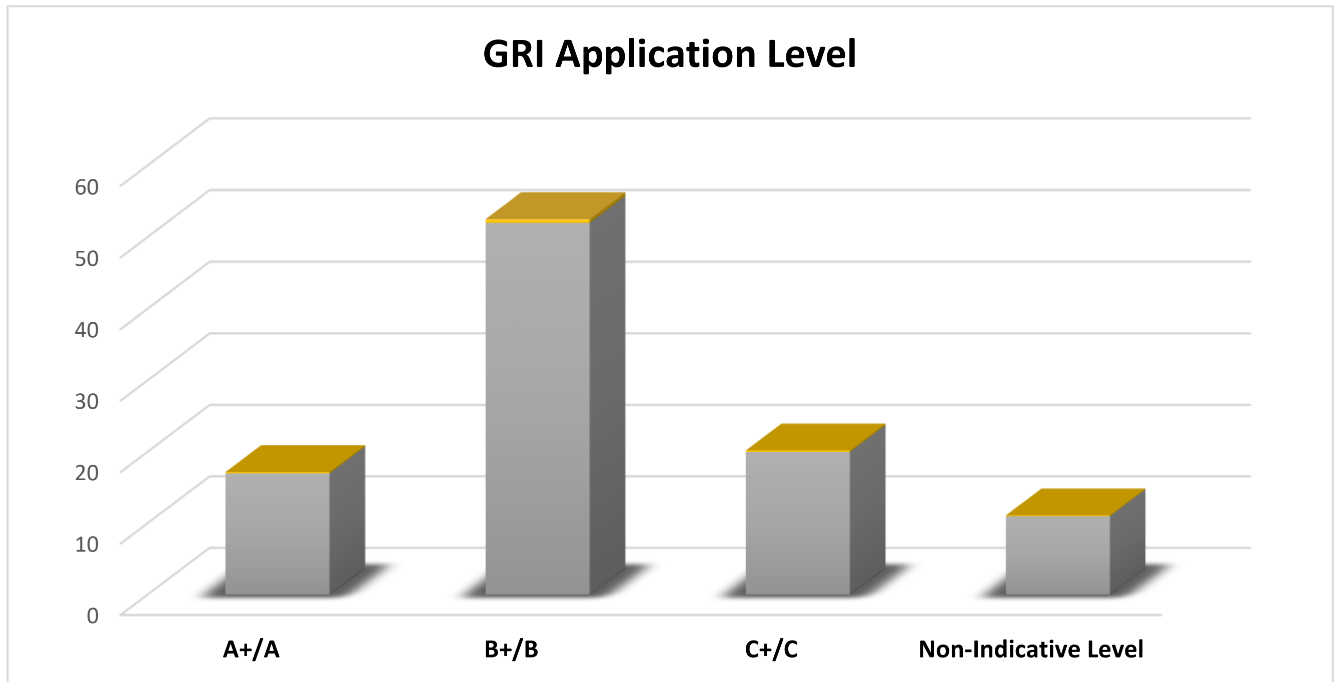


Figure 5.4 is a pictorial representation of the panel A section of table 5.3.1 above. It is imperative to note that the 20% of the top 100 listed companies that adopt a Non-GRI reporting type as highlighted in table 5.3.1 tend to adopt alternative reporting types such as the <IR> reporting pillars and company-specific strategic and sustainability guidelines. Although these Non-GRI reporting types tend slightly deviate from the generic dimensions of the GRI reporting guidelines, yet these alternative reporting types are predominantly skewed towards ensuring that the economic, social and environmental perspectives of corporate activities are met in the annual reports. This presupposes that these Non-GRI reporting types are equally embedded with sustainability-related themes which could allow the reporting entities to align their reports readily and easily to globally accepted sustainability and/or value-added reporting formats.

Similarly, figure 5.5 below represents the pictorial representation of the panel B section of table 5.3.1 above.

Figure 5.5: GRI Application Level for VAR and SRs



From figure 5.5 above, it could be noted that compliance with the GRI application levels is usually verified through limited assurance practices. These could be done by the regulatory body (GRI) by benchmarking these submitted reports against the GRI checklists (i.e. GRI-checked) or through an independent assurance or attestation engagement by a third party (i.e. third-party-checked). However, a company which does not subject its SRs and VARs to an independent check or GRI checking could opt for a voluntary disclosure (self-declaration). In this case, the reporting entity ensures that its SR or VAR conforms to the specified set and number of GRI disclosures as required by the regulatory body.

In table 5.3.2 (Panels C) and as represented in figures 5.6 below, it is evident that 82% of the sampled companies subject their sustainability reports to independent confirmation levels by either the GRI, third parties or via the reporting companies' own declaration mechanisms. Similarly, Panel D (table 5.3.2) and figure 5.7 below corroborates this position by indicating that about 55 of these reports are typically assured by Accountants and other sustainability reporting experts. It is striking to realize that conventional accountants are playing the leading roles in these assurance functions per the datasets. It is probably because traditional accountants are equipped with the structures, systems and technical know-how to readily train and develop a

subject-matter expert who will be deployed to undertake such sustainability assurance engagements. In addition, conventional accountants by nature lean towards the use of standards and regulations in order to discharge their duties. Thus, they could readily leverage on existing SR guidelines or standards such as the ISAE 3000 and AA1000AS to easily provide limited assurance of sustainability reports – something the big 4 audit firms pride themselves over. It is therefore not surprising to appreciate that the Big 4 audit firms have annexed this new audit space, i.e. the audit and assurance of sustainability functions, although other non-accounting assurance providers are also playing minor roles in sustainability assurance (Andon et al., 2015; Channuntapipat et al., 2019).

A careful assessment of the data in table 5.3.2 reveal that total verifications or checks made by GRI and third parties amount to 50 companies (Panel C). However, per Panel D, the total number of assurances conducted amount to 55 companies. It is almost certain that the extra five (5) verifications and/or external assurances could be attributed to the 18 companies which could not clearly indicate their confirmation and assurance levels. This loophole could potentially be attributed to insufficient categorization of data by these reporting companies (Panel C).

Table 5.3.2: Characteristics of the Sampled VAR and SR Reports

Panel C - application level confirmation		
GRI – Verified/Checked	10	10%
Third Party Verified/Checked	40	40%
Voluntary Self-Declaration	32	32%
Confirmation Level not indicated	18	18%
Total	**100**	**100%**
Panel D - External Assurance		
External Assurance in Total	55	100%
Assurance by Accountants	38	69%
Limited Assurance by SR Experts	17	31%
Total	**55**	**100%**

It is worth mentioning that the extent of detailed assurance or verification of the sustainability and value-added reports are discussed indepth during the primary data collection phase. These analysis form part of chapter 8 which is then cross-referenced to this chapter. In this section, it is obvious that the sampled companies engage in higher GRI application levels in addition to ensuring that their sustainability reports are checked and assured by independent evaluators. Thus, it would be expected of these listed companies (in South Africa and related emerging economies) to create, measure, recognize and report corporate values in accordance with the GRI Guidelines. This function of the reporting entities will possibly result in corporations reporting SRs and VARs that are consistent over time, comparable over time and across firms and industries and verifiable by third parties or the wider stakeholder groups. These features underpin the extent to which these VARs and SRs could be classified as quality outputs that contribute significant values to the lives of the beneficiaries (users and stakeholders) of the reports.

Figure 5.6: GRI Application Level Confirmation

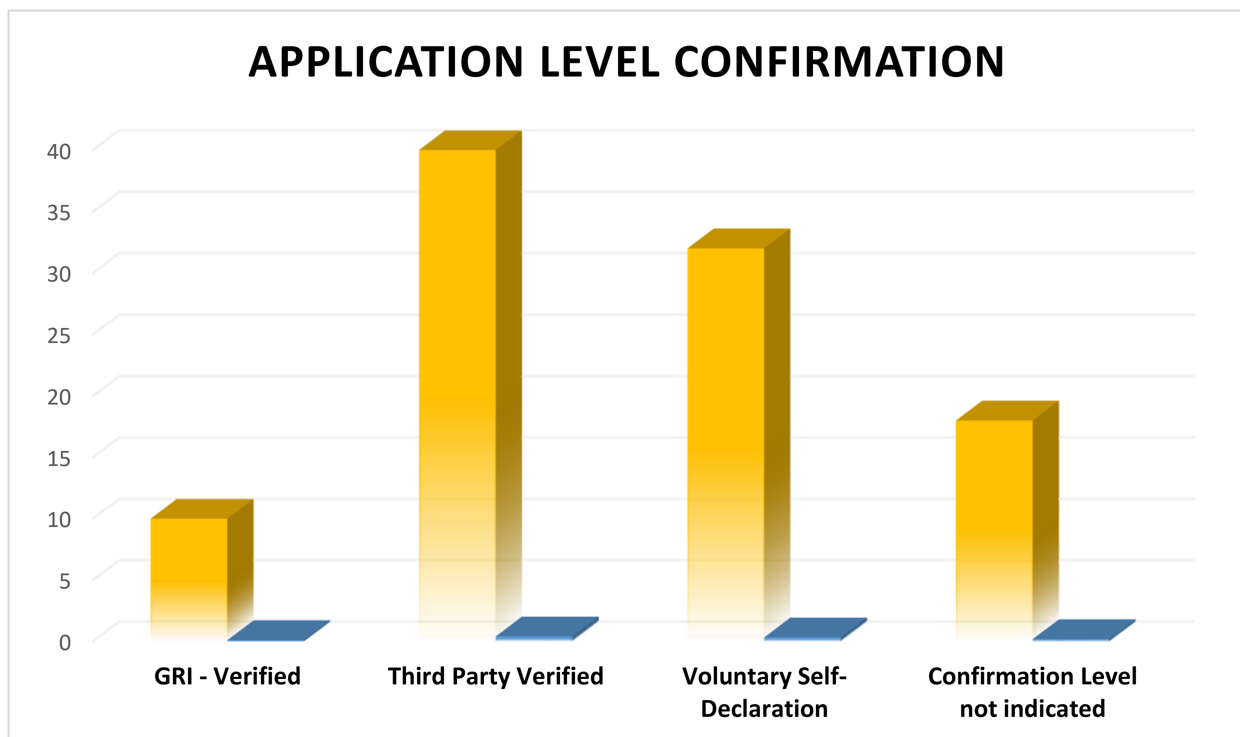
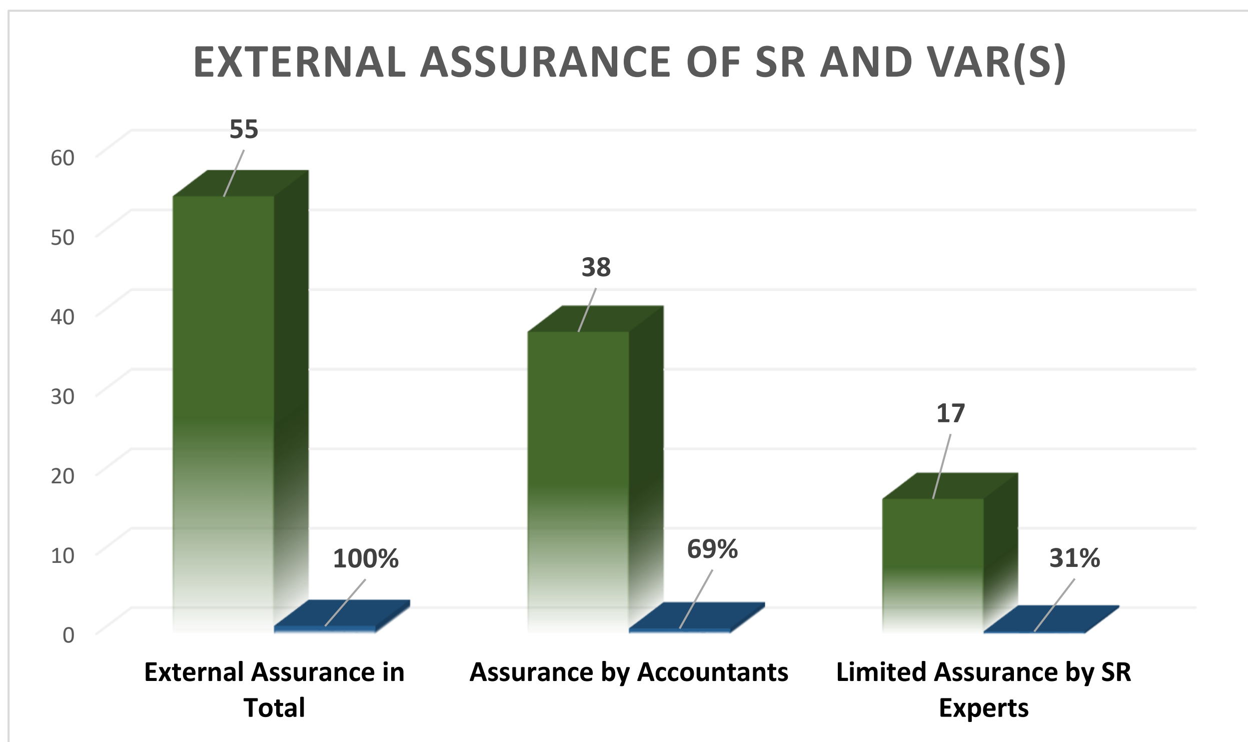


Figure 5.6 above and figure 5.7 below represent panels C and D of table 5.3.2 above. These two figures tend to convey a reconciliatory assertion that all the top 100 listed companies selected from the JSE Ltd for the research ensure that their sustainability and value-added reports are validated by practitioners. This clearly underscores the robust nature of listing requirements on the JSE Ltd concerning the filing of annual reports by quoted entities.

Figure 5.7: External Assurance of VARs and SRs



5.4.3 Table 5.4: Characteristics of the Value Added Information Provided

Table 5.4 has been structured into three (3) parts namely the Incidence (Value added information provided – Panel A), Terminologies used in reporting the corporate value addition and distribution (Panel B) and the Format of Presentation (Panel C). Per the sample selected and analysed, all of the listed companies clearly disclosed their CSDs either in the form of a narrative, quantitative financial report or both. This confirms the position of van Staden (1998) that South

African listed companies have increasingly been producing and publishing their value-added (and sustainability) reports in line with the requirements of the Securities and Exchange Commission (SEC).

As shown in Panel B, a significant 64% of the listed companies maintained the use of the conventional Value-Added Statement (VAS) in their annual report. In addition, almost one-third of the sampled companies adopted the contemporary EVG&D (or EVG&G) in their annual integrated report. Summarily, all of the sampled companies incorporated the quantitative measurement criteria in their value-added and sustainability reports in which terminologies such as value-added and/or economic values were used in describing their ESG functions. The adoption of such terminologies should not be surprising if companies are primarily driven by economic value maximization which is characteristic of the sampled companies chosen for this study.

Panel C provides insights into the various CSD formats of the respective VAR or SRs. Per the findings of the empirical studies, 40% of the listed companies present their VARs in the form of the Value-Added Statement and a VAS with a distribution chart. The distribution charts usually provide a pictorial layout of the various values generated by the company and distributed to the various constituents. Consistent with the above representation, 20% of the listed companies typically present their VARs or SRs as illustrated figures and distribution charts. These figures are generally supported with supporting narratives or footnotes that provide detailed explanations of the quantitative metrics represented in the figures and charts. Only 10% of the sampled firms provide a comprehensive disclosure and analysis of their VARs or SRs. This is possibly due to the significant amount of workload involved in the preparation of a comprehensive or detailed VAR or SR.

Table 5.4: Incidence and Formats of VARs or SRs

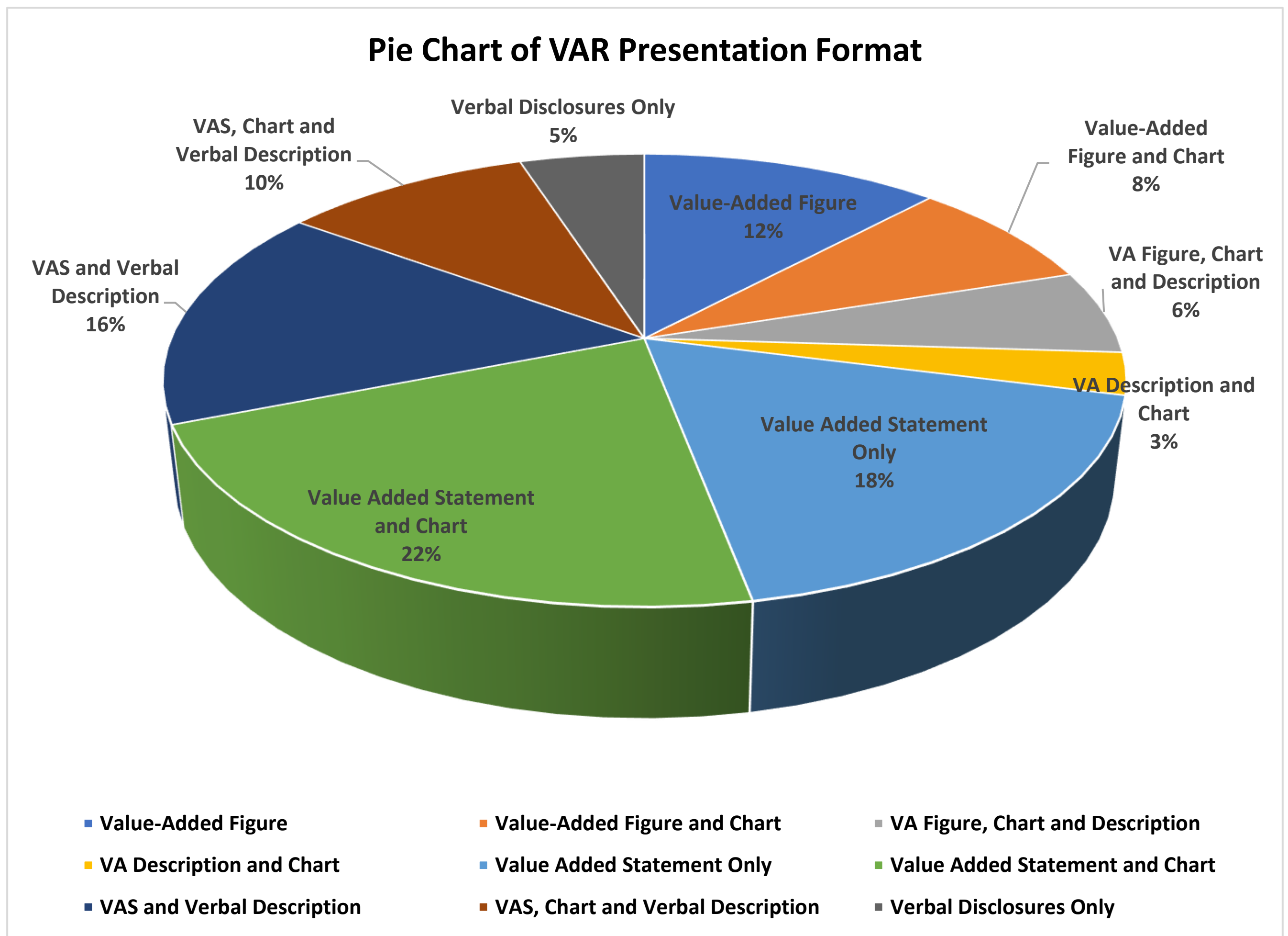
Panel A - Incidence	**Number**	**%age**
Value Added Information Provided	100	100%
No Value-Added Information Provided	0	0%
Total	**100**	**100%**
Panel B - Terminologies Used		
Value-Added Report/Statement	64	64%
Economic Value Generated & Distributed	26	26%
Economic Value Added	10	10%
Total	**100**	**100%**
Panel C - Format of Presentation		
Value-Added Figure	12	12%
Value-Added Figure and Chart	8	8%
VA Figure, Chart and Description	6	6%
VA Description and Chart	3	3%
Value Added Statement Only	18	18%
Value Added Statement and Chart	22	22%
VAS and Verbal Description	16	16%
VAS, Chart and Verbal Description	10	10%
Verbal Disclosures Only	5	5%
Total	**100**	**100%**

Table 5.4 above and figure 5.8 below (the pie chart representation of the VAR and SR formats) clearly illustrates that 95% of the sampled companies provided economic measurements (numerical calculations) to underpin their value-added or sustainability reports. Out of this, a consolidated 32% of the sampled firms supported their VARs with some level of descriptions or disclosures that explains their value-added and sustainability activities. This metric is quite lower when compared to similar entities from developed countries such as Italy, UK and Germany whose popular means of reporting their VARs consolidates the VAS, illustrative charts and figures and additional verbal descriptions (Haller et al., 2018).

An important point worth mentioning is that the level of details provided in the descriptions differ from each company to the other which could potentially be attributed to the sustainability mission and objectives of the company. In addition, this level of variations in the amount of details provided to support the VARs could likely be due to level of expertise and size of the reporting

entity. It was quite informative to realize that all the MNEs and some of the Large Companies (by market capitalization) provided detailed descriptions and disclosures to support their value-added and sustainability reports. What stands out in the table 5.4 (Panel C) is that only 5% of the sampled firms provide verbal disclosures only to describe and explain their sustainability and value-added activities.

Figure 5.8: Presentation Formats of VARs and SRs



5.4.4 Table 5.5: Discussion of the Value-Added Information Provided

A common theme among the companies who reported their VAS is that they disclose the values created or generated/added by the firm and the extent to which these values were distributed

among their respective stakeholder groups. These categorizations were predominantly based on the reporting firms' choice of VAR model. Of interest here is the fact that only 8% of these firms adopted the GRI guidelines in representing the corporate value-added information whereas a staggering 85% of the firms adopt the conventional Anglo-Saxon model of using the Sales/Revenue based output approach in representing their value-addition (Panel A). It is almost certain from the above metric that companies in the South African economy follow similar models adopted by the western advanced economies. An insignificant number of 7 companies rarely indicated the model of representing their VAR information (Panel A).

Table 5.5 Content of Value-Added Information

	Number	%age
Panel A - Reporting Model Used		
GRI Definition	8	8%
Output-Based Definitions		
Sales/Revenue Based	85	85%
Cash Based	0	0%
Production Based	0	0%
Not Indicated	7	7%
Treatment of Depreciation/Impairment/Amortization		
Gross Value-Added Approach	70	70%
Net Value-Added Approach	25	25%
Not Indicated	5	5%
Total	**100**	**100%**
Panel B - Reconciliation of VA Information to SoPL		
Fully Traceable	0	0%
Partially Traceable	90	90%
Not Traceable	10	10%
Total	**100**	**100%**
Panel C - Reconciliation of VA Information to SoFP		
Fully Traceable	0	0%
Partially Traceable	45	45%
Not Traceable	55	55%
Total	**100**	**100%**
Panel D - Reconciliation of VA Information to SoCIE		
Fully Traceable	0	0%
Partially Traceable	12	12%
Not Traceable	88	88%
Total	**100**	**100%**
Panel E - Reconciliation of VA Information to SoCF		

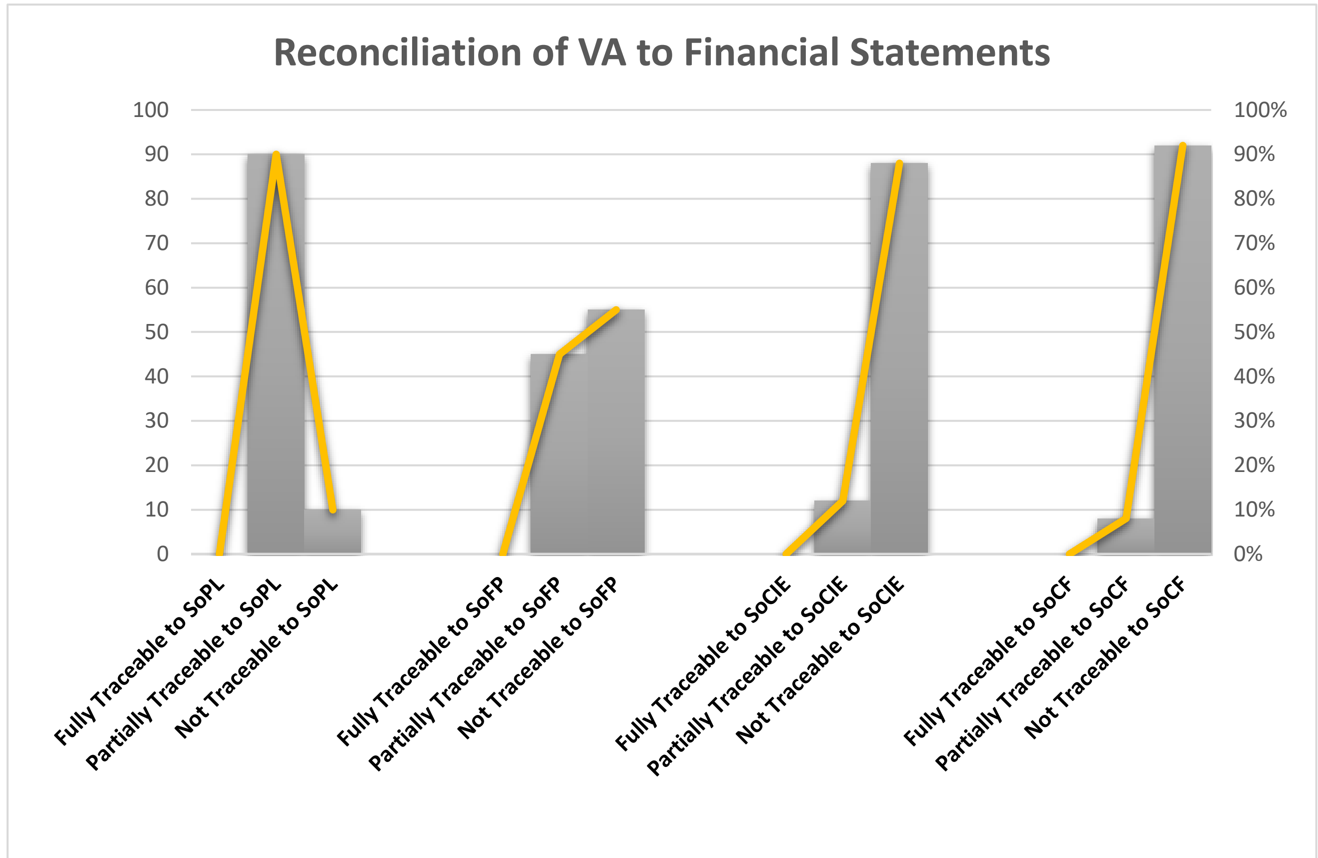
Fully Traceable	0	0%
Partially Traceable	8	8%
Not Traceable	92	92%
Total	**100**	**100%**
Panel F - Recognition of Non-Financial Metrics in VAS		
Fully Recognized in VAS and Disclosures	92	92%
Partially Recognized in VAS and Disclosures	3	3%
Not Recognized in VAS and Footnotes	5	5%
Total	**100**	**100%**

A key aspect of the analysis is the extent to which amortizations, depreciations and impairments are treated in the VAS or VARs. A material number of 70 companies from the sample treat these deductions as a distribution component (or value) by subtracting these elements from the retained earnings (values) reported. This approach is consistent with the Anglo-Saxon Gross Value-Added Approach of VAS reporting. On the contrary, a quarter (25%) of the sampled firms adopt the Net Value-Added Approach of VAS reporting in which these accounting estimates are directly deducted from reported value-added or values created (generated) by the company. The net value-added approach is quite popular among European countries like Germany which are driven by production activities. It is informative to note that the sum of the production companies from the sample as per *table 5.2.1 and figure 5.3* (i.e. 17 mining and extractive companies; 1 automotive company; and 8 food and beverage production companies) account for nearly 25% of the total sample. Thus, it is not surprising to note that these production-oriented companies adopt the Net Value-Added Approach in reporting their accounting estimates, a practice that is consistent with the way production firms in the western advanced economies adopt in their VARs. An immaterial 5% of the sampled firms do not specifically spell out how they treat their respective accounting estimates (depreciation, amortization and impairments) in their VARs or VAS.

Perhaps the most important and time-consuming aspect of the analysis is the ability to fully or partially trace the elements of the VAS to the respective audited financial statements. From table 5.5 above and figure 5.9 below, it could be found that none of the VAS information could be fully traced to any of the four (4) traditional financial statements namely the Statement of Profit

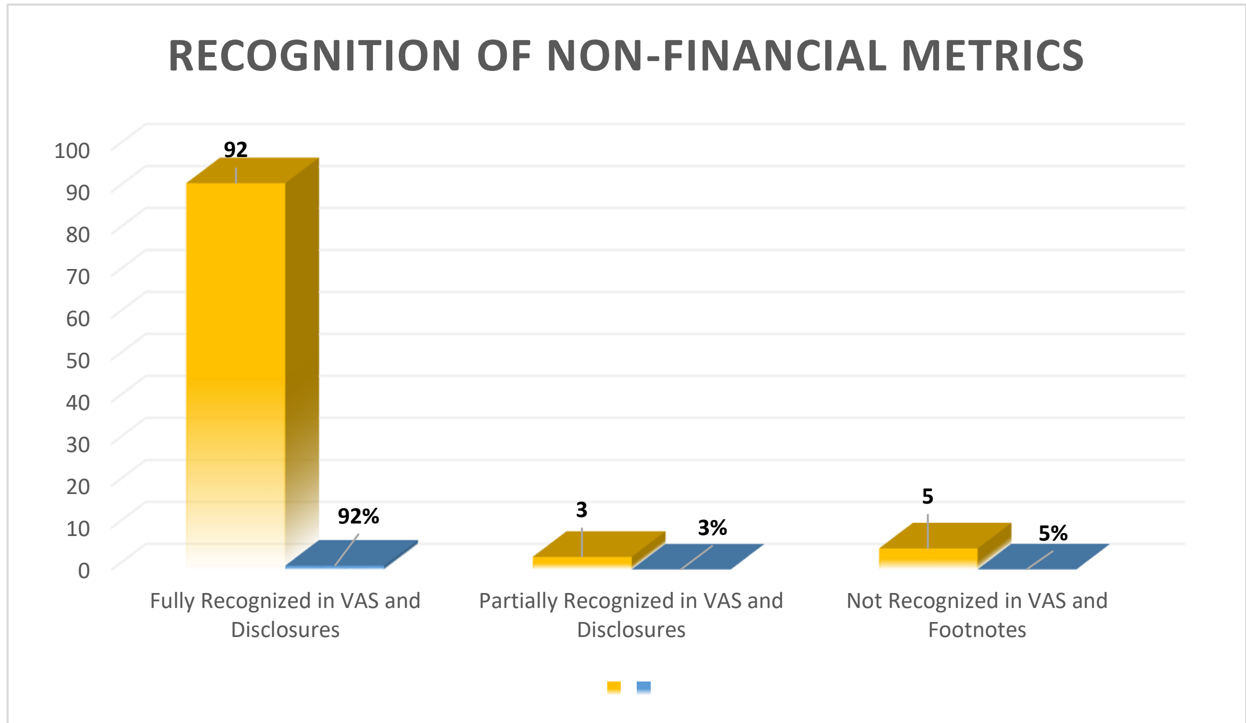
or Loss (SoPL), Statement of Financial Performance (SoFP), Statement of Changes in Equity (SoCIE) and Statement of Cash Flows (SoCF). For most of the companies, their VAS information could be partially traced to their SoPL (90% of the cases). This is because the VAS is predominantly titled towards a reconstruction of the traditional SoPL. In the case of tracing the VAS elements to the SoFP, a good proportion (45% of the cases) could be partially reconciled to this financial statement. Here, the major elements traced to the SoFP are the equity valuations which are transferred from the net retained values into the SoFP. In the same vein, partially traced items of value in the VAS to the SoCIE related to adjustments made to the items of equity. In panel D, only 12% of the companies' VAS elements could be partially traced to the SoCIE. The SoCF is by far the financial statement with the least number of VAS elements (8%) that could be traced to it. The main items with a recurring nature that could be partially traced to the SoCF is the revenue from operations (sales income component of the VAS), staff costs, depreciation adjustments, taxation payments and other operational expenses. It was quite tedious and practically impossible to clearly trace any item of the VAS to the financing and investing segments of the SoCF. Thus, a significant proportion of about 92% of the VA information reported in the VAS could not be traced to the SoCF (Panel E). A likely explanation of this hurdle is due to the fact that VAS reporting has been technically relegated to the use of income statement (SoPL) elements in their disclosures.

Figure 5.9: Traceability of VA to Financial Statements



Consistent with existing and contemporary literature, there has been an increasing amount of incorporation of non-financial value-added information in the integrated reports of companies. In table 5.5 above (Panel F) and figure 5.9.1 below, 92% of the listed companies included some level of non-financial metrics such as key performance indicators and key risk indicators in their annual value-added information. It could be argued that these non-financial data are derived from already achieved ESG functions, ongoing sustainability activities and planned or contingent value-addition programmes of the company. Thus, caution should be exercised when attempting to interpret these non-financial information due to the changing nature of these activities. In addition, the risk of subjectivity attached to these non-financial metrics could cast doubts on the integrity of these reported metrics.

Figure 5.9.1: Recognition of Non-Financial Metrics in VARs and SRs



5.5 Conclusions and Implications for Practice, Policy and Research

This empirical study has identified that the level of details reported in the VARs differ significantly from one company or the other regardless of whether they are all listed companies or regulated by the same authority (SEC in this case). The study denoted that the three main qualitative characteristics of corporate (value) reports that determine the quality, usefulness and understandability of these reports are consistency, comparability and verifiability. It was derived that most of the companies use alternative reporting models other than the standard GRI definitions to present and disclose their CSDs. Thus, companies introduced some form of bias in the allocation, appropriation and distribution of value generated to its respective constituents. This is quite surprising in the sense that listed and large or multi-national companies that are being regulated by the same SEC could have adopted a standard reporting framework or model to allow for comparability and verification over time and across time periods and sectors. Hence, such CSDs, VARs and SRs could potentially mislead a greater proportion of the wider

stakeholders and cause firms to misstate their corporate accounts on sustainability and value-added activities. Similarly, it will likely lead to less or inappropriate satisfaction of the varied needs of the wider stakeholder group members in terms of value to these beneficiaries and reliance on such corporate accounts or reports for informed decision making.

Following from the above, a significant weakness of this empirical study is the issue of distributional fairness. Distributional fairness, usually equated to equality, cannot be achieved in the VAS or VAR reporting if the assessed companies under consideration choose and apply models and frameworks that suit their own operational activities. However, I will argue that the issue of distributional equity (not equality) should be championed by researchers and practitioners alike for one major reason. All stakeholders do not contribute equal amounts of resources towards the value generation process; consequently, equality might appear economically impracticable to apply.

These analyses also confirmed that companies use various communication and reporting tools to convey their value-added information to their respective stakeholders. These tools range from highly detailed communications (use of verbal descriptions, charts, figures and financials) to very limited and unverifiable information (such as figures only or verbal descriptions only). These variations in the communication tools and mediums question the underlying conceptual frameworks being adopted by the publicly listed companies in South Africa (and emerging economies for that matter). There is the need to have a sound and valid conceptual framework that will prescribe the standard formats for reporting and communicating value-added information to the wider stakeholder groups. This will aid in the verifiability and reliability of the reported value-added information by these companies.

The most obvious finding to emerge from this empirical study is that most of the reported value-added information cannot be fully reconciled to the supporting financial statements. If the notion that VAS is a reconstruction of the income statement or SoPL, then it should, at least, be fully reconciled and traced to this financial statement since most of the companies in the sample adopt high application and assurance levels. Secondly, it was quite difficult to associate the qualitative metrics introduced as footnotes and supporting narratives to the VAS to the main traditional financial statements. The lack of reconciliation of both quantitative and qualitative metrics to the

main source document or report impairs the faithful representation, reliability and verifiability of these corporate reports.

This study confirms that although companies in South Africa (and emerging economies) adopt and generally accept the GRI Guidelines for their VARs and related SRs, the level of compliance with its tenets and definitions is very low across the firms. This could potentially lead to the loss of reputation of the GRI Guidelines and the general credibility of the VARs and SRs produced and published by companies. It is not surprising that the GRI Sustainability Disclosure Database had to be shut down in April 2021 due to the lack of patronage of the framework and lack of enforceability of the guidelines on applicable firms. The evidence from this study suggests that a more detailed audit and assurance should be conducted on these VARs and SRs by competent and qualified independent assurors who will validate and reconcile these reported metrics (both the quantitative and qualitative items). This will possibly enhance the comparability, verifiability and most importantly, the reliability and relevance of these reports.

The principal theoretical implication of this study is that a generally accepted VAR and SR framework or model should be developed for the respective industries or sectors in order to regulate and guide reporting and assurance of these value-added information. This will optimize the information usefulness to the wider stakeholder groups and aid in holding the companies fully accountable for their actions since a standard benchmark will be available to assess and enforce compliance by the firms. I perceive that a general framework for all companies to adopt might not necessarily help in achieving this aim since the sustainability and value-added functions of each company might differ from each other. Instead, tailored frameworks for specific sectors or industries could aid in unambiguously enforcing the correct measurement, recognition, reporting and assurance of these value-added activities.

Chapter 6

Analysis and Findings: Contextualization, Divergence and Convergence of Sustainability and Value-Added Reporting

6.1 Overview

This thesis chapter is the foremost of three chapters that addresses a sub-aim (research objective) of the research question and it is centred on the need to ***contextualize*** and examine how the value-added report or statement ***converges or diverges*** from sustainability reporting in meeting the various stakeholder needs of corporate annual reports (Adams, 2017; Mandal and Goswami, 2008). This chapter partially addresses the main research aim in terms of how the value-added reports (and statements) could be presented to achieve information usefulness to the wider stakeholder groups. By presentation, the researcher is looking at the reporting framework, both conceptual and practical, which guides the design, development, structuring, publication and communication of corporate values or sustainability functions to the wider stakeholder groups. Prior to engaging in thematic analysis within this same chapter to address the above research objective, there is the need to critically examine the underlying literatures supporting the concepts of sustainability and/or value-addition.

It is worth indicating that this and the next three chapters are distinct but interrelated chapters that link up with the previous and final conclusion chapters. Chapters 6, 7 and 8 are distinct in the sense that they are interdependent and/or standalone manuscripts addressing the three research objectives outlined in chapter 1 above. This is because chapters 6 to 8 of this thesis are interwoven with the rest of the thesis since they derive their research objectives from the introductory chapter, leverage on the research philosophy and methods explained in chapters 4 and 5 above and derives its arguments and positioning on the legitimacy theory as explained in chapters 2 and 3 above. Additionally, chapters 6 to 8 are outputs of the primary data collection and analysis stages and they are respectively premised on the three main themes emanating from the secondary data analysis (chapter 5). It is also important to mention that chapters 6, 7 and 8 will be better understood in the light of their respective and interdependent literature reviews underpinning the need to address the three research objectives set out in the introductory chapter. An adequate resolution or achievement of each research objective will ultimately help answer

the research question of how practitioners, corporate bodies and industry experts can leverage on conventional accounting practices to provide value to the wider stakeholders and hold corporations accountable for their sustainability and value-added functions.

Let us kick-off with the historical developments of the concept of sustainability reporting after which we will consider contemporary sustainability reporting themes. Thereafter, this chapter will review the development of the VAS as a potential tool that could be used to advance the sustainability reporting project within the accountancy discipline.

6.2 History of Sustainability Reporting

For centuries, the concept of sustainability reporting and social responsibility has pervaded the world and corporate economies. These developments and evolutions of social accounting permeates both history and religion and accountability.

6.2.1 Historical and Religious Dimension

Historically, it is arguable that enforcements of sustainability activities and legislations on environmental accounting began in the 1960s through to the 1990s. In contrast to this argument, historical artifacts indicate that sustainability practices evolved sometime in the 1300s through to the current dispensation (Neuzil and Kovarik, 1996 as cited in Buhr, 2007*)*. For instance, in 1306, King Edward I of England prohibited coal burning during live parliamentary sessions. In 1739, Benjamin Franklin and his cohorts of the US petitioned the Pennsylvania Assembly to desist from the practice of dumping waste in the Delaware River which pollutes the ecosystem. Similarly, in 1775, Percival Pott, an English scientist, determined that the major cause of cancer among the populace was the unusually high levels of coals transmitted into the air systems, hence the need to minimize the use and industrial consumption of coals. In 1804, the US appointed its first ever health inspector in the city of New York to ensure environmental compliance and safety of the populace.

From a religious perspective, right from the 18th century to the 21st century, Christians and Hebrews alike have advocated for a sustainable ecosystem that supports human life on this earth.

The motivation for this sustainable movement is to spiritually prepare the world and its inhabitants for eternity and the life hereafter (Du Pisani, 2006). This is evidenced in previous world rulers or leaders' admonitions and decrees to all the citizenry and the world alike to ensure that the earth is habitable and conducive for human lives. Currently, the Pope and the Vatican are equally spearheading the climate change movement by advocating sustainable practices by individuals, firms and nations with the aim of securing this earth/world for posterity without compromising on the quality of life for the current generation. Either overtly or latently, church organisations have resorted to withdrawing their resources and investments from firms that engage in unsustainable business practices (Adventist World, December 2018). This typically conforms to the Legitimacy Theory's principle in which corporations are required to conform to the moral fabric of the society by investing in operational activities that promote and sustains life an growth (Deegan, 2010).

6.2.2 Accountability Dimension

From a purely accountability perspective, which forms the crust of this literature review, it is believed that social accounting and reporting emerged in the 1930s during the severe economic depression in the US (Bebbington et al, 2014; Zadek et al., 1997). A US-based academic, Theodore J. Kreps, in 1940 argued that firms, in addition to their traditional financial reports, should incorporate the wider societal responsibilities in their corporate reports. This will ensure that firms remain accountable, not only to their capital providers, but also to the public at large.

On the other hand, another US academic, Howard Bowen, in the early 1950s argued at odds with Kreps position. Bowen instigated that the inclusion of social perspectives into corporate reports should be undertaken as an internal management tool for control purposes. He suggested that there was no need for firms to report their social practices to external interest-holders; instead, the interests of the other non-financial stakeholders should be largely managed through governmental policy frameworks. This position was corroborated by Dierkes (1979) who confirmed that corporate social accounting and its resultant social audit activities serve as effective management tool to curb the effects of adverse firm operations including, inter alia,

poor customer and employee relations, so as to, thereafter, promote a positive organisational culture within.

Subsequently, in seeking a balance between Kreps and Bowen's positioning, George Goyder from the UK, in the 1960s advocated that there is the need to employ an assurance process over the social activities and responsibilities of firms. He indicated that as firms were expanding from small to medium and large-scale entities, their activities will most likely affect the various social perspectives of their operations which will require amendments to the existing social contract(s) between the firm and its environment if the company intends to maintain and sustain its legitimacy status (Donovan, 2002). Goyder (1961) challenged the widely held view that financial reporting is biased towards the economic interest-holders or stakeholders; However, given that a growing firm has the propensity to impact on other aspects of economic life, it is prudent to equally expand the scope of corporate reporting practices (and its assurance) to examine firm activities that borders on corporate social responsibilities such as labour relations, pricing policy, customer satisfaction, safety and security of the environment, supplier satisfaction and local and community interests. He practically deduced that an assurance engagement over the social aspects of a firm will equip the management with a useful control tool as well as arm the other stakeholders with the legitimate basis to contest and influence organizational behaviour.

The 1970s then saw an influx and wave of propositions and legislations mandating firms to expand their corporate reports to include elements other than just the financials. For example, in 1973, Company Affairs Committee of the Confederation of British Industry strongly recommended changes to the company law to recognize firms' relationships with other stakeholders such as creditors, suppliers, customers, employees and the general public or society (CBI, 1973). Similarly, in 1970 the US Chamber of Commerce noted that firms should significantly shift from the conventional accountability to shareholders and instead expand their reporting responsibilities to the public at large (USCC, 1970). In addition, in 1979, the US Department of Commerce averred that firms that engage in expanded corporate reporting to meet the information needs of the wider stakeholder groups reap greater profitabilities in the long run since their social accounting mechanisms tend to court public favour that leads to increased patronage of the company's products (USDOC, 1979).

The 1980s saw little or no advancement of the sustainability reporting project. This was typically due to the political and industrial revolution where firms' drive was to sustain the capitalist system and increase shareholders' wealth (Zadek et al., 1997; Friedman, 1962). Typically, conservative politics [characterized by the reigns of Ronald Reagan (1981 – 1989) in the USA and Margaret Thatcher (1979 – 1990) in the UK] and unfavourable economic conditions during this space of time resulted in the waning of interest in sustainability reporting by firms (Buhr et al., 2014).

However, the last three decades spanning the 1990s to date have seen a renaissance of the sustainability reporting framework where standard setters, regulators, practitioners, professionals, government entities and corporate bodies have instituted systems and protocols that will enable the implementation of both economic, social and environmental reporting practices (Gray, 2002; GRI, 2018; Elliot and Elliot, 2019). For instance, the Global Reporting Initiative (GRI) Guidelines are purposefully geared at extending the financial reporting framework to incorporate non-financial metrics that could meet the needs of wider stakeholder groups. It is interesting to note how the frameworks are even being modified by contemporary reporting practices to further expand on the concept of sustainability. A notable situation has to do with the <IR> developments that tends to drop the economic component of sustainability and rather adopts governance in its place. Hence sustainability is equated to environmental, social and governance (ESG) dimensions of the entity (IIRC, 2020).

Taken together, the implications of these historical, religious and accountability evolutions of the sustainability movement aim at empowering the various stakeholders to hold corporate entities responsible for their operations. This empowerment could ideally be secured when firms report and disclose their operations holistically lest stakeholders be misled into running into erroneous conclusions.

6.3 Contemporary Sustainability Reporting Practices

As far as diffusing and diminishing the information asymmetry issue between firms and stakeholders is concerned, organisations are provided with two variants to adopt in reporting and

corporate disclosures – mandatory and voluntary options (Adina and Ion, 2008). The mandatory strands are regulated by authorities, standardized and mechanized whereas the voluntary variant augments the mandatory strands. The mandatory disclosures are principally adopted within the financial reporting space and it is expected that these compulsory disclosures will meet the required stakeholder information needs. Though voluntary disclosures are not legally required by reporting jurisdictions, it is deduced that organisations increase their voluntary disclosure metrics in order to meet supposed legal requirements of regulatory bodies like the stock exchanges (Van Staden, 1998; Adina and Ion, 2008).

According to Nallareddy et al., (2017), financial stakeholders are not perturbed by an increase in mandatory reporting requirements since their investment decisions remain intact based on historical financial reports and disclosures. A reasonable and incremental infusion of voluntary disclosures could probably induce both financial and non-financial stakeholders to reconsider their interests in organisations. This is because voluntary qualitative disclosures usually expose the hidden social and environmental loopholes that border on the reputational risks of the company. These additional voluntary disclosures might, initially appear to be costly, however, the long run effects tend to add value to the firm and stakeholders' lives (Ioannou and Serafeim, 2017). Thus, the need to increase mandatory disclosure requirements that will incorporate sustainability activities will most likely result in corporate value enhancements or improvements and equally ensure that any existing reputational risks have been repaired by the organisation and potentially existing legitimations have been secured to continue firm operations (Deegan, 2010; Donovan, 2002).

6.3.1 Annual Reports and Accounts

Traditional corporate reports are, to a great extent, technically devoted to reporting and disclosing financial information to users. These financial reports – which are mandated by law and regulated by international and national standards and codes - comprise, primarily, the Statement of Comprehensive Income (which assesses the economic or financial performance of the company); the Statement of Financial Position (the Balance Sheet); the Statement of Cashflows (examining the various inflows and outflows of liquidity in actual terms); and the Statement of Changes in

Equities (Elliot and Elliot, 2019; Alexander et al., 2017). Practically, these annual financial reports are prepared using mandatory disclosure guidelines and they are designed to help meet the financial information needs of stakeholders who hold, to a large extent, economic interests in the firms. Principal stakeholders of these annual financial reports are the shareholders, suppliers, government agencies, management and lenders, with the investors being given prominence in the annual reporting and disclosure exercises (Stolowy and Ding, 2017; Thomas and Ward, 2019; Wahlen et al, 2018). Such expectations and expositions of annual reports are unsatisfactory since the practice tends to relegate the corporate reporting practice to a form of "stewardship accounting" where firms disclose information in order to boost investor confidence and lowers the company's cost of capital (Alexander et al., 2017).

Critics of conventional annual accounting contend that corporate reporting should advance from its traditional stewardship role (to investors) to predicting stakeholder and firm behaviours in the future as well as serve as a confirmation tool to measure and assess the predictions made (Atrill and McLaney, 2019). To achieve these predictive and confirmatory roles, annual reports and accounts require to be expanded to incorporate other qualitative metrics and sustainability KPIs that cannot be easily measured in monetary terms. It is almost certain to identify that these predictive and confirmatory roles of corporate annual reports and disclosures add value to the firm's and related stakeholders that adopt the expanded accounts, qualitative metrics and KPIs for planning purposes.

Research has concluded that larger firms produce expanded annual reports and disclosures due to their scale of operations, myriad number of stakeholders and ability to bear the costs of extensive corporate disclosures (Hossain et al., 1995). As such these firms can report extensively on their voluntary disclosures, in addition to their mandatory financial accounts, with recourse to meeting policy frameworks and regulations that mandate firms to operate for the common good of the society. A major drawback associated with these voluntary disclosures in annual reports is the quantification of the social and environmental phenomena. For example, since environmental elements are natural, always evolving and dynamic, most environmental disclosures tend to be incomplete which does not allow for an effective assessment of the environmental performance of the firm (Wiseman, 1982). A likely solution for incorporating natural elements in annual

disclosures is to engage other disciplines (like experts in ecosystems) to identify appropriate reporting metrics or values to be assigned to environmental disclosures.

Stakeholder selection bias is a potential concern in voluntary social and environmental disclosures. Neu et al., (1998) argued that firms are usually torn between disclosing more or less of sustainability activity depending on the target audience or stakeholder the firm(s) seeks to satisfy. Stakeholders with more influence and power such as the media, government and investors could dictate, latently, the amount of voluntary disclosures. Once again, a multi-disciplinary approach is recommended to ensure a balanced reporting to meet varied (key) stakeholder information needs as a form of predicting future stakeholder behaviour and to manage firm operations effectively (Clark Williams, 2008).

Most significantly, the need to promulgate global reporting frameworks that could operate as quasi-mandatory disclosure requirements over non-financial activities of the firm could be a great achievement. This could possibly lead to consistencies in global sustainability reporting practices among firms and for assurors assessments. However, this appears to be a difficult quest since the current IFRS and IAS regulations that mandate annual financial reporting practices are not uniformly applied globally (Leuz, 2010). Jurisdictions enact country-specific reporting and disclosure guidelines that leverage on the IFRS or IAS to meet national objectives; they rarely adopt the IFRS holistically. Thus, it is likely that a global convergence on acceptable disclosure standards for voluntary sustainability reporting might be decades away from now.

6.3.2 Value-Added Statements

As far as the concept of expanded corporate reporting is concerned with regards to incorporating voluntary disclosures into the annual accounts, a variant of the traditional financial statements, the Value-Added Statement (VAS), has been touted as an appropriate tool for adoption. Contemporary research indicate that the VAS could be further explored to meet such objectives. Below is a condensed review of the VAS as a possible corporate reporting tool for disclosing sustainability activities to stakeholders.

6.3.3 Development of the VAS

In the 1975, the UK's Accounting Standards Steering Committee (ASSC) birthed the concept of value-added reporting in the United Kingdom (*ASSC, The Corporate Report, 1975*). The Accounting Standard Steering Committee (ASSC), in association with the Institute of Chartered Accountants in England and Wales (ICAEW) and other regulatory bodies commissioned the *Corporate Report* in 1975 to incorporate a "Fourth Financial Statement" termed the Value-Added Statement (VAS). The VAS was to serve as a supplemental report in addition to the traditional Statement of Comprehensive Income, Statement of Financial Position and Statement of Cashflows (Aldama and Zicari, 2012). The VAS was designed to disclose all values created by the firm and distributed or attributed to seven key stakeholders, namely Shareholders, Employees, Government and Society, Suppliers, Community, Lenders and Reinvestments or Residual Profits (Morley, 1979). According to Aldama and Zicari, (2012) there are several possible arguments advanced in favour of adopting the VAS as a "Fourth Financial Statement", chief among which include:

- the possibility to plan for sustainability activities that meet various stakeholder needs; and

- the depiction of actual values created by and appropriated to various stakeholders which in turn aids in assigning credence to both human resources and societal inputs.

The above propositions by the ASSC are similar to contemporary intuition and practices by regulatory bodies such as the ACCA, CFA, and CIMA-AICPA who have incorporated sustainability elements into their advanced corporate reporting programmes (CIMA F3, 2018). Comparatively, contemporary regulatory bodies like the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC) have proposed guidelines and frameworks respectively to aid companies in meeting the varied stakeholder information needs via expanded reporting practices (GRI, 2018, 2020; IIRC <IR> 2018, 2020). The <IR> Framework and GRI Guidelines are later explored below.

6.4 Value-Added Statements – Market Adoption

Currently, there are no internationally acceptable and generic reporting standard(s) regulating the preparation, reporting and disclosure of the contents of the value-added statements. As situations differ from one socio-political economy to another, so are Value Added Statements published in each economy (Aldama and Zicari, 2012; PwC, 2019; IFRS 2019). Just as accounting is an ever-changing social institution in continuous linear evolution per country legislations, so is the VAS. Firms and industries are thus allowed to modify the VAS format and structure in order to suit firm and industry requirements. Regardless of the above, significant aspects of the *Corporate Report* published in 1975 and the related other contemporary modifications to the VAS clearly depict that all value-added statements share common features. For instance, whether in South Africa, North America, Western Europe, Latin America or UK, VAS is presented using either the additive or subtractive methods by disclosing the values created by the firm and attributed to stakeholders, key among which are the shareholders, employees, government and financiers or lenders (Morley, 1979; Meek and Gray, 1988; Haller and van Staden, 2014).

In relation to approach and models, jurisdictions adopt either of two VAS reporting models – the direct or additive models and indirect or subtractive models. Whiles latter approach considers value generation from the perspective of an Output-Input measurement, the additive model argues that value creation is derived from the culmination of various remunerations generated from respective stakeholders (Haller and Stolowy, 1998). In their comprehensive analysis of ascertaining values additions and appropriations, Meek and Gray (1988) and Aldama and Zicari (2012, pp. 488 – 489) concluded that firms are at will to choose to represent values added either at the gross or net values.

Following an impressive and detailed empirical analysis on the practical preparation presentation of the VAS, Haller and Van Staden (2014) proposed an expanded reporting format that incorporates either of the above models, at least to some extent, as well as representing the values at both gross and net values. The main limitation of the Haller-Van Staden 2014 format is the restriction of values to only profit and loss items (income statement transactions). Besides, a couple of value generation and expending items emanating from the profit and loss account

(income statement) were not considered by their model and format. These respective VAS reporting and disclosure models and presentation formats/templates will be explored in detail in the next chapter with the aim of further identifying meaningful value attribution items worth disclosing.

It is informative to note, as per figure 6.1 below, that the concerted efforts by renowned stakeholders such as the professional bodies (ACCA, CIMA, ICAS, CFA), practitioners (such as the Big Four), standard setters and regulators as well as the academics or researchers tend to underscore the social constructionist philosophy undergirding the value-added and sustainability reporting project. Clearly, these social actors are collaborating to generate a globally acceptable reporting framework to aid practitioners and corporate organisations to report values that are relevant to the information needs of the various user groups or wider stakeholders (Burr, 2015).

Below is figure 6.1 illustrating the early development of the VAS concept and its current positioning in the corporate reporting space. Summary narratives accompany the flowchart.

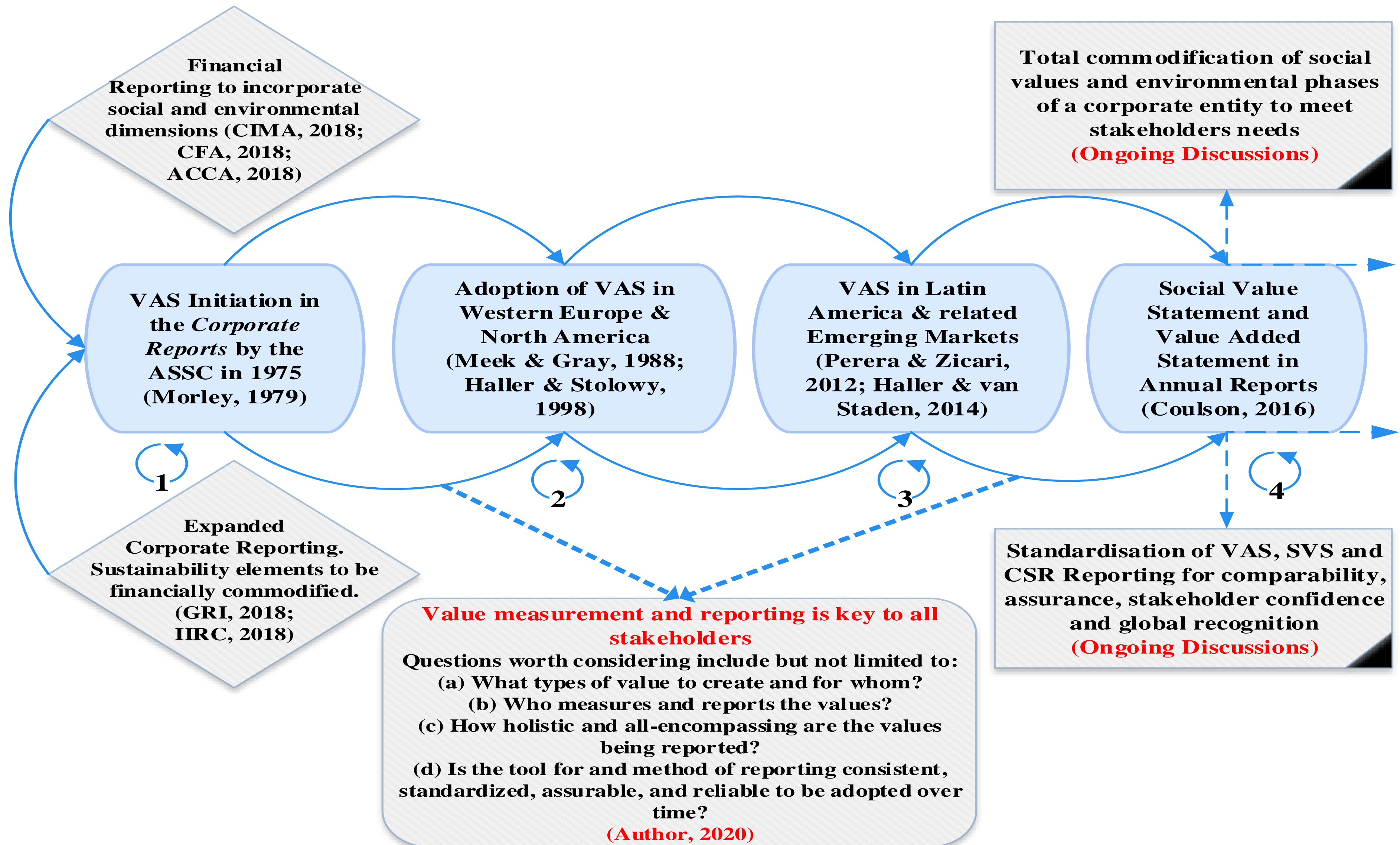


Figure 6.1: Value Measurement and Reporting Flowchart – VAS and Stakeholder

6.4.1 Explanation and Departure Point in exploring VAR and SR as per figure 6.1 above

There (was/is) the view that conventional accounting is not robust enough to represent all aspects of the corporate entity in financial terms. New reporting metrics like the IIRC's <IR> and the GRI Guidelines were developed to provide basis and formats for reporting on the non-financial phases of the firm. The regulatory bodies and standard setters like ACCA and FASB have incorporated these new requirements in their standards and professional practices.

The VAS, initiated in 1975 in the UK, gained grounds until it gradually began to wane in the early 1980s due to declining socio-political interests. Prior to the waning of the practice, the North America and Western Europe adopted the VAS to benefit from its varied merits. These jurisdictions are gradually showing less interest in the effective adoption and implementation of the VAS.

In recent times, emerging markets such as Latin America and Southern Africa have developed interests in institutionalizing the adoption and implementation of the VAS as a core financial statement. The interests stem from recent keen socio-political interests by various stakeholders in the activities of the firms. Efforts by academics and practitioners to streamline the practice of an effective and efficient VAS system has resulted in the need to present the Social Value Statements where social phenomenon will need to be commodified. This challenge seems pervasive given that no human factor or institution can reliably measure and place a financial value of items such as human life, customer satisfaction, safety and security of the environment.

There is the need to standardize the VAS and SVS through a collaborative effort between the firm, standard setters and all (key) stakeholders in order to meet stakeholder needs, allow for comparability and assurance of the statements and boost stakeholders' confidence in the practice. However, the question of commodification of social and environmental phenomena will remain an ongoing discussion if not necessarily a mystery to unravel.

6.5 Gap in Literature and Research Question/Objective

There is still uncertainty and confusion over the meaning of sustainability and how it interrelates with value-added functions of an organisation. What is not yet clear is whether the context and scope of sustainability conjoins value-added functions or vice versa. Sometimes the term

sustainability is interchanged with ESG, CSR, Sustainable Development or value-addition. There is no vividly agreed difference between Sustainability Reporting and Value-Added Reporting in the field of corporate reporting. In addition, there seems to be conflicting opinions on the need to integrate SRs or VARs into annual accounts or to keep such special-purpose reports as standalone reports.

The analysis, findings and implications sections below help to address this research gap and to resolve the research objective (and research aim) earlier mentioned in 4.1 above.

6.6 Case Context

The context of this chapter could be referenced to section 5.3 and table 5.1 above (under Chapter 5 – Research Methods and Secondary Data Analysis) which provides a general overview of the details of the case study, when the primary data (interviews) were collected, the date of gathering the primary datasets, venue(s) for collecting the data and the respective interviewees involved in the data collection exercise. Additionally, section 5.3 and table 5.1 above detail out the respective job titles of the interviewees and the length of each interview conducted to collect the primary datasets. It is worth stressing that the three Big Four Audit firms studied in this thesis operate within a comparative emerging economy, Ghana, and the professionals or practitioners interviewed during the primary data collection have all had extensive field experiences in the provision of audit, assurance and advisory services to clients in various emerging economies like Ghana, Nigeria and South Africa. In addition, currently, 17 out of the 19 respondents still ply their professions in emerging economies. Furthermore, all of the firms from which the primary data were collected have dedicated divisions tasked with the provision of sustainability reports, advisory functions on corporate sustainability activities and the audit and assurance of ESGs and/or sustainability activities. For example, BAF-1 currently provides a mandatory training for all of its staff in the area of ESG. This mandatory training is required for all staff to meet their annual appraisal objectives and necessary to permit the audit (and assurance) and advisory services divisions to continue to provide a broad range of sustainability-related professional services to their clients. Until recently and for quality control purposes, the three Big Four Audit Firms studied

have dedicated Audit Partners tasked with oversight responsibilities over the sustainability related matters or professional services.

Other than the practitioners from the International Governmental Organisations (IGOs) whose roles are constrained to local solutions and sustainability reporting, the respondents from the Big Four Audit Firms tend to have dual roles in terms of financial audits and sustainability advisory services, although the dedicated divisions running the sustainability professional services take the leading role in these functions. It is understood that any field work on the provision of sustainability professional services comprises financial auditors and non-accountants who work in tandem to provide a holistic assurance over the ESG activities of their clients.

Summary of the specific questions that directed data collection on the contexts of SRs and VARs bothers on identifying how practitioners and industry experts could better explain Value-Addition and Sustainability to the layman (ordinary person). Similarly, the semi-structured interview questions, as set out in appendix 6 below, sought to understand how value-added reporting and sustainability reporting functions merge, divert from each other or tend to intersect at some point. Another specific context studied has to do with the delimitation of value-added reporting and/or value-added statements to the conventional income statements of the reporting entities instead of an expansion of the context to incorporate other values which may be downplayed by these companies. The thematic analysis below reflect responses generated and scrutinized by the researcher with the aim of better understanding the contexts, structuring and composition and appreciation of the content of VARs and SRs. These analysis were done after a thorough transcriptions of the recorded audio interviews. Transcriptions spanned a couple of months since the researcher had to sometimes revert to the respondents for clarifications on some salient points made during the initial interview phases.

6.7 Case Analysis and Discussions

This section presents and analyzes the case findings in relation to the overall context of VARs and SRs. The analysis is sub-divided into four distinct labels. The first subsection discloses the practitioners' and industry experts' professional and technical understanding of the concepts of value-addition and sustainability and how these could be relayed in simple terms to a non-financial

person. The second sub-section deals with an analysis of how sustainability functions converge with or diverges from corporate value-addition functions. A grey area of study considered here includes whether either of the two concepts is a subset or superset of the other and whether an area of intersection could be deduced from these two seemingly independent concepts or terms. The third subsection explores how the Value-Added Reports and Sustainability Reports could be constructed to convey a holistic meaning to the wider stakeholder groups with little or no avenue for confusion in understanding these statements or reports. The fourth subsection illustrates the need to expand the context of VAR (VAS) reporting other than limiting it to the financial metrics and figures reported in the traditional financial statements while simultaneously suggesting a way of expanding the VAR or VAS to capture additional corporate values if the company or the accounting fraternity intends to use the VAS as a valid and generally acceptable tool for sustainability reporting.

6.7.1 Contextual Conceptualization of VA and Sustainability Reporting

A common view expressed by the sustainability specialists on the context of sustainability reporting deals with the extent to which the business activities of the company secure the social, environmental and economic viability of the society. These specialists emphasized the need to ensure that the current wealth of resources which sustain the going concern status of the company should be safeguarded for two major reasons – to maintain the continuous survival of the firm into the unforeseeable future period and to retain some of these wealth of resources for future generations. These contexts were generally repeated by the practicing accountants who claimed that their line of work is intended to protect the economic, social and environmental dimensions of the society and assure the going concern status of the firm in line with the International Standards on Auditing *(ISA) (UK) 570 – Going Concern*. One Senior Sustainability Specialist with Financial Management background intimated that the basic desire of every accountant is the "going-concern prospects of the company" and this craving is what "underpins sustainability" (IGS-2.1, Senior Environmental and Natural Resource Specialist, (Non-Accountant), 2022). He felt that an accountant in a production or mining firm should not just be concerned about the financial reporting but must also be interested with sustainability especially if the company's basic elements of production largely depend on the environmental resources. Similarly, a high-ranking

Associate Director in a Big Four Audit Firm contextualized value-added and sustainability reporting to mean the extent to which unborn future generations will benefit from the current practices of operating firms:

The ordinary person who might not be abreast with our technical accounting jargons could better understand the context of sustainability reporting as the extent to which the financials reported by a company or an accountant impacts our children, grandchildren, great grandchildren and unborn generations. As we strive to churn out numbers in the ordinary course of our accountancy profession, sustainability and value-added reporting will mandate us to report metrics that are consistent with the principles that future generations will come to benefit from the goodies we enjoyed in our times (BAF-3.1, Associate Director, (Accountant), 2022).

Another interviewee, an International Development Specialist (IDS) responsible for Sustainability Reporting indicated that an accountant working in a mining firm should be concerned about operational issues such as "safety of workers, environmental degradation, community health and safety issues, community protection, etc." (IGS-1.1, Sustainability Expert, (Non-Accountant), 2022). He further disclosed that in the current era of good business practices in which businesses thrive as going concerns, considering and supplying support for the environment, society, "biotic and non-biotic (living and non-living) factors, socio-political and socio-cultural entities all contribute to Company Value-Addition" processes. Both Sustainability Experts further argued that if the community in which the organisation operates does not support the company's operations on the basis that the company is irresponsible towards its staff, society and environment, it is most likely the company will fold up and go out of business, i.e. lose its going concern status and legitimacy to operate as a separate legal entity (IGS-1.1 and IGS-2.1, Sustainability Experts, (Non-Accountants), 2022).

Senior assurors, audit partners and local solutions experts were particularly careful in contextualizing the concepts of value-added and sustainability reporting without foregoing the technical and conventional accounting terminologies. For example, a BAF-1 audit partner leveraged on the European Sustainability Guidance and Frameworks to explain sustainability reporting as the "art and act of being responsible for the climate, natural environment and corporate atmosphere in which firms function as going concerns" (BAF-1.1, Audit Partner, (Accountant), 2022). She further elaborated that the contexts of sustainability and value-added reporting deal with being "accountable" for the business actions that impact the environment from the three distinct perspectives of the business or Economic, Social and Governance (ESG), a position which

was corroborated by an IGS chartered accountant involved in corporate financial analysis and local solutions (IGS-3.1, Financial Analyst and Local Solutions Expert, (Accountant), 2022). The context of sustainability reporting practically looks at the "accounting" for these ESG perspectives of a firm's operations. This level of accountability should not just be limited to the reported financials but as humans who could be equally impacted in the ecosystem, practitioners should be concerned about how firm operations impact human lives from the three ESG perspectives. These assessments should result in reasonable and informed decision by the wider stakeholder groups:

It is important for us to identify these impacts, conduct an impact analysis and report the outputs or outcomes as transparent as possible in order to allow shareholders, potential investors and other stakeholders to make informed decisions about the company. Companies should not just be limited and interested in solely generating profits and distributing same as dividends to their shareholders; instead, the companies should consider how their overall operations affect other stakeholders other than the shareholders or capital providers (IGS-3.1, Financial Analyst and Local Solutions Expert, (Accountant), 2022).

90% of the industry practitioners and accountants who were interviewed during the primary data collection process expressed the desire to expand the context of sustainability and value-added reporting to incorporate impact assessments and the recognition, measurement and disclosure of non-financial metrics so that SR and VR practices could be reasonably applied. A practitioner argued that sustainability and value-addition in the eyes of the community deals with the amount of values created by the companies beyond the ordinary and daily provision of goods and services of the firm. This is usually measured by considering the impact of the firm's operations on the communities, such as the amount of pollution from the businesses on the community and the extent to which these could endanger the ecosystem. Other impact analysis under the broader scope of the definition of sustainability and value-addition includes jobs created by the company for the communities, improvements in the livelihood and standards of living of the people and safeguarding of the natural environment (IIE-1.1, Financial Controller, (Accountant), 2022).

The ordinary stakeholder of the company will want to assess sustainability beyond the traditional financial statements, e.g. at (Name of Company) , we have a dedicated portion of our annual report that looks into key elements like "Water for Life", a sustainability and value-addition agenda which looks at how the operations of the company contribute towards the provision of clean and potable water to its communities (IIE-1.1, Financial Controller, (Accountant), 2022).

What emerges from the above reported results is that the definition, scope and context of sustainability and value-addition is quite pervasive. The two concepts have evolved over time and

currently requires the appropriate supply of measurable financial and non-financial metrics that meets the information needs of the wider stakeholders. However, the provision of these sustainability and value-added projects should be within the capabilities and core competencies of the reporting company. This will result in a more practical supply of appropriate SR and VAR information that will serve the dual roles of holding the reporting firms accountable and aiding the wider stakeholders to make more rational decisions. Moreover, as we shall see in Chapters 8 and 9, measurable VA and SR functions in standardized formats will aid with effective audit and assurance of corporate sustainability and value-added activities to achieve corporate accountability.

6.7.2 Convergence and Divergence of VAR and SR

The development of the Value-Added Report or Statement seems to be a more recent but established phenomenon when compared to the emergence and evolution of sustainability reporting. Whilst the majority purported that value-added reporting is a subset of sustainability reporting, all of the respondents agreed that there are grey areas in which the two practices intersect. Practitioners and sustainability experts who work in industry commonly confirmed that sustainability reporting is generally tilted towards the natural accounting of the biotic environmental factors whereas value-added reporting may be geared towards the mechanical reporting of financial data to a constricted group of stakeholders. One Sustainability Expert whose area of expertise is into natural resource accounting supported the notion of SRs superseding the VARs by arguing that VARs are limited to the traditional statements of profit and loss which are considered a transposition and renaming of the transactions in the profit and loss account. On the contrary, SRs are seen to go beyond the mere creation and distribution of wealth, for example, in the case of an extraction company, SRs recognize and capture both the cost of extracting the resources and the extent to which the company has gone to make life better for the community in which the extractions are done:

Let us consider Tarkwa and Obuasi which are renowned mining hubs or cities located in the Western and Ashanti Regions of Ghana, an emerging country. You will hardly see value or general positive developments in the lives of the people living in these places regardless of the fact that these townships have sustained the Gold Mining Sector of the country for decades. For this reason, SRs should extend beyond the mere VAR mechanics of classifying wealth created by and

distributed to the constituents. SRs should be more encompassing, serving as a superset of the VARs (or VAS) and incorporate impact assessments of firm operations (IGS-2.1, Senior Environmental Specialist, (Non-Accountant), 2022).

Consistent with the views expressed by the non-accountants on the major differences between VARs and SRs, majority of the qualified accountants confirmed that the VAR or VAS is more of a financial report whereas a sustainability report extends beyond the conventional reporting of financial data. Common views expressed by the practitioners predominantly highlighted the short-term focus of the VARs comparative to the strategic (longer-term) focus of the SR. The respondents generally argued that the content of the SRs typically infuses both the short-term quantitative elements of the VAR into a broader and longer-term comprehensive corporate report. For instance, a senior financial analyst who has practiced with a Big Four Audit Firm and currently works with an International Governmental Organisation confirmed that:

. . . the Value-Added Report and its corresponding statement (VAS) are clearly different from the Sustainability Reports since it limits its scope to values generated from business operations and how these values have been distributed to key stakeholders like the government and community, to employees, lenders and creditors. The context and content of SRs go beyond the traditional accounting measurement and reporting of the net amounts that accrue to the key stakeholders (IGS-4.1, Senior Financial Analyst and Local Solutions Expert, (Accountant), 2022).

Similar concerns to the above were expressed by a current Assistant Vice President in charge of Accounts Management of a multi-national company in North America, who was once a former Audit Manager with a Big Four Audit Firm in which he practiced extensively in South Africa before heading/leading the Sustainability and Management Accounting Unit of a renowned Mining Company in Ghana. This interviewee expressed his biasness towards the Value-Added Reports (expressed in the form of the Value-Added Statement). The interviewee viewed the VAR/VAS as an indirect profit and loss account since it essentially looks at the amount of wealth that has been created by the company and how these wealth have been distributed to suppliers, employees, government and retained portions of the wealth in the business for future growth and expansion. He further corroborated the assertion that the VAS (and VAR) is more of a short-term focused report spanning a maximum of a 12-month operating period. However, a sustainability report, just by the meaning of its core name, looks at the strategic timeline and considers the longer-term survival of the company in terms of what the company needs to do to better the lives of its key stakeholders as well as maintain its operational activities into the foreseeable future period.

Sustainable reporting will look at its limited and longer-term footprints and impacts on the community although it is more geared at focusing on the longer-term impacts of its activities on its key stakeholders (IIE-4.1, Assistant Vice President - Account Management, (Accountant), 2022).

Both the VAR and SR provides useful information for the wider stakeholder groups to hold the reporting firms accountable and to aid these stakeholders to take decisions that will result in optimum stakeholder satisfaction. However, the level of satisfactions derived depends on the extent of reliance placed on either report. Practicing accountants highlighted that information usefulness generated from the SRs and VARs depends on how relevant and timely these reports are to the beneficiaries of such reports. By relevance, the accountants referred to the level of details enshrined in the reports that will not mislead a stakeholder into making poor or wrong decisions. Thus, the accountants and non-accountants agreed that SRs, when compared to the VARs, contain detailed blend of quantitative and qualitative information that aids in making proper and practical decisions. The above point was a major area of divergence of the SRs from the VARs as expounded by the respondents.

Concerns regarding an area of convergence between SRs and VARs include the valuable and relevant information generated by the users of these reports since the reports usually portray the ESG activities undertaken over the past fiscal period or projected to be implemented over the coming years. VARs disclose credible quantitative information that values the ESG functions implemented over the past period which helps stakeholders to hold firms accountable, e.g. the government is able to assess the amount of taxations remitted to the central government to support public expenditures and the community is able to determine how commensurate the remuneration system of the firm is vis-à-vis the supply of labour to such companies.

Typically, an interviewee indicated that both the SR and VAS (or VAR), in terms of convergence, provide a level of satisfaction and benefits to key stakeholders; however, SRs go a step further by highlighting the improvements in the lives of stakeholders. For example, a VAS will indicate that out of a total wealth of £100 created, 40% has been distributed to employees in the form of emoluments. This might simply indicate, on face value, that 40% of the wealth created were distributed to staff. However, a deeper analysis might indicate that the CEO alone is benefiting from 30% of the total emoluments whilst the remaining workforce share the 70% of the total staff

emoluments. Similarly, the VAS will not clearly specify how much of materials were sourced from local vendors vs. foreign suppliers. This shows that the VAS does not highlight nor expand the details of the values created and distributed. On the contrary, SRs will detail out the impacts, extent and scope of the firms' operations on the respective stakeholders affected by the said activities.

If we really want the VAS to be relevant, we will need to expand and specify the details of the values that have been created and appropriated to the key and respective stakeholders (IIE-4.1, Assistant Vice President - Account Management, (Accountant), 2022).

The main difference between the VAR and SR is the element of quantifiability of the constituents of the corporate reports. VAS have figures and shows a clear-cut categorization of how the values were derived and how these values were spent or appropriated. SRs do not usually incorporate figures but are more limited to the impact analysis and assessment of the firm's activities. With VARs, it is quite easy to quantify its values but with sustainability reporting, it is quite difficult to actually weigh items like staff happiness, quality of staff life or the impact of the company's activities on the environment. These elements are not easily quantifiable.

SR is broader in that it inculcates other aspects of firm operations that cannot be quantified whereas VAS deals with values. Note that if the values in the VAS cannot be quantifiable, then it loses its importance as a statement of value to the stakeholders (IGS-4.1, Senior Financial Analyst and Local Solutions Expert, (Accountant), 2022).

Another interviewee indicated that SRs underpin the going concern and financial sustainability of the company whereas the VAR may be limited to the measurement, classification and recognition of values created over a very short-term. Surprisingly, value-added reporting is considered to have some level of similarities with sustainability reporting in that VARs are more of an end-to-end reporting where companies define and describe their values created and dispatched (distributed and delivered). However, sustainability is long-term in nature and looks at the survival of the business. A corporation may have a VAR but it will not guarantee your long-term survival or sustainability whereas a sustainability function and report indicates the value of the company over a longer-term survival phase of the company (IIE-1.1, Financial Controller, (Accountant), 2022).

Only a small number of respondents claimed that SRs are subsets of VARs on the basis that some SRs do not contribute any value to the users of such sustainability reports. For example, an Associate Director from a Big Four Audit firm whose portfolio deals with sustainability advisory services indicated that SR is a form of value-adding reporting. Arguably, there are some

components of sustainability functions that do not add value to stakeholders. Moreover, what appears to be valuable to a group of stakeholders may not necessarily represent value to another class of stakeholders. It is worth mentioning that once sustainability reports are introduced to the traditional corporate accounts, it adds another layer of value to the corporate reports thereby exuding or emitting its value components. Hence, it could be argued that value-adding reporting is a broader practice of which sustainability reporting is a subset (BAF-3.1, Associate Director, (Accountant), 2022).

Opinions generally tilted towards accepting that sustainability reporting is more of a superset to value-added reporting since SRs incorporates both the quantitative financial data and impact assessments whereas the VARs are typically limited to the reporting of financial data that is concomitant to the traditional financial statements. The short-term horizons of VARs equally lowered its scope when compared to the strategic directions of the SRs. Areas of congruence between the SRs and VARs lies within the relevance and timely provision of these reports to the users and beneficiaries of the reported information.

6.7.3 Structuring and Composition of the VAS (or VARs) and SRs

The concerns about the structure and composition of the VARs (VAS) and SRs became topical during the interview sessions with 100% of the respondents expressing the desire to design and develop a reporting framework which could promote information relevance and comparability. Generally, respondents called for the inclusion of detailed descriptions of value-added and sustainability activities in their annual accounts. Additionally, the respondents argued that the use of related infographics will enhance the information relevance of these reports and induce or entice the reading appetites of the wider stakeholder groups. Similarly, in structuring and composing these VARs and SRs, practitioners who are involved in either audit and assurance or financial advisory services argued that such reports should provide benchmark comparative metrics to assess and compare the performances of the reporting firms over time. For example, a senior audit associate with a Big Four Audit firm whose portfolio primarily deals with the provision of financial advisory services to both profit-making and non-profit-making firms advised on the structure of the VARs and SRs to include a combination of numbers, charts, figures, pictures, narratives and

arguments. The use of infographics is usually ideal to convey the essence of sustainability and value-added reports. These infographics could depict, for example, a comparison of the number of people in the community with access to potable drinking water as at the fiscal year-end of the company versus the situation at the beginning of the year. These same infographics could also report on the prior year versus current year input sourcing trends of the company in terms of green suppliers, changes to the mix of inputs (e.g. environmentally sustainable bio-sources inputs vs non-biodegradable and carbon emitting sources of inputs), etc.

An important infographic like those mentioned above will convey the significance of the company's sustainability and value-addition activities to relevant users of these reports. Some key stakeholders will easily rely on these infographics for their informed decision-making without necessarily delving deep into the narratives whereas other stakeholders will further cross-check these management assertions and appendices in the main SR or VAR. It is important to assign figures to important sustainability metrics, together with supporting narratives in order to avoid any ambiguities that may be associated with the SRs and VARs (BAF-1.6, Senior Associate, (Accountant and Sustainability Advisor), 2022).

The use of Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) are considered to essential elements that will enhance the relevance and comparability functions of the VARs and SRs. For example, the vice president in charge of internal audit with one of the globally renowned investment firm, located in the United States of America, confirmed that although values could be subjective, it is important to demonstrate the tangibility of these values by incorporating relevant KPIs and KRIs within the corporate sustainability reports, e.g. number of in-patients who have recovered from a rehabilitation programme, number of students sponsored for further studies, changes in quality of lives, amount invested in new educational infrastructure, etc. (IIE-3.1, Vice President – Internal Audit, (Accountant), 2022). She further highlighted that "we must be cautious not to just merely place figures on these interventions without providing detailed narratives that will aid the users of these reports to properly interpret the metrics".

The sustainability specialists who were interviewed collectively confirmed a common benchmark for structuring VARs and SRs. They argued that the use of industry benchmarks which are

established, implemented and guided by the sustainability regulatory agencies (like the Environmental Protection Agencies) will ensure that firms report their sustainability and value-added activities in line with recognised industry criteria. A set criterion will result in compliance by the reporting entities; however, there is the risk that any company whose VARs and SRs do not conform to the set guidelines could be adversely affected in terms of customers boycotting the company's products or the erosion of their stock values over time:

There was a time when the Ghana Environmental Protection Agency (EPA) designed a tool called AKOBEN, an environmental performance rating and disclosure initiative that looks at how mining and other extraction firms perform in relation to various key performance indicators. This leads to a publication where companies are rated as Red, Amber or Green signifying the environmental and sustainability performances of the affected companies. The private sector players raised concerns about the AKOBEN ratings citing instances where their reputations and images have been adversely affected by the poor environmental ratings published by the EPA. They further cited the extent to which these poor ratings have eroded the stock prices of the affected companies. Unfortunately, the EPA seems to have succumbed to the pressures from the private sector which has led to the dysfunctioning of the AKOBEN rating programme (IGS-1.1 and IGS-2.1, Sustainability Experts, (Non-Accountants), 2022).

In order to assess the volume, content and publication of the SRs and VARs, comparative views were solicited from the respondents. There were contrasting opinions expressed by both Accountants and Non-Accountants on whether these reports should be integrated into the already voluminous annual financial statements to serve as a one-stop shop for stakeholders or keep the SRs and VARs as separate stand-alone as "independent" corporate reports. Arguments in favour of a stand-alone SR and VAR principally boils down to increasing the reading appetites of the stakeholders since a voluminous report will rarely entice a stakeholder to read every page of the said publication (BAF-1.3 and BAF 1.4, Associate Directors (Accountants), 2022). Respondents advocated for a split of the already voluminous corporate reports in order to encourage reading of such reports in which case a stand-alone separate sustainability report could be produced. On the other hand, for ease of referencing and providing a one-stop shop for users of the corporate report, practitioners thought corporations could integrate these reports - sustainability and financial statements – into one piece (BAF-1.3, Associate Director, (Accountant), 2022).

In addition to the above arguments, practitioners thought that a voluminous corporate report will require a detailed audit and assurance from the company's auditors since the auditors will need to sign-off on such published accounts. Thus, an audit partner with a Big Four Audit Firm mentioned

the need for auditors to vouch and assure these VARs and SRs prior to its publication and incorporation into the annual corporate accounts by both the audit firm and reporting entity. This will avoid any risk of auditor liability in case there are misleading comments and assertions in the VARs and/or SRs by the management of the reporting company (BAF-1.1, Audit Partner, (Accountant), 2022).

The often-regulated corporate reporting regime in which regulators like the SEC mandates listing companies to integrate their VARs and SRs into the annual corporate reports will not allow companies to choose and pick whether to practice integrated reporting or otherwise (IIE-1.1, Financial Controller, (Accountant), 2022). Similarly, the choice of adopting either an integrated or stand-alone separate reporting for the VARs or SRs also depends on the legal regimes, company's reporting preferences and available resources. Each organisation is different for which reason a listed company's reporting structure and requirements may be distinct from those of unquoted companies. Thus, it will not be feasible to adapt the reporting systems of a listed company to that of a sole proprietorship. The corporate reporting structure and system for sustainability and value-added reports should be scalable such that they will be fit for purpose. At the end of the day, the choice of the structure and composition of the SRs should be influenced by the users of the annual corporate accounts so that these stakeholders can make the kind of informed decisions applicable (BAF-1.2 and BAF-1.3, Audit Partners, (Accountants), 2022).

A typical and common argument expressed in favour of an integrated reporting bothered on the duplication of efforts by the reporting entity which may drain the financial and human resources of the company. In addition to serving as a one-stop shop for the wider stakeholder groups, an integrated report will clearly draw out the correlation, interrelationship and reconciliations of the quantitative metrics (financial components) with the qualitative disclosures. It is argued that a standalone sustainability report lacks the ability to show the relationship between the qualitative activities (narratives) and the quantitative reports (financials). With an integrated report, it becomes a one-stop shop to draw out relationships and perform possible analytical reviews. On the other hand, if a company decides to produce a standalone SR or VAR, it will be prudent for the company to, at least, provide snippets and highlights of the financial statements to allow for independent reconciliation of the narratives to the financials by the end-users. This reproduction

of the financial highlights amounts to duplication of efforts by the company (BAF-3.1, Associate Director (Accountant), 2022).

In line with the above arguments and opinions expressed by practicing accounts, a former Financial Controller of a Multi-National production company further illustrated the need to leverage on the media outlets to explain these integrated reports – a notion that resonates with the Media Agenda-Setting Theory. He argued that for firms to simply integrate the SRs and VARs into the already voluminous booklet termed annual corporate reports does not achieve the sustainability and value-added agenda. Instead, if the companies are able to go the extra mile to broadcast these developments in monthly and/or regular interactions with the stakeholders, then value could be seen as conveyed and appropriated to the users of such reports. Corporations should remember that the media outlets – whether mainstream, political and pressure groups, community-based outlets or social media outlets – will provide a shadow of the corporate reports or silently broadcast the firm's sustainability activities and publish these annual corporate reports. However, the proactive steps taken by corporations to explain these in live (real-time) sessions to the stakeholders will make the constituents feel and practically realize the impacts and value of these sustainability and value-adding activities. It is not enough to simply publish these SRs or VARs and not provide an additional platform to explain these in detail to the wider stakeholders since some (if not most) key stakeholders will rarely have time to digest the hundreds of pages of the integrated annual reports (IIE-1.1, Financial Controller, (Accountant), 2022).

When expressing their views on the need for a separate standalone VARs or SRs, respondents intimated that such specialized reports are tailored at meeting the specific needs of a select few who may not be interested in a comprehensive integrated report. Separate standalone reports come at a cost to the company; however, these are relevant costs that helps the company to achieve its mission and vision as a going concern.

We need to consider providing a simplified separate annual report – including simplified SRs – for other key stakeholders who may not have the technical eye to understand integrated reports. We are communicating to a particular group of audience; hence, we need to ensure that our objective of relaying relevant information for informed decision-making has been achieved. Thus, if it will call for an extra layer of standalone reports at an extra cost, we (the company) need to do it so that all relevant stakeholders will benefit from information symmetry. (IGS-1.1, Sustainability and Natural Resource Expert, (Non-Accountant), 2022).

SRs and VARs should be kept as standalone reports if corporations aim to sustain the intentional dialogue and conversation between the company and its stakeholders. If corporations integrate the SRs and VARs in the already voluminous annual corporate reports, the details of the values that practitioners aim to communicate in the integrated reports will be lost amidst the avalanche of information. Thus, it is argued that if firms keep these salient information as standalone reports, stakeholders who really care about values and sustainability activities will access these reports. However, there are well-meaning stakeholders who consistently show interests in these separate independent reports. Just as companies will prepare separate and unique reports to regulatory bodies like the SEC and Federal Deposit Insurance Corporation (FDIC), SRs and VARs are specialized reports that capture very meaningful metrics that serve as basis for future dialogues. Thus, their placement should not be in the traditional annual accounts, i.e., they must be given specialized territories in the corporate reporting system for designated stakeholders to access. Although it could be argued that preparing a standalone report will look like duplication of efforts, yet if the company has invested much time and resources into these value-added and sustainability activities, then it will be equally important to spend extra quality time to reflect on these activities even if it amounts to duplication of efforts (IIE-3.1, Vice President – Internal Audit, (Accountant), 2022).

The discussions on either keeping the VARs and SRs as either standalone reports or integrated into the conventional annual accounts seems to be an ongoing discussion with valid reasoning(s) underpinning the choice of an approach. It appears either approach comes with its own related costs and/or risks, e.g. extra cost of putting together a comprehensive report which may not be fully patronized by the targeted stakeholder groups (risk). Nonetheless, arguments generally were in favour of an integrated report to avoid the duplication of efforts and reduce the amount of work involved in designing and developing a separate standalone reporting framework for VARs and SRs.

6.7.4 Confining Value-Added Reports/Statements to the Income Statement

The general consensus among the respondents, both accountants and non-accountants, seemed to have favoured the stance that the Value-Added Statement (VAS), a proxy used for the Value-

Added Report (VAR), is an archetype of the conventional statement of profit or loss (income statement). For example, a senior associate with a Big Four Audit firm confirmed that the confinement of the VAS to mere financial rhetorics without indepth analysis of the reported figures relegates the VAS to a reproduction and transposition of the elements of the income statement.

The VAS is typically a representation and appropriation of the traditional income statement and confined to the money measurement concepts which does not make room for recognizing other non-financial values created and distributed by the company. For example, the VAS is very restrictive in that an increase in sales revenue cannot be digested indepth to depict the qualitative reasoning behind the jump in the turnover. For instance, questions such as who were the local customers and what proportion constitute sales made to overseas clients; which value-adding practices led to a significant rise in local or overseas sales, etc.; are generally lacking in the VAS (BAF-1.6, Senior Associate, (Accountant and Sustainability Advisor), 2022).

Regardless of the general consensus that the VAS is quite representative of the traditional income statement, a cross-section of the respondents had constructive opinions on the content, format and name associated with the VAS or VAR. For example, an Associate Director who has wealth of experience in auditing the VAS within the South African economy during his years of secondment with the Big Four Firm in S.A. questioned the relevance of the name "Value-Added" in the VAS. He argued that the VAS is typically prepared by listed companies for compliance purposes without providing any indepth value to the operations or corporate reporting practices of the company. As it stands, the VAS appears to add no value to the corporate reports. However, companies listed on the stock exchange prepare these reports for compliance purposes.

Every financial statement has five components – the SoPL, SoCIE, SoFP, SoCF and the Notes to the Accounts. In the notes to the accounts, practitioners flesh out the narratives behind the figures reported in the other four components. The whole of the five components of the financial statements provide value and it is in the notes that the value-added and distributed are projected and highlighted the most. Thus, if companies are to only set aside one of the components – the income statement or statement of profit and loss – and caption it as a value-added statement, then the reporting entities are indirectly undermining the values-added and inherent in the remaining four components of the annual accounts:

Personally, I do not agree with the VAS as a "value" report to the detriment of the others, although I will not disagree with another practitioner or stakeholder whose justifications could lead to the classification of the VAS as a "value" report (BAF-1.3, Associate Director, (Accountant), 2022).

An interesting dimension expounded by a practicing local solutions expert indicated the relevance of the VAS in terms of its interrelationship with the remaining core financial statements and the intended users of this VAR. He argued that the VAS is more or less a snapshot of all the key transactions reported in the corporate accounts which allows the target stakeholder to quickly assess the performance and position of a company. Critics have always thought that the VAS is typically drawn from the profit and loss account except that the captions used for the VAS differ from the traditional income statement headings. In addition, the target audience for the VAS might differ from the stakeholder groups who have interests in the traditional statement of profit or loss.

To reiterate earlier arguments made above, the VAS actually covers all the 4 traditional financial statements namely the Statement of Profit or Loss (SoPL), Statement of Financial Position (SoFP), Statement of Cashflows (SoCF) and Statement of Changes in Equity (SoCIE). If practitioners should consider the distributions section, they can trace the dividend payments to both the SoPL, SoCIE and SoFP due to its connection to expenses and shareholders' equity. Similarly, interest payments under value distribution could be traced to the debt components of the SoFP, SoCF. In the same vein, taxation is traceable to the SoFP, SoCF and SoPL. Finally, almost all classes of accounts and individual transactions reported in the VAS can be traced to the cashflow statements. Thus, to a larger extent, the VAS covers all sections of the traditional financial statements for which reason it can be argued that all the economic dimensions of sustainability have been catered for under the VAS (IGS-3.1, Financial Analyst and Local Solutions Expert, (Accountant), 2022).

An interesting development aimed at enhancing value-added reporting is the need for a multi-disciplinary approach to devising a more meaningful value-added report. Respondents collectively agreed that accountants are not fully equipped to comprehensively design and develop a value-added report. This could possibly have resulted in the confined limitation of the VAS to the conventional income statement or SoPL. A meaningful construction of a value-added report or statement will require the inputs and expert knowledge of practitioners, regulators, academia and industry experts in order to achieve some form of convergence between the VAS and SR in order to expand the concept of value-added reporting in corporate practice. In order to effectively measure progress made in the field of SRs and VARs and to allow for valuable audit and assurance of these activities, the accounting profession will, undoubtedly, require subject matter experts (SMEs) from multidisciplinary fields who will help validate the disclosures and corroborate the

amounts or quantities reported. Accountants will continue to play their roles as being responsible for the financial statements or integrated reports whilst at the same time playing the coordinating role to bring on-board subject matter experts to aid the reporting practice(s) (BAF-2.1, Senior Manager, (Accountant), 2022).

Generally, the income statement approach to constructing or preparing the VAS is not complete nor comprehensive enough to capture all values created and reported within a year. The income statement approach gives the most recent picture of values created within the last 12-month period. Should companies expand it further to include the SoFP, they will most likely end up identifying the cumulative (residual) values created over time. For instance, if the company is making provisions towards reviving an environmentally friendly facility over a number of years, the income statement will typically disclose the value set aside for the last one year. However, if this is examined from the Balance Sheet view, it will provide the cumulative value created by this company (BAF-1.5, Senior Manager, (Accountant), 2022).

The current VAS format still leverages on the income-statement approach regardless of the variations adopted and implemented by the reporting entities. Currently, companies like Cementos Argos, a business conglomerate in Colombia (an emerging economy), adopt an advanced VAS reporting format in which corporate functions that supersedes the mere representation of the income statement variables are recognized and communicated to stakeholders. This advanced approach required investments in terms of appropriate and diverse human resources and expertise or knowledge in value-added reporting.

6.8 Findings and Implications

This aim of this chapter was developed to address the research objective concerning the need to *contextualize* and examine how the value-added report or statement *converges or diverges* from sustainability reporting in meeting the various stakeholder needs of corporate annual reports. It looks at the researcher's request to provide a detailed context for understanding the practices of sustainability and value-addition functions of corporations. In addition, this thesis chapter was developed to critically assess the extent to which VARs and SRs converges or diverges from each other. Since the researcher's past experiences as a practitioner and industry expert in which he

served, inter alia, as an Accountant, Integrated Auditor and Financial Analyst lies at the heart of this thesis, the researcher further thought of examining the extent to which the VARs (or VAS) could be expanded beyond the income statement approach. This is because the researcher believes that the constriction of the VAS to the income statement might be limiting in scope and could derail the value reporting attributes of the VAS although the VAS could be seen as playing a key role in augmenting the SRs. Additionally, as part of the above research objective, the researcher's sub-aim was to solicit expert views and opinions on whether VARs and SRs should be integrated into annual accounts or be made to standalone as separate corporate reports.

The thematic analysis conducted above focused on securing and maintaining legitimacy by the reporting entities from the wider stakeholders and holding corporations accountable for their financial and non-financial performances in order to enhance the corporate reporting practices of the company (Deegan, 2013; Deegan, 2023). While extensive research has considered the need for comprehensive corporate reporting in which firms are required to communicate reality by incorporating detailed disclosures and narratives to meet the varied needs of the stakeholders (Hines, 1988; Perrini, 2006; Adhariani and De Villiers, 2019), little empirical research has been conducted to assess how financial value-added reporting could be extended to incorporate additional corporate and sustainability values or factors. This thesis offers empirical dimensions into the research gap identified above. In the paragraphs that follow below, the researcher will be summarizing the research findings and implications derived from the four sub-themes on the contextualization, divergence, convergence and structuring of the value-added and sustainability reports.

Accountant should always ensure that activities of the company are conducted in an environmentally sustainable way in order to achieve the going-concern status of the firm, i.e. to ensure that the organisation continues to produce at the level that will sustain its productivity to the wider stakeholders. Inasmuch as accountants are interested in the figures (financials), they should also be more concerned about how to sustain the non-financial dimensions of the company if the firm is to operate as a going concern. However, the hurdle on hand has to do with the ability of accountants to reliably quantify and report these environmental and sustainability aspects of the company in the annual accounts. For example, when reporting on mining companies' operations, accountants could consider how natural and human resources are managed; alternatively, when

reporting on environmental factors, accountants could assess the current and proper use of water resources whilst assessing the firm's procedures in safeguarding these same valuable resources for posterity. What this implies is that accountants have a core role to play in ensuring that the generally accepted definition of sustainability extends beyond the mere recognition, measurement and reporting of financial variables.

Practitioners have recently focused on the Economic, Social and Governance (ESG) dimensions as measures of sustainability. They have annexed the sustainability reporting (and assurance) space by performing ESG limited review engagements which permits them to expand their functions beyond the ordinary debiting and crediting of financial transactions and performance of substantive tests. It should be noted that in every aspect of life, the way to succeed is to account for the life and resources endowed to the recipient of such resources - individual or corporate body. As practitioners, in order to properly account for the resources endowed to such recipients, it is imperative to expand the scope of their duties to include validating, recognizing and disclosing both quantitative and qualitative variables in the annual reports. To achieve these duties, practitioners could simplify the SRs and VARs to the wider stakeholder groups who may not be familiar with the financials but may have vested interest in a company's operations. Here, it will be very important for the practitioner to present the context of sustainability and value-added reports to such constituents in a format or structure that is devoid of the usual accounting and financial jargons.

The core definition and scope of Value-Addition and Sustainability must be streamlined to cover the universally accepted sustainable development (as postulated by the SDGs). Additionally, the scope must include impact assessments, recognition and measurement of financial and non-financial variables to help to carve out a trail for audit and accountability and the effective use of such published information or disclosures for informed decisions by the wider stakeholders. The major implications include the means by which accountants and non-accountants could conduct the impact assessments and analysis given their insufficient knowledge in the field of sustainability and value-added activities.

To some extent, there is some form of correlation between the dual concepts of value-addition and sustainability although it is usually difficult to measure these correlations. For instance, if a company focuses on meaningful sustainability activities that are geared at improving human lives

(such as safeguarding the natural resources and ecosystem), there is a positive return to the company in terms of enhanced goodwill, improved corporate image or reputation. Recently, it has been established that some international investors will typically require to validate the sustainability dimensions of a company before advancing financial resources to such firms. Lenders are now engaging in responsible investment practices to ensure that the firm's operations do not pose negative consequences on the environment. However, even if the firm's activities have resulted in some adverse effects on the society or environment, investors may ask the company to provide them with evidence of sustainability activities (i.e. the concrete steps taken by the firm to resolve these negative consequences on the environment) (IIE-5.1, Internal Auditor, (Accountant), 2022). From the interviews conducted, it was disclosed that most lenders from the advanced economies will request a report on the borrower's Green Action Plans which will typically compel the borrower to undertake some sustainability and value-addition activities such as an afforestation programme. Companies who refuse to meet these sustainability and value-addition criteria normally do not get access to the credit facilities they need for their operations.

Similar to the above paragraph, companies who pursue effective sustainability activities will ultimately court the favour of investors which could provide the company with the needed liquidity to operate and make profits (create wealth and values) for various other stakeholders. This confirms the strong positive correlation between effective sustainability activities and value-added functions of the company.

Whilst the structure for reporting value-addition and sustainability activities may be defined by the sector, legal and regulatory regimes, it will be critically important for practitioners and experts to develop industry benchmarks (as in the case of industry financial ratios) and best practice standard operating procedures or standards to assess deviations from best practices. It is not enough to simply compare a VAR or SR from one year to another without benchmarking it to best practices in the sector or industry.

Furthermore, sensitization and education of the stakeholder groups helps in defining what should be captured in the SRs and VARs and how to structure, format and compose these reports. It is not enough to simply report the financials; instead, practitioners need to examine how these financials translate into intrinsic and tangible impacts on the stakeholders (i.e. how does the ordinary stakeholder feel about these reported numbers or financials). To clearly create the awareness and

connectivity between the stakeholders and the company's operations, the firm must use active marketing or advertising campaigns, official and regular publications and the social media to report extensively on their sustainability activities. However, if the company focuses more on the financials which predominantly provide value to the shareholders and investors, the remaining stakeholders will feel alienated from the firm's supposed value-creation-and-distribution functions. For example, the local farmer is interested in guaranteed procurement of their materials from reliable off-takers and this must be incorporated in the structuring, composition, but most importantly communication of these information to the larger key stakeholder groups. The only way to break the jinx of the rift between reporting to the finance-oriented and other stakeholders is for the company to consciously educate, sensitize and orientate the communities.

Following from the above, the regulatory bodies should enforce the mandatory reporting of these developments in corporations' regular and annual reports. Firms should be made aware that their operations have both negative and positive impacts on the communities for which reason companies must disclose these impacts in addition to their traditional financial reporting. For example, tobacco and alcohol manufacturing companies must disclose that the consumption of such products adversely affects the health of consumers and drains the health systems of the communities.

In addressing whether SRs and VARs should be integrated into the annual accounts or be made to standalone as separate special-purpose reports, it should be realized that if such reports are integrated, there is a high probability that information could be lost in the already voluminous corporate annual reports. Also, the number of people who patronize these integrated reports could likely reduce. In that case, the value of the integrated reports could be lost. Conversely, if the SRs and VARs are kept as standalone reports, these will require extra hands and indepth reconciliation of the numbers to the narratives. Audit engagements will need to be expanded to ensure that assurance and reviews incorporate subject matter experts which will be tantamount to extra cost of audit fees to the company. In either case, preparing a comprehensive integrated report or a special purpose standalone report come with their associated costs and time investments needed to produce these reports.

The issue of interdisciplinary approach to preparing and structuring a valuable or invaluable SR and VAR is a core finding from this thesis chapter. At the end of the day, practitioners, regulators,

academia and industry experts should aim at some form of convergence between the VAS and SR in order to expand the concept of value-added reporting in corporate practice. The accounting profession will need the assistance of other technical expertise in the areas of measurement of these sustainability and value-addition activities. In order to effectively measure progress made in the field of SRs and VARs and to allow for valuable audit and assurance of these activities, the accounting profession will, undoubtedly, require subject matter experts from multidisciplinary fields who will help validate the disclosures and corroborate the amounts or quantities reported. Accountants will continue to play their roles as being responsible for the financial statements or integrated reports whilst at the same time playing the coordinating role of bringing on-board subject matter experts to aid the reporting practice(s).

In addressing the question on the confinement of the VAS to the conventional income statement, the researcher found out that it will be far more valuable to expand the VAS to include the non-financial components of Sustainability if practitioners intend to use it as a tool to promote and enhance SR. At the barest minimum, the VAS could be expanded to incorporate the econometrics of (measuring and quantifying) the drivers of sustainability. Reporting entities should not just populate the narratives; instead, they need to place values on these sustainability functions. Perhaps, there is the need to redefine what a value-added report is without typically limiting it to a reclassified income statement, the VAS. In this case, practitioners can scrutinize all of the five components of the financial statements, include elements of sustainability and report items of value that extends beyond the traditional numbers in order to make the definition of a value-added report much more comprehensive and meaningful.

6.9 Conclusion and Recommendations

Literature on the definition and scope of SR and VAR should be clearly worked on and elaborated to include an interdisciplinary approach to providing a comprehensive and holistic context for these two concepts. The definition should be founded on the UN SDG’s core mandate by maintaining the notion of preserving a legacy for posterity whilst satisfying the needs of the current generation. The context of sustainability and value-added functions must ideally include both

biotic and non-biotic factors in addition to the usual socio-cultural, political, economic, environmental and legal infrastructure underlying an economy.

SRs and VARs should include impact assessments and evaluation reports on the extent to which the reported metrics affect the livelihoods of the current and future generations. Again, this should call for a multidisciplinary approach in correctly assessing both the financial and non-financial disclosures of the VARs and SRs. This should allow both financial and non-financial beneficiaries of the SRs and VARs to make informed decisions and properly hold corporations accountable for their financial and non-financial performances within the sector and economy.

Whether such value-added and sustainability reports look at the immediate or longer-term prospects of the firm, it is important for the reporting entities to ensure that these reports are relevant, timely and faithfully represent the activities of the company. This means that the financial components of the VARs and SRs should accurately and completely reflect the actual transactions and measurable impacts of the company's operations on its stakeholders. Similarly, the supporting narratives to these SRs and VARs should be transparent, readable, understandable and convey the relevant meanings that will improve the livelihoods of the wider stakeholder groups who will depend on these reports for informed decision making. Any corporate report which contains generic values (a one-size-fits-all report) does not typically meet the objectives and specific information needs of the wider and varied stakeholder groups. It is important to tailor the SRs and VARs to meet specific information needs of the wider but varied stakeholder groups. This should typically underpin what value addition means to the beneficiaries of corporate reports.

The choice of either a standalone or integrated SRs and VARs into the corporate reports is a matter of choice by the reporting entity in consultation with the varying needs of the beneficiaries of these reports. If the majority of the key and influential members of the wider stakeholders crave for an integrated report, then the supplier of these reports, i.e., the reporting entity, must provide a one-stop shop of the corporate accounts to these stakeholders. On the other hand, if the demands of the wider stakeholders require tailoring and separating the VARs and SRs as standalone reports, then this should be the norm for the reporting entity. Additional considerations such as the jurisdictional requirements and the availability of resources at the disposal of the reporting entity should be factored into the preparation and publication of these reports. Specifically, an emerging economy's SEC and other regulatory bodies like the EPA may require companies to either integrate or separate

their SRs and VARs. Additionally, the availability of human resources who are experienced in the structuring and composition of the VARs and SRs is key to producing either a standalone or integrated SRs and VARs vis-à-vis the annual corporate accounts.

Whether the SRs or VARs are to be integrated into the annual reports or made to standalone from the corporate accounts, there is always the need to ensure that the structure of the reports convey valid meanings and are representationally faithful to the cause of the organisation's activities. These could be best achieved by infusing financial information with non-financial information and disclosing these information using infographics that will appeal to the reading appetites of the wider stakeholders. These infographics should clearly spell out the relationships and correlations, trends and movements of any Key Performance Indicators (KPIs) or Key Risk Indicators (KRIs) in order to aid in assessing the performances of the company over time and within its sector and to aid the users make informed judgements based on such analytics. Most importantly, the information presented in the SRs and VARs should also be free from technical jargons and must necessarily be reported in plain and easy-to-understand language of the readers or beneficiaries.

Chapter 7

Analysis and Findings: Standardisation of Value-Added and Sustainability Reporting

7.1 Overview

This chapter traces the development of special purpose corporate reporting in which sustainability and value-added reporting are considered to fall under. The chapter subsequently explores the existing standards that govern such special purpose reporting practices undertaken by corporations. Most significantly, this chapter is the second of three chapters that addresses the second research objective of the research question in that it seeks to ascertain the value addition prospects of the VARs and SRs by determining whether it could be feasible and beneficial to ***regularize and standardize*** such reports. The intent is to assess the viability of ***standardizing*** these reports and expanding its scope of reporting to incorporate additional key participants other than the traditional stakeholders currently represented (Stainbank, 2009, Mazzioni, et al., 2014). This aids in better establishing an acceptable reporting framework that could cement a valid case for adopting the VAS/VAR a tool for sustainability reporting to a larger beneficiary group. Consequently, a well-regulated and standardized VAR or SR will result in proper accountability on the part of the reporting entity since the performance of these firms could be benchmarked against generally acceptable set criteria on sustainability and value-added activities.

In the pages that follow, this chapter of the thesis will critically examine the supporting literatures on special purpose reporting, reporting standards (and its application in practice) and a determination of the integrated reporting <IR> framework and principles which could be deployed in VAR and SR practices.

7.2 Literature Review on Special Purpose Reporting

Areas where significant comparisons have been found include the issuance of separate and special purpose corporate reports by organisations. These special purpose reports are separately prepared in accordance with standardized reporting frameworks and Companies' Acts of the countries within which the firms are domiciled. They are usually tailored at reporting on corporate activities

that require special attention, e.g., the taxation regimes, remittances and administration of a company, the CSR activities of a firm over a period of time and the health and safety protocols instituted and executed by an organisation that had been bedevilled with frequent workplace hazards. These reports could be issued either as standalone or integrated with the annual financial statements of the company.

A careful look at the *Model Special Purpose Annual Report by Deloitte in 2019* disclosed that these separate and special purpose reports assume the very formats of the traditional financial statements with recourse to the underlying GAAPs, legislative instruments and reporting frameworks. Critical of these special purpose reports are the provisions made for the disclosures of special items worth highlighting with the aim of advancing values for the society at large. Consistent with the Deloitte approach and example above, *Grant Thornton's 2018 presentation of a special purpose report, using a hypothetical IT Company by name CLEARR Example Pty Ltd*, indicated that such reports are prepared and disclosed in line with the host country's accounting, reporting and regulatory frameworks. In their detailed analysis and presentation, Grant Thornton (2018) strongly concluded that special purpose reports need to be pruned of all immaterial disclosures to succinctly tailor such reports to the specific circumstances of the organisation.

A review of recently audited accounts of corporate giants such as easyJet Group of Companies (2019 financial year), Tesco Group of Companies (for the 2016 to 2019 financial years) and BBC Group (2018/2019 financial year) shows that these special purpose reports are usually infused into the traditional financial statements under carved-out headings, possibly for cost-saving purposes and to allow for a holistic audit and assurance engagement. Usually, the monetary equivalents of the sustainability activities undertaken by the firms are indicated in the comprehensive annual reports with possible reconciliation of these financial metrics to the conventional statements of financial performance, financial position, cashflows, and notes to the accounts. This practice of incorporating sustainability activities into the overall corporate strategies of the company is corroborated by Hopwood et al's (2010) in their book *Accounting for Sustainability: Practical Insights*. Here, Hopwood, Unerman and Fries (2010, pp. 31 - 32) noted that firms could successfully embed sustainability practices into their daily operations by, inter alia, breaking them down into targets and objectives, integrating these key targets into the overall corporate strategies and managing or monitoring and reporting on the targets in the corporate reports. These detailed

reporting and integration of value-added and sustainability metrics in annual reports typically buttresses the legitimacy principle of ensuring that all the “relevant publics” that provide an enabling environment for firms to operate need to be duly satisfied in terms of provision of relevant information (Deegan, 2002; Deegan, 2010).

Preliminary work on the disclosures of sustainability reports in separate or special purpose reports was undertaken by Simnett et al in 2009. Their research discovered that there are no regulations or standards requiring sustainability activities to be disclosed in either standalone or integrated reports, even though there could be existing legislative requirements for both financial and non-financial activities to be disclosed. The format of reporting and publication resides with the host entity in order to meet the intended stakeholders’ information needs. A significant analysis and finding from their study revealed that firms that are stakeholder-oriented and operate to meet the user needs of these beneficiaries will usually present their sustainability reports as special purpose reports, presented and disclosed in a format and structure that creates and promotes the platform for the assurance of these reports (Simnett et al., 2009, p.695). Given that the preparation of the special and separate purpose reports are regulated, presented and disclosed in an organized framework consistent with the traditional financial statements, the derivation of the value-added components (both the creation and appropriations thereof) could be easily extracted with possible ease by a competent accountant. It, thus, provides the leverage for reporting on the non-financial strategic actions of the firm, in addition of its conventional value-added functions to the full benefits of [key] stakeholders beneficiaries of the company.

7.3 Integrated Reporting and Standardization

Having discussed corporate reporting practices in detail and how the VAS’ features could aid in providing appropriate information for stakeholders’ decision-making, the following section looks at the various standards and frameworks that support the measurement and reporting of value-added, and sustainability for that matter. To begin with, the following paragraphs briefly examine the GRI Guidelines for Value-Added and Sustainability Reporting or Disclosures, the Prince of Wales AA1000AP for Practice and AA1000AS for Assurance of Sustainability Reporting, the

ISAE3000 for assurance engagements of other corporate reporting and the recent publication of the VRF and ISSB's IFRS S1 and S2 for reporting on corporate sustainability activities.

Transparency in corporate reporting practices is key to courting stakeholders' buy-in and enhancing the information relevance and comparability of corporate accounts with set benchmarks, performance of rival firms and efficiency and effectiveness of the firm's operations over the past periods. This element of transparency drove the Global Reporting Initiative (GRI) to establish the GRI Guidelines and Reporting Standards in order to hold firms accountable for their sustainability activities and secure the trust of the users of these SRs (GRI, 2020). Consistent with the Goal 12.6 of the UN SDGs, the GRI Guidelines and reporting standards are designed to "encourage larger private companies to adopt and implement sustainability measures or practices and to integrate these measures into their regular reporting cycles" (The United Nations, 2023). It is worth indicating that the GRI Guidelines are comprehensive in nature and offers a wide range of sustainability themes or topics ranging from ESG dimensions to anti-corruption, human rights, biodiversity and health and safety standards. These guidelines are usually voluntary and not mandatory for firms to adopt; however, they are typically compatible with a range of corporate reporting frameworks such as the International Integrated Reporting <IR> Framework and the SASB industry standards (GRI, 2016).

Of significance importance and mention is the fact that the GRI Guidelines and reporting standards are quite pervasive in terms of application across firms and countries. In their 2017 seminal survey and report on corporate responsibility, KPMG confirmed that 75% of the 250 largest companies in the world adopt the GRI guidelines for their sustainability reporting functions (Blasco and King, 2017). Additionally, the survey found that more than 130 policies in over 60 countries and regions in the world reference the GRI Guidelines and Reporting Standards for their sustainability and value-added reporting practices. In terms of classifications of the GRI Guidelines, the institution carefully incorporated flexibilities in these reporting standards with the aim of granting companies the leeway to adopt either general standards or to specially adopt specific standards for their SR and VAR practices (GRI, 2020). For emphasis and specificity, the generic or universal standards are classified as the 100 series and they typically provide disclosure guidelines on the nature, size, stakeholder engagements and governance systems of the reporting entity. Furthermore, the GRI provides topic-specific standards which are categorized into GRI 200, GRI 300 and GRI 400

Guidelines which provide disclosure guidance on the Economic, Environmental and Social dimensions respectively of the firm's sustainability activities.

Initial assessment of the GRI Guidelines suggests that its adaptability to various reporting frameworks makes it an appropriate structure to infuse into the International Accounting Standards Board's (IASB's) conceptual framework. This positive development could provide a basis upon which conventional accounting standards could merge with sustainability reporting standards to develop, revise and implement practical and valuable sustainability and value-addition transactions in corporations. This resonates with a focal point of Legitimacy Theory that requires organisations to regularly modify and update the quality and quantity of their annual disclosures and reports to match up with the changing needs of the society (Deegan, 2010).

Nonetheless, critics have generally contended that the element of flexibility and volition for companies to use discretion in selecting and applying specific and/or universal GRI guidelines leads to creative reporting (or creative accounting) practices. If these criticisms stand, then there is the likelihood that the main purpose of setting up the GRI guidelines to enhance transparency and promote information usefulness and accountability to the wider stakeholders will be defeated. Perhaps, the GRI, IASB and related regulatory bodies could device core and mandatory standards that need to be adopted at all costs by the reporting entities to ensure that the basic requirements of corporate sustainability and value-added functions have been met. These best practices could be derived from the case of conventional accounting standards where most of the accounting standards clearly define constructive and mandatory mechanics for reporting on the firm's financial performance, position and cashflow situations and yet makes provision for standards like *IAS 8 – Accounting Policies, Changes in Estimates and Errors* which grants some leeway for companies to choose a practice that is appropriate to the firm's operations (IFRS, 2023).

Similar to the premises upon which the GRI Guidelines were developed, in 1995, a global consulting and sustainability standards firm by name AccountAbility established principles and standards that will allow firms (usually non-profit-making and governmental organisations) to embed sustainability reporting into the corporation's DNA (AccountAbility, 2023a). According to the AccountAbility Consortium, these principles and standards were founded upon the four core tenets of *Inclusivity* (stakeholders providing their opinions on the decisions that impact them); *Materiality and Responsiveness* (relevant and transparent sustainability topics to be reported for

informed decision making); and *Impact Analysis* (reporting firms should monitor, recognize, measure and be held accountable for their operations on the broader ecosystem).

In terms of structure and content, the AA1000 Accountability Principles (AA1000AP) provides the road map for both first-time and current users on the scope and definition of corporate sustainability management practices. Moreover, the AA1000AP clearly discloses the potential merits of engaging in sustainability activities such as the benefits of cost and operational efficiencies, improved reputation of the company, attraction and retention of quality talents and contributions to ESG values to the wider stakeholder groups. Additionally, the AA1000AP clearly aids companies to prioritize their sustainability activities and enables the companies to agree on relevant and value-adding sustainability projects. Perhaps, the most significant component of the AA1000AP is the fact that it lends itself to audit and assurance and adjusts itself to the management approach, mission and strategic vision of the reporting entity (AccountAbility, 2023b).

Another significant aspect of the work done by the Accountability Consortium is the establishment of Sustainability Assurance Standards known as the AA1000AS which are considered "internationally recognised" and admissible only by AccountAbility-Licenced assurance providers (AccountAbility, 2023c). The most recent version, i.e. version 3, of the AA1000AS was released in August 2020 and it offers principles-based (not rules-based) guidance notes rooted in the four AA1000AP principles of *Inclusivity, Materiality, Firm Responsiveness and Impact Assessments*. An important component of the AA1000AS is that it is equally flexible in nature and compatible with any non-profit making organisation regardless of its size, industry, line of business and location. Users of AA1000AS have lauded the standards based on their ease of implementation and readability (understandability) of its reported outcomes thereby achieving one of the core qualitative characteristics of corporate reports – understandability and relevance to the stakeholders (Alexander et al., 2023).

Having set out the principles and standards for reporting and assurance of sustainability activities, the AccountAbility Consortium also defined a set of standards that will provide the framework for corporations to successfully engage with stakeholders. These standards, known as AA1000 AccountAbility Stakeholder Engagement Standards (AA1000SES) provide practical and global criteria or benchmarks on how firms could empower stakeholders to contribute towards the value-creation and value-distribution processes (AccountAbility, 2023d). The AA1000SES advocates

for broad-based, consultative and multi-stakeholder approach in meeting the sustainability needs (or demands) of the wider and key stakeholder groups. This approach, perceptively, equips the reporting firms to supply relevant and specific sustainability values to the wider stakeholder groups which results in the efficient and effective use of the scarce resources of the company. Practically, the approach used by the AccountAbility Consortium supports the Social Constructionist philosophy of updating the status quo to ensure that all stakeholders are provided with time relevant information that will aid their decision making processes (Burr, 2015; Cunliffe, 2008).

Critics have questioned the pervasiveness and international acceptance of the AccountAbility Principles and Standards since these canons are usually available to subscribers and licensed users of these doctrines. However, given the extent of flexibilities enshrined in these standards and principles, it could be argued that standard setters and regulators could liaise with AccountAbility to define benchmarks that will ensure SRs and VARs are transparent and material in informing stakeholder decision-making and holding reporting companies accountable for their actions.

The existing body of guidance and standards on sustainability activities which are generally and internationally recognised within the accountancy discipline possibly has to do with the ISAE 3000 (International Standards on Assurance Engagements) issued by the UK's independent Financial Reporting Council (FRC), International Federation of Accountants (IFAC) and the International Auditing and Assurance Standards Board (IAASB). It is generally accepted that the ISAE 3000 is by far the most comprehensive set of standards and guidelines that aid assurors to review and audit sustainability and value-added activities of applicable companies (IFAC, 2023). The scope of the ISAE 3000 covers the audit of all other corporate activities other than the traditional accounting transactions. In terms of similarities, the ISAE 3000 mandates qualified assurors with established firms who are in good standing with the quality control standards agreed by the IFAC, FRC and IAASB to conduct reviews and audits of these non-traditional accounting activities at the highest level of assurance. In contrast to the conventional audit and assurance of the financial statements against the International Standards on Auditing (ISAs), the ISAE 3000 only allows assurors to conduct limited review engagements in which the assurors do not express opinions on the absoluteness or reasonableness of the reported activities other than providing a limited assurance for the users of these sustainability reports (IFAC, 2023).

Recent developments within the accounting fraternity confirms that traditional accountants have successfully bought into the sustainability and value-added reporting projects. This is evidenced in the recent publications of the exposure drafts and finalized IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and the IFRS S2 *Climate-related Disclosures* (IFRS, 2023a). As per the titles of these standards, the IFRS S1 sets out the general guidance for a firm to disclose all relevant information relating to its sustainability-related risks and opportunities (IFRS, 2023b). The IFRS S1 is intended to be useful to the beneficiaries of the general-purpose financial statements by equipping these stakeholders with the relevant information necessary for making useful decisions. On the other hand, the IFRS S2 builds upon the foundations of the IFRS S1 to set out the requirements for an organisation to disclose all relevant information about the said entity's climate-related risks and opportunities (IFRS, 2023c). The final and approved drafts of these standards were issued by the International Sustainability Standards Board (ISSB) in June 2023 and they are expected to be fully implemented by adopting companies effective January 2024 which implies that companies that will adopt these disclosure standards will be reporting on their sustainability and climate-related risks and opportunities in their 2024 annual accounts in line with the IFRS S1 and IFRS S2 (IFRS, 2023a). This is typically reflective of the Social Constructionist approach of engaging practitioners in the field of a particular discipline, in this case the Accountancy practice, who can develop and create relevant knowledge and technical know-how for the accountancy profession (Burr, 2015).

A criticism of the developments of the ISAE 3000 and the IFRS S1 and IFRS S2 appear to be congruent with that of the criticisms levelled against the use of the GRI Guidelines, i.e. the weaknesses of discretionary use or application of the standards, volition and flexibility on the part of the adopting firms to disclose their sustainability activities. In addition, a detailed scrutiny of the IFRS S1 and IFRS S2 indicates that the standards are typically interested in disclosures and not the quantification, measurement and accurate recognition of the costs and rewards of the firm's sustainability and climate-related activities. Perhaps, given that these are the first of its kind postulated by the ISSB and IFRS partners, the IFRS S1 and IFRS S2 may provide a starting point for the traditional accountants to serve as key players in the measurement, reporting, disclosure and assurance of sustainability related activities of corporations. Secondly, the continuous revisions of the ISAE 3000 serves as a good omen in terms of holding the firms accountable for their sustainability activities. Over time, these assurance standards could be improved to

specifically quantify and measure sustainability and climate-related functions of the reporting organisations in order to assess the management assertions of accuracy, existence and completeness over these transactions.

Following the above exposition on the various standards, below is an audit diagram that provides a logical flow of discussions on the sampled standards and frameworks in relation to the possible leeway for adopting a potential <IR> framework in assessing sustainability opportunities and value addition for the wider stakeholders. In section 7.3.1 below is a summary explanation of the audit diagram populated below in figure 7.0.

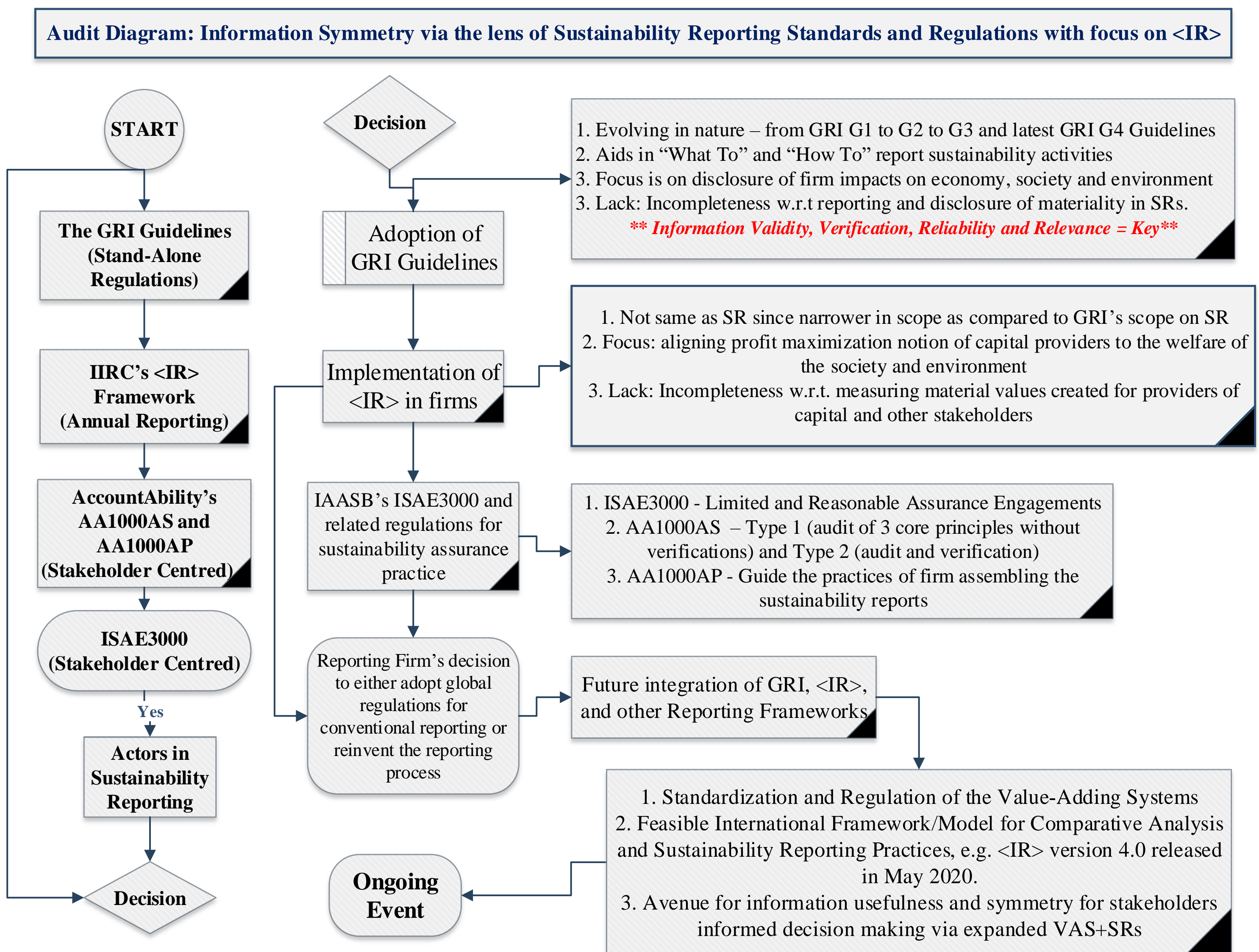


Figure 7.0: Sustainability Reporting Standards and Regulations with focus on the <IR> (Author, 2020)

7.3.1 Summary Explanation, Synopsis and Point of Departure as per figure 7.0 above

Standards and regulations have been enacted in recent times to aid both practitioners and firms report on sustainability activities. These standards and guidelines are adopted either voluntarily or incorporated with mandatory regulations for both reporting and assurance engagements.

The GRI Guidelines (which are stand-alone regulations) have evolved from versions 1 to 4. These aid in what to report, how to report and focuses on voluntary disclosure of firm's operations on the ecosystem. In contrast to the GRI Guidelines, the <IR> Framework tends to narrow its scope to recognizing the multiple capital providers that contribute to firm profitability. The recent version 4.0 of the <IR> framework identifies voluntary additional reporting metrics in the recognition of sustainability (non-financial) elements such as the natural capitals. The question arising is how to place values (appropriately measure and recognize) on these social and natural elements.

In addition to the GRI Guidelines and <IR> Framework, conventional sustainability reporting practitioners and firms could voluntarily adopt the AA1000AP to disclose firm sustainability reporting metrics to users (stakeholders) of the reports. This is consistent with the social constructionist approach of adopting alternative means to assess the status quo and provide valuable and relevant reports to the wider stakeholders. What remains an unresolved challenge is the setting of reasonable materiality thresholds for reporting on the social and environmental components of sustainability. With respect to attestation engagements, assurors are permitted to adopt either or a combination of the above standards to guide practice. However, conventional accountants usually adopt the ISAE3000 and AA1000AS to provide either limited or reasonable assurances to stakeholders who rely on the assurance statements for informed decision making.

The representation of sustainability reports using multi-disciplinary approach to ensure information symmetry and achieve the social justice programme requires the adherence to standards and regulations. Country-specific guidelines that leverage on these contemporary regulations, frameworks and standards are ideal starting points to ensure a gradual transition to global standardization. This will aid in achieving information validity, reliability, representational faithfulness and relevance – which are key for stakeholders to adopt in their informed decision-making.

7.4 Integrated Reporting and Comparative Frameworks

The following paragraphs take a deep dive into the International Integrated Reporting Council's (IIRC's) Integrated Reporting <IR> Framework. The analysis looks at the scope and objectives of the <IR> and juxtaposes it to the globally recognized GRI Guidelines. The discussion then delves into the six guiding principles or pillars of the <IR> and the extent to which these pillars could be capitalized on to enhance corporate sustainability and value-added reporting practices across firms and industries.

7.4.1 The IIRC <IR> Framework

The International Integrated Reporting Council (IIRC) proposed a principles-based approach to aid firms who undertake integrated reporting of their activities. The IIRC's main mandate is to create a globally acceptable reporting framework which connects corporate strategy to its annual financial reports and interlinks with the corporate governance, social and environmental dynamics of the operating entity in a cohesive and meaningful manner (Thomson, 2014, p. 19). Under the IIRC's framework, value is said to be created by and for stakeholders through the firm's business operation model wherein various capitals (termed as inputs) are transformed into outputs and outcomes within certain time frames – short, medium or longer term (EY, 2013, pp.9 - 10). Recent research has disclosed that the recognition of stakeholder interests forms the core of the <IR> framework. In Flower's 2014 comprehensive study of the IIRC's <IR> framework, he confirmed that the categorization of multiple capitals lies at the heart of <IR> and the need for firms to incorporate and report on all such capitals for and by the respective capital providers (stakeholders) underscores the basic intent of integrated reporting (Flower, 2014, p. 2). It is, however, interesting and worth noting that the IIRC's framework, popularly known as the <IR>, further leverages on a set of six (6) principles that do not prescribe any reporting tool or instrument for use in its integrated reporting (Haller and van Staden, 2014, pp.1191 and 1199).

Compared to the GRI Guidelines, the IIRC's <IR> provides a framework of principles and content elements that guide practice (GRI, 2018, 2020; IIRC, 2013, 2020; Halle and van Staden, 2014, p. 1192). Firms are permitted to choose and pick the principles and content elements that apply to their working environments. The idea that firms can choose and pick which principles and content

elements to report on could lead to improper reporting practices since firms might report on issues that suits their whimsical caprices and not necessarily on matters that benefit the larger stakeholders. A more cohesive and comprehensive scheme of mandatory and specific reporting and disclosure model, tool and instrument to guide practice will ensure information integrity and credibility as reported by firms. To develop a meaningful picture and achieve the objective of making sustainability reporting an impactful phenomenon and practice to both beneficiaries and assurors, it would be prudent to bring <IR> and the other frameworks under the same or similar operating schemes, with each framework designated a clear-cut mandate and scope. <IR> might not be able to achieve its feat when given a large ambit or scope of operation with the quest of achieving sustainability under the multiple capital schemes. A standardization of the <IR> with other frameworks and the subsequent regulation of the frameworks with the help of practitioners, strategists, subject-matter experts, standard-setters and government legislators to ensure limited scopes could result in global sustainability and its reasonable assurance practices over time.

It is almost certain that if traditional and/or conventional accountants revise their modus operandi, i.e., the strictly mechanical approach to reporting and assuring corporate reports, then they will be aiding, more or less, in the quest to resolve the social accounting, disclosure and assurance canker that is characterizing non-financial reports (including the <IR>) (Adams, 2015, p.24). In effect, accountants might need to expand their scope of reporting and assurance beyond the economic dimensions to incorporate the very elements that drive and create the economic values, i.e., the social, environmental and corporate governance elements. This mentality will drive standard setters such as the IASB, IAASB and government legislators to diversify the reporting metrics, tools, instruments, procedures and regulations that guide annual reporting and assurance applications in order to achieve extra value in annual reporting and assurance practices.

The above arguments support the reasoning behind both the Legitimacy Theory and Social Constructionist philosophies in that practitioners must not simply stick to the ongoing practices of merely reporting the economic dimensions of corporate activities. Instead, if companies seek to gain, repair and maintain their legitimacy to operate as going concerns in any society, then they need to incorporate other relevant values such as social, governance and environmental metrics that will meet the demands of the wider stakeholder groups (Deegan, 2010; Cunliffe, 2008; Donovan, 2002).

7.4.2 The Six Guiding <IR> Principles

Considering the six (6) guiding principles of the IIRC as summarized below in a tabular format, there is adequate grounds for the adoption of <IR> framework to enhance sustainability reporting and disclosures for firms. Following below are succinct illustration of the principles and how they could aid in representing corporate value addition, appropriation and sustainability reporting and disclosures.

- The accuracy and conciseness principle is likely to aid practitioners in determining disclosure materiality thresholds against which variances identified in company reported values could be evaluated. A properly set materiality threshold will thereafter allow for revision of the <IR> by adjusting any misrepresented values to reflect the true values created by and distributed to the stakeholders. It is probable that all financial values reported concisely in the <IR> will aid in setting audit materiality thresholds using the same accounting models of profits, assets and revenues. However, the difficulty in ascertaining audit materiality thresholds for non-financial values could result in a possible subjective setting of non-financial materiality thresholds for any reporting and disclosure activity over the entire <IR> (IIRC, 2013, para.3.22).

- Following from the above, any <IR> that is free from any material errors as a result of the conciseness of the reported data will result in a more reliable report to the stakeholders. Consequently, any omissions or misstatements arising as a result of materiality testing in an assurance activity will possibly lead to the inclusion of all material items and removal of all immaterial values in order to render the <IRs> complete (IIRC, 2013, para.3.30). This will likely result in informed decision making by the stakeholders concerned.

- The consistent presentation of <IR> in a manner that is verifiable over time provides a strong possibility for practitioners to easily test the reported values in the <IR> due to the ease of comparability of the underlying data across time periods and within industry or across firms. This is key in any corporate reporting and disclosure activity given that disclosures should be reported as consistently as possible in line with standards for ease of comparability (IIRC, 2013, para.3.48).

- Corporate annual reports and accounts are prepared to provide values addition to the stakeholders and to allow such users to place reliance on and make informed decisions with such

reports. Hence the stakeholder responsiveness principles provide a leeway for the conventional accounting and possible multi-disciplinary practice to capitalize on and respond to the needs and interests of the various users of <IR> (IIRC, 2013, para.3.13). Most importantly, these corporate reports will inform and predict the future strategic direction of the firm.

- The second guiding principle of "Connectivity of Information" seems to suggest a possible integration of both traditional financial statements with a VAS and related <IR> information in a comprehensive consolidated annual report. A reasonable approach will then be to provide a comprehensive assurance over this consolidated report in order to sustain the information integrity of both the financial and non-financial data reported (IIRC, 2013, para.3.7). Here, it is key to incorporate both traditional accountants and non-accounting experts in the entire annual reporting, disclosure and assurance engagement to achieve an ideal sustainability practice.

7.4.3 <IR> Version 4.0 – The Journey Thus Far

According to Richard Martin's (Head of ACCA's Corporate Reporting) disclosure on insights into integrated reporting (2020), over the past four years, <IR> has evolved and improved tremendously by representing multiple capital providers that contribute to organisational sustainability, especially in financial terms. The various <IR> principles are being adopted by firms to improve their <IR> disclosures. The <IR> issued in recent times cross reference their reports to related standards and frameworks with the GRI Guidelines prominently referenced in integrated reports. The current realization in <IR> is the succinct and condensed formats that still meets various stakeholder needs. Significant note worth highlighting is that the current integrated reports issued tend to categorize stakeholders between financial capital providers and non-financial stakeholders. In addition, more recently, the <IR> has incorporated the United Nations Sustainable Development Goals and Climate-Related Financial Disclosures in its framework to ensure a wider and comprehensive reporting of organisational activities that impact on other aspects of life other than just the economics.

These positive developments and additional reporting metrics and disclosures should be approached with some caution since the financial quantification of social and environmental factors such as carbon emissions, health of employees, and security and safety of the environment

could pose measurement challenges. Natural and social elements such as human lives cannot be measured in financial terms even with a multi-disciplinary approach to sustainability disclosures and reporting. Perhaps, such elements could only be codified or identified for information purposes and not for its assessments in financial terms.

Table 7.1: Standards and tabular extract (Guiding Principles)

Six Guiding Principles of the IIRC	
IIRC Principle	**Summary of Details**
1. Strategic Focus and Future Orientation	Adequate "insight into the organisation's strategy and how that relates to its ability to create value in the short, medium and long term and to its use of, and effect on, the capitals" (IIRC, 2013, par. 3.2).
2. Connectivity of Information	Presentation & Disclosure, "as a comprehensive value creation story, the combination, inter-relatedness and dependencies between the components that are material to the organisation's ability to create value over time" (IIRC, 2013, par. 3.7)
3. Stakeholder Responsiveness	"Insight into the quality of the organisation's relationships with its key stakeholders and how and to what extent the organisation understands, takes into account and responds to their legitimate needs, interests and expectations" (IIRC, 2013, par. 3.13)
4. Materiality and Conciseness	Provision of "concise information that is material to assessing the organisation's ability to create value in the short, medium and long term" (IIRC, 2013, par. 3.22)
5. Reliability and Completeness	Incorporation of "all material matters, both positive and negative, in a balanced way and without material error" (IIRC, 2013, par. 3.30)
6. Consistency and Comparability	The underlying data and/or information "should be presented on a basis that is consistent over time and in a way that enables comparison with other organisations to the extent that it is material to the organisation's own value creation story” (IIRC, 2013, par. 3.48)

7.5 Gap in Literature and Research Question/Objective

To date, only general propositions have been suggested to cater for corporate sustainability and value-added reporting functions. Collective agreements and concerted efforts have been made in order to define reporting standards and criteria for corporate sustainability and value-addition activities; however, none of these efforts have resulted in clearly defining specific standards,

recognition criteria and measurement canons for SRs and VARs. For example, under conventional accounting practices, a defined standard like IFRS 16 – Leases will specifically provide the basis for computing and disclosing lease liabilities and financial liabilities at each year end and the reasoning behind the declassification of finance and operating leases from the reporting framework. Such specificities allow assurors to validate any reported lease transactions and year-end balances which ultimately aids in informed decision making by the wider stakeholders and to hold the company accountable for any misapplication of the standard. Conversely, it is currently well established that the sustainability reporting (and value-added reporting) could be practiced in a generally (and not a specifically) controlled disclosure regime in which companies could be directed to adopt either of a set of criteria to guide their reporting practices. Much uncertainty still exists on the extent to which a company could adopt a set of general disclosure requirements or criteria and how these could be realistically applied in real-time due to the varying nature of sustainability functions undertaken in corporations, regardless of whether these companies operate in the same industry or otherwise.

The case analysis and discussions together with the findings and implications sections below help to address the above research gap on specificity of SR and VAR standards and how to resolve the research objective earlier mentioned in 7.1 above. It is worth reiterating that the case context for this chapter is referenced in section 6.6 under Chapter 6 above.

7.6 Case Analysis and Discussions

In this section, the thesis presents and analyzes the case findings regarding three dimensions of standardizations of SRs and VARs. The first sub-section deals with the case analysis of the various and sometimes unrelated standards that underlie corporate sustainability and value-added reporting practices. The analysis will consider the perceived merits and potential risks associated with different standards and benchmarks adopted by respective companies in their SR and VAR functions. Secondly, this case analysis examines the extent to which practitioners and industry experts could leverage on the mechanics of traditional or conventional accounting standards and practices to design, develop, promote and enhance corporate sustainability and value-added reporting functions. This aspect of the analysis is the crust of this thesis since the researcher, whose

past experiences as a practitioner and chartered accountant (Fellow with the ACCA, i.e., FCCA) believes that the harmonized and regulated standards deployed in the Accountancy Profession could be leveraged upon to boost corporate sustainability and value-added reporting practices. Although the researcher does not fully subscribe to the fact that the financial statements and annual accounts or reports convey full values to the wider stakeholder groups, yet he believes that the generally accepted and established accounting standards could serve as a foundation and stepping platform to achieve comprehensive corporate values to the wider stakeholders. The third and final part of this case analysis section deals with narrowing down on the focus of SRs and VARs. The researcher solicited opinions and expert ideas on whether the focus of SRs and VARs should be a mix of quantitative and qualitative metrics or should be skewed towards the impact assessment of the sustainability and value-added activities of the reporting companies.

7.6.1 Varied VA and SR Standards and Applications: Risks and Merits

Mandatory and regulated sustainability and value-added reporting is only gaining roots in some countries within the 21st century. Some jurisdictions incorporate such reports as key listing requirements as in the case of the South African economy in which the SEC requires listed companies to file the VAS as part of their annual reporting requirements. In other countries, whether developed or not, such as the UK, USA and Ghana, there are no mandatory listing requirements by the federal regulatory agencies authorizing quoted companies to include VARs or SRs in their annual filings. Practitioners argued that since the VARs and SRs are not globally mandatory in nature, there are options for countries to develop and establish jurisdiction-specific standards to provide guidance for reporting entities (BAF-1.6, Senior Audit Associate and Sustainability Advisor, (Accountant), 2022).

Similar to the above argument, practitioners indicated that companies within the same jurisdiction and sector tend to differ from each other in terms of their structure, compositions and sustainability practices or activities. In addition, companies will have different ambitions and motivations for staying in operational existence and these varied ambitions will typically drive the kind of sustainability and value-added activities to be implemented by the company in question. Moreover, there are different stakeholders involved when dealing with sustainability and value-added

activities which suggests that firms must tailor their sustainability and value-added activities to meet the needs of the greater and key stakeholders. Hence, companies will be “tempted” to choose and pick selective standards to regulate and guide their SR and VAR practices.

Unlike conventional accounting practices where Revenue from Contracts is generally and globally regulated by IFRS 15 and Property, Plant and Equipment are governed by IAS 16 regardless of whether the company is into mining, insurance, banking or consumables, sustainability and value-added functions differ significantly from one company to the other. The variations will not permit the adoption and implementation of a generally acceptable reporting standard for every company. With this in mind, it is probably the reason why companies have the flexibility to choose and pick an applicable reporting framework or standards for their unique value-added and sustainability functions.

I think the intention will be for companies to select any applicable, and not a non-existent generally acceptable, framework and standard to communicate better with their respective and unique stakeholders. If there is no basic guidance on how to better communicate with their key stakeholders, companies could potentially report haphazardly on their sustainability and value-added functions (IIE-4.1, Assistant Vice President – Account Management, (Accountant), 2022).

In contrast to the above position, industry experts and some practitioners argued that the perceived varied SR and VAR standards regulating the reporting practices do not signify contradictions in sustainability and value-addition practices across firms. Instead, these variations represent the beauty of flexibilities inherent in sustainability and value-addition practices across firms, industries and over the years. The arguments further noted that these potentially different and varied SR and VAR standards are all meant to achieve the same objectives but from different angles. Generally, societies in the world today are at different levels of developments and maturity stages. Thus, different societies will approach the SR and VAR practice from different dimensions; meanwhile, the fundamentals will remain the same. What practitioners, jurisdictions and the reporting entities need to do at this point is to examine the strengths of these varied standards and regulations and then harmonize them into standardized corporate reporting canons that could be applied to the different economies or societies (who are at different maturity levels of the corporate reporting practices) (BAF-1.5, Senior Manager, (Accountant), 2022).

Likewise, sustainability and natural resource experts who were interviewed during the primary data collection phase asserted that the various reporting frameworks and standards reflect the

country contexts and the level of impact assessments and response rates applicable to the reporting entity. For instance, a country with a robust sustainability and value-addition response factor could adopt intensive and generally agreed reporting standards comparative to a company operating in an emerging economy in which such standards are quite relaxed. Additionally, the cost of sustainability may not be the same everywhere. A mining company in an advanced country (say Australia - Country A) may pollute a water body; another mining firm will also pollute water bodies in South Africa, an emerging economy (Country B). It will be surprising to note that although both companies' activities have resulted in the pollution of water bodies, the impacts may vary from one community to the other. This is because there may be various intervening factors that could account for the impact analysis. For instance, Country A (Australia) will have a resilient community that could stand up against these pollutions which will lead to prompt actions and corrections. On the contrary, Country B (South Africa, an emerging economy) will not have the systems and structures that could correct these pollutions which means that the communities in South Africa will suffer long term consequences of the mining firm's operations comparative to the situation in Australia (an advanced country) (IGS-2.1, Sustainability and Natural Resource Expert, (Non-Accountant), 2022).

Regardless of the perceived variations in SR and VAR reporting standards, the respondents generally agreed that these diverse reporting frameworks possess the unique advantages of meeting the varied or changing needs of the wider stakeholder groups; satisfying the country-specific contexts and providing a broader definition of sustainability; and at least holding firms accountable for the effects of their operations on the society. It is important to stress that the needs of users keep changing over time and the evolving needs of these stakeholders will determine the extent of VAR and SR functions by companies in order to meet the varying and changing needs of the users. In addition, recent events of poor corporate governance practices like the Enron, WorldCom and Arthur Anderson scandals have called for the use of modified accounting and auditing standards for the use in reporting on comparable sustainability and value-added activities of companies. Without robust and consistently modified standards for corporate reporting, there is the risk of revisiting these scandals in our current dispensation (IIE-2.1, Accounting Manager, (Accountant), 2022).

The benefit of using varied SR standards is that there can be transparency and comparison of the true definition of values from different perspectives. A standardized application of regulations to

SRs and VARs could signal plastic rubber-stamping of so-called sustainability activities (IIE-3.1, Vice President – Internal Audit, (Accountant), 2022).

Conversely, assurors, practitioners and industry experts downplayed the use of varied SR and VAR standards on the premises that they defy the qualitative characteristics of corporate reporting in terms of relevance and comparability across firms and years. The risks associated with this lack of comparability could be loss of information integrity and loss of trust by stakeholders in the information provided by the firms. Arguments centred on the fact that there could be little or no merit in the laxity provided to firms to choose and pick from a wide range of varied SR or VAR standards. Instead, this could rather distort the uniformity of the reports, reduce comparability across firms and cast some form of doubts on the integrity of the value-added reports (IGS-3.1, Financial Analyst and Local Solutions Expert, (Accountant), 2022). Similarly, deploying different sets of standards to satisfy different sets of stakeholders due to the varied interests of these end-users will place a greater burden of work responsibilities on the company and its officers. However, using one set of standardized regulations to satisfy a broader spectrum of stakeholders will ease this burden and enhance measurement of comparability across stakeholder interest satisfaction and performance evaluation of the business entity (IIE-5.1, Internal Auditor, (Accountant), 2022).

The interviewees argued that there is the need for global standards, as in the case of conventional accounting practice, to regulate the reporting of sustainability and value-added activities. The main intent of securing globally acceptable standards on SRs and VARs is to ensure comparability and to enable the users of the reports to place reliance on these statements. Without the availability of common and regulated standards to normalize these SRs and VARs, the associated lack of comparability makes these SRs and VARs valueless. The published reports will then become mere information database just for a few people who want to read about SRs and VARs and apply some of the learning points based on their own inclinations or reasons. Hence, these non-standardized reports cannot be deployed as general-purpose reports that add value to both the company and the wider stakeholders' lives (IGS-4.1, Senior Financial Analyst and Local Solutions Expert, (Accountant), 2022).

Practitioners and sustainability experts who were interviewed generally asserted that the development of a uniform and harmonized reporting framework and standards for sustainability and value-added reporting will not be achieved overnight. It could take decades of synthesised and

synchronized sharing of best sustainability and value-addition practices by reporting firms to help in designing measurement, recognition and disclosure requirements for SRs and VARs. Simply put, the world is at the very initial stages of sustainability reporting and this will need to undergo various stages of harmonization in order to arrive at globally accepted SR and VAR standards. Until all of these varied standards are harmonized into one set of globally accepted canons, there is at least a basis that supports firms' sustainability and/or value-added reports. Just as in the evolution of accounting standards where (and when) practitioners used to have various GAAPs and ISAs, sustainability practices will equally have various jurisdiction-specific standards that will underpin the basis for preparing sustainability and value-added reports (BAF-1.6, Senior Audit Associate and Sustainability Advisor, (Accountant), 2022).

Unlike the conventional accounting standards, Sustainability Reporting Standards and various sustainability regulations are difficult to synchronize or harmonize into one piece and are voluntary to adopt and not mandatory as in the case of conventional accounting practice but there could possibly be proxies that are standardized and successfully used for such purposes. (IGS-1.1, Sustainability Expert, (Non-Accountant), 2022).

Regardless of the benefits of drafting the SRs and VARs to suit the economic contexts of the reporting entity, it is generally accepted that the more diverse these standards, the less attractive it is for practitioners to apply them due to the laborious work involved in attempting to synchronise these various standards into one perceived harmonized canons. Just as the conventional accounting standards regularly undergo revisions and updates to align them with the changing needs of the 21st century, the SR and VAR standards could equally be modified on regular basis in order to provide a better contextual meaning to the respective sustainability and value-added functions of corporations.

7.6.2 Leveraging on Mechanics of Conventional Accounting Standards and Practice

A key success factor with conventional accounting practice is the existence of generally acceptable reporting frameworks and standards that guide the practice and aids in benchmarking firm performance against competitor's, industry or sector standards and across years. Both practitioners and sustainability experts confirmed that these mechanical frameworks do not necessarily make the accountants mechanical (like robots who cannot make rational decisions) but rather "makes

life easier" for the accountant due to the use and application of the uniform and harmonized reporting standard. Several interviewees consented to the idea that the accountant could easily benchmark firms' performances (across various jurisdictions) against set benchmarks and harmonized reporting frameworks such as the IFRS or IAS or GAAPs. The above cannot be said of the existing sustainability and/or value-added reporting standards since they are not harmonized, uniform nor standardized in nature (IGS-1.1 and IGS-2.1, Sustainability and Natural Resource Experts, (Non-Accountants), 2022).

What stands out in this thesis is that all the respondents unanimously opined that there are significant benefits in leveraging on the mechanics of conventional accounting practices to advance the corporate sustainability and value-added projects. A major justification provided by the respondents deals with the global acceptance of the mechanics of the accounting practices and standards which allows for consistency in reporting regimes, verification and comparability of the reported information or disclosures:

I am a big supporter and advocate of comparability. The more comparable the information are, the more useful these information are to the various users of the accounting information. Once the standards are available, it gives the report more buy-in to the usefulness of the reports. For example, with the VAS, supposing the value-added parameters are not set nor standardized such that Company A is able to bulk all values distributed under the caption "Values distributed to Government and Others", whereas another Company B clearly designates each value distributed as "Value to Government", "Values to Employees", "Values to Shareholders", "Values to Suppliers", etc., it will be quite difficult to compare the performances of Company A to Company B.

The mechanical bit of these reports and leveraging on conventional accounting mechanics will typically allow for audit and assurance practices to be streamlined to assure stakeholders of the fairness of these information. The standards should be mechanical and clear to adopt to prevent the risk of firms choosing what to do lest we lose comparability of the information (IGS-4.1, Senior Financial Analyst and Local Solutions Expert, (Accountant), 2022).

Similar to the above proposition, an audit partner with a Big Four Audit Firm supported the notion of introducing mechanical accounting practices into SR and VAR practices on the premises that it will aid significantly in verifying the reported metrics in the SRs and VARs. It is believed that an effective audit and assurance of the VARs and SRs via a mechanical framework will increase the information relevance of these corporate reports to the wider stakeholders. The interviewee guessed that there is an extent to which it will be relevant to leverage on mechanical accounting to promote the practice of either sustainability or value-added reporting. The mechanical principles

of accounting could be quite pervasive since it aids in clearly specifying relevant measurement and recognition criteria. Should these principles be carefully deployed in sustainability reporting, there is likely going to be some value in the reports to end-users since stakeholders could independently verify selected sustainability functions (together with any management assertions on these functions) for validity and corroborative evidence (BAF-1.1, Audit Partner, (Accountant), 2022).

Rightfully so, the purpose and essence of financial reporting is to achieve and maintain consistency in corporate reporting such that a practitioner can readily and easily compare the same flavour of financial or corporate reports between Country A and Country B with little or no questions in mind. To an Associate Director of Audit with a Big Four Audit Firm, any corporate report that does not achieve information consistency must be further investigated. In doing so, he believes that it will provide a standardized way of preparing VARs and/or SRs "which will help us achieve and maintain the consistency of corporate reporting which financial statements tend to achieve.

From a consistency perspective, I will strongly advocate for the adoption of the mechanical accounting conventions for the preparation and presentation of VARs and SRs" (BAF-1.3, Associate Director, (Accountant), 2022).

The accounting standards and mechanics will inform the practitioner about what and how to account for items in the corporate integrated reports or accounts. In accounting for these metrics, the accounting standards will also require the practitioner to highlight and report or provide relevant disclosures that are material to the users of the corporate reports. This will go a long way to achieve the qualitative characteristic of accounting termed "Relevance".

With the above in mind, companies can leverage on conventional accounting practices and standards to expand and make the VAR or VAS more relevant to the key stakeholders. For example, practitioners and the reporting entities could deploy some of the applicable accounting standards to provide detailed disclosures on the composition, pattern and structure of value distributed to suppliers, employees, regulators, government and shareholders. At the end of the day, the intention of the company is to ensure that the values created go a long way to benefit the key stakeholders identified within the value-chain. VAS can be a standard way of starting a firm's sustainability reporting by standardizing the key information metrics and infusing additional key disclosures that will allow for consistency and comparability over time, across firms and across

industries. What the practitioners and the companies need to sustain are that the key notes and references are captured as disclosures to the value-added statement or report (IIE-4.1, Assistant Vice President – Account Management, (Accountant), 2022).

Nonetheless, a potential risk associated with leveraging on the mechanics of conventional accounting has to do with the element of flexibilities on the part of accountants to restate account balances via the use of prior year adjustment. Accountants have the flexibility to restate financial statements when firms adopt new standards or circumstances of the corporation changes. For example, a company may be using country-specific GAAPs for a number of years after which it will later adopt IFRS for the first time. In this case, the company will undergo restatement of account balances from the prior years' country-specific GAAPs to the globally accepted IFRS. However, leveraging on such mechanics could be a daunting task since the impacts of sustainability and value-added activities could be rarely restated or revised once these have been implemented in the past. Specifically, the interviewees argued that the same accounting and auditing standards will make room for restatement of financial statements. If such harmonized standards are used or proposed to be used for sustainability, it will become difficult to revert into the past, in retrospect, to restate the impacts reported in previous periods. What the accountants should consider when restating balances is whether the restatements are due to changes in the context and standards (reporting and operating) or due to ethical considerations. If the restatements are due to standards evolving, then the accountant should consider how best the evolution has added value to the stakeholders who use these reports.

Given the above issue on restatement of accounts and balances, SRs may become quite inflexible to follow in the lines of mechanical accounting conventions since impacts realized in the past may be difficult to reverse. Impacts, once realized, are like compound reactions which could take ages to reverse and reinstate into their original or improved components. (IGS-2.1, Sustainability and Natural Resource Experts, (Non-Accountants), 2022).

In summary, corporate SR and VARs could build upon the well-established foundations of conventional accounting practices in order to improve the information relevance and usefulness to the wider stakeholders of the company. In addition to the above, consistency of reporting, comparability of the reported information and the opportunity to audit and evaluate these SRs and VARs in line with agreed-upon standards or benchmarks were advanced as merits in leveraging

on the mechanics of conventional accounting practices to promote and enhance SR and VARs. Nevertheless, since this thesis focuses on the South African emerging economy in which these SRs and VARs are not prevalent and the level of compliance with advanced forms of the GAAPs (and IFRS and IASs) appears to be lower, the question of whether it is feasible to leverage on the mechanics of conventional accounting to promote corporate sustainability and value-added reporting seems to be unrealistic (BAF-1.0, Retired Audit Partner, (Accountant), 2022).

7.6.3 Focus of SRs and VARs – Impact Analysis or Commodification of Variables

Interviewees whose current field of practice primarily deals with local solutions and conventional sustainability practices within the IGO sector collectively argued that SRs and VARs should focus on impact analysis or assessments of these activities other than the mere assignment of quantitative variables to sustainability and value-added projects. They further indicated that sustainability, per its definition, should concentrate on assessing the benefits and risks derived from the project and the extent to which these projects may have changed the lives and portfolios of the beneficiaries. While issues of financial labels and quantitative mapping of sustainability and value-added activities may be feasible, the onus should be on examining the positive (and sometime negative) effects of these activities on the wider stakeholder groups.

To further elaborate the above point, interviewees noted that the goal of SRs and VARs, first and foremost, should not be to strictly assign values to all these resources or sustainability activities undertaken. To the extent that commodifying some of these activities makes sense, then by all means, let the practitioners proceed with assigning values to the same activities. There is a way of commodifying these sustainability activities without necessarily assigning financial or monetary values to them. Assigning numbers may make lives easy and reporting straightforward to the accountants; however, practitioners can tell the story of sustainability in a more compelling manner without compromising on values. For instance, instead of simply stating that the company spent £10m on a group in a community, the company could rather emphasize the impact of how the £10m has led to placement of 23 orphans in Senior High Schools or Colleges. The focus should rather be on how practitioners can report the impacts of the VARs and SRs on the lives of the beneficiaries (BAF-1.5, Senior Manager, (Accountant), 2022).

Disclosing the impacts of sustainability and value-added activities is the way to go insofar as the views of the interviewees are concerned. Practitioners were concerned about the value of trying to go the extra mile in commodifying these sustainability and value-added reports . . . if assigning values to an activity does not add any meaningful value to the user(s) of such information or activity, then practitioners and reporting entities would have just wasted their time in trying to commodify these variables. Companies should keep reporting the impacts in their sustainability and value-added reports and try to standardize these reports. If there is the need to quantify information, as and when it becomes useful to the users, companies can then assign such values to the activities (IGS-4.1, Senior Financial Analyst and Local Solutions Expert, (Accountant), 2022).

Practitioners and industry experts further argued that if it is feasible to assign quantitative metrics to these sustainability and value-added activities, then the reporting entities must ensure they report such metrics with absolute certainty. Respondents argued that there are existing toolkits and protocols which are currently being deployed by multi-nationals and regulatory agencies to assess both the quantitative and qualitative dimensions of sustainability and value-added activities of corporations.

Certainly, there are tools for measuring these sustainability and value-added activities in our world today. From 2010 – 2015, I served as a member of a committee that calculated the cost of environmental degradation as a measure of Ghana's Gross domestic product. We used standardized methods developed by the World Bank ad hosted by national agencies like the Ghana Environmental Protection Agency to calculate the cost of degradation by the extractive, energy, fisheries, Agriculture, Forestry and many other sectors and conglomerated the analysis to find the cost as a percentage of Ghana's GDP. This was repeated for about 3years whilst I was still with the Energy Commission of Ghana and served on that Committee. Moreover, the United Nations Framework Convention of Climate Change (UNFCC) also has standardized ways by which countries measure the Greenhouse Gas (GHG) emissions saved through sustainability projects. In my experience, Ghana enacted policies and measures such as the Compact Fluorescent Lamp exchange programme and Refrigerator Standards and Efficient labelling of Air Conditioners which earned a lot of cost savings for the country in the National Greenhouse Gas Inventory Reports. This is more on a national level but the same principles can trickle down to organizations (IGS-1.1, Sustainability Expert, (Non-Accountant), 2022).

However, the use of these toolkits require an interdisciplinary approach between the accountants and sustainability experts in order to achieve a holistic understanding of corporate sustainability and value-added functions. This is because accountants may not possess the technical expertise to quantify non-financial impacts, an expertise usually possessed by diverse range of human resources involved in sustainable development disciplines. However, accountants, by their

profession, possess the expertise in corporate reporting and could harness their expertise with those of the sustainability experts to ensure the achievement of a common goal of improving the information usefulness of SRs and/or VARs in addition to rendering a comprehensive account of the firm's sustainability and value-added functions.

It is worth reiterating that companies need to look at quantifying the costs associated with sustainability and assessing the impacts of the sustainability activities undertaken. Here, companies could take a two-pronged approach where the accountants will focus on the figures whereas the subject matter experts will focus on the impacts by writing the narratives. However, the accountant needs to work hand-in-hand with other experts to ensure accurate reporting and quantification of the impacts emanating from the sustainability function such that the numbers could be easily reconciled to the impact narratives produced. Practitioners will need the impact statement and the valuation of the cost components associated with the sustainability function. Accountants cannot work in isolation when it comes to SRs and VARs. They need to collaborate with other subject matter experts in order to report the correct narratives in terms of the impacts in the corporate accounts. For instance, the Economist will be needed to quantify some of the sustainability transactions since these transactions or activities may be alien to the accountants (IGS-2.1, Sustainability and Natural Resource Expert, (Non-Accountant), 2022).

Summarily, the central point of sustainability and value-added reporting is the assessment and disclosure of positive changes effected by corporations on their constituents. These are usually disclosed as narratives in the integrated or special purpose sustainability and/or value-added reports in the form of impact assessments. Such impact assessment reports are typically couched exclusively in qualitative formats. Even so, these sustainability and value-added projects are usually funded from the company's coffers and will require a full disclosure of the costing (financials) of these functions. Both dimensions – quantitative measurement and qualitative disclosures (impact assessments) – play critical roles in enhancing the relevance of the sustainability and value-added reports to the wider stakeholders. Additionally, both dimensions of these reports clearly define areas in which independent third parties (and the rest of the stakeholders) could hold the reporting firms accountable for their operations on the society.

7.7 Findings and Implications

The objective of this chapter was to address the extent to which corporations could standardize their sustainability and value-added reporting practices. Given that the conventional accounting discipline is endowed with globally accepted reporting and assurance standards, the researcher sought to examine whether companies could leverage on these existing reporting frameworks (principles and standards) to broaden and improve the non-harmonized sustainability and value-added reporting actions of organisations.

In order to achieve the above research objective, the researcher considered three interrelated themes namely the merits and risks in using varied standards and frameworks for sustainability reporting; leveraging on the mechanics of conventional accounting for SR and VAR functions; and whether reporting entities and practitioners should focus more on the impact assessments and analysis of these sustainability and/or value-added activities or to blend both the commodification of these activities with its impacts. Below are the summary findings and implications of the above thematic analysis.

In terms of the varied standards employed in the SR and VAR actions, it makes practical sense to choose and adapt jurisdiction-specific SR standards and reporting frameworks that fit into the reporting systems and contexts of the given community or country. It is also possible that the current set of sustainability and value-added reporting standards or frameworks are not robust enough to warrant a standardized application. Hence, it will be prudent to channel efforts in strengthening these frameworks and standards so that firms will not simply select canons that put them in the positive lights whilst concealing their negative practices. Just as with accounting standards and reporting frameworks, any relevant SR and VAR framework or standards adopted by companies should highlight both the positive and negative activities of the companies in its entirety.

It may become difficult and may take a good amount of time to harmonize these varied SR and VAR standards into one complete set of principles and tenets for application across board due to the differences in the composition, structure and sustainability practices of companies in our current dispensation.

Practitioners and industry experts will need to evaluate the policies or standards governing SR and VARs and subsequently query the reasonableness of these standards and principles. Questions that could help in evaluating these standards should include why corporations are choosing one set of SR and VAR reporting frameworks over another; the appropriateness of the chosen standards to the lines of business of the reporting entity; how to determine whether activity X is not value-adding and an explanation of why such activities should be excluded from the VAR or SRs. These extended discussions will spool out value and clearly define what values are. If practitioners will simply not trace or reconcile a sustainability project to the cost of running such projects but will further question the policies, guidelines and principles used in generating the data and preparing the VAR or SR, then the reporting company can boast and pride herself in the creation, definition and communicating values to the wider stakeholders.

On the theme of leveraging on mechanics of conventional accounting, the study found that any additional information that will further inform or educate the users of the corporate reports is a positive development worth welcoming in the corporate reporting practice. Besides the shareholders, there are several other stakeholders who use these corporate reports. Hence, if practitioners and the reporting entity can use the existing accounting mechanics or develop new mechanics for sustainability reporting to the extent that these will properly inform the key stakeholders, then accounting practice should pursue that trend. On the other hand, if the use of accounting mechanics will just add up to the quantity of the reports without any relevance to the stakeholders, then such a move should be abandoned and not pursued any further.

Analysis of the commodification of sustainability and value-added projects disclosed that there are usually assurance standards that clearly define the measuring units and metrics to be assigned to specific sustainability activities pursued by firms. It is not enough to be an accountant to be able to analyse the impacts of sustainability activities or to commodify its associated variables. The accountant must have the relevant expertise and skills or collaborate with subject matter experts (SMEs) such as engineers and scientists to help with the assessments and place realistic values on the sustainability activities. At the end of the day, the accountants will then rely on the outputs of these SMEs to draft corporate reports or draw conclusions.

It is worth noting that commodifying variables under sustainability reporting is a matter of choice based on the country-specific regulations. Some jurisdictions mandate that sustainability and

value-added functions be quantified, commodified and/or monetized. However, the focus of practitioners and reporting entities should be on the extent to which these activities – whether commodified, monetized or quantified – could impact the going concern status of the company under review.

The current draft IFRS S1 and S2 standards seem to focus more on how to disclose the impacts of these variables instead of quantifying or commodifying them. Currently, assurors do undertake engagements on how much carbon emissions have been released into the atmosphere by the companies, benchmarking these emissions to the acceptable level of carbon emissions and the practical steps taken by the firms to reduce the adverse effects of these carbon emissions. Corporations could also commodify these emissions or qualitative variables but rarely monetize them, i.e., practitioners do not undertake any profit or revenue impacts of these ESG activities of the company.

Currently, renowned global accountancy firms (like the Big Four Audit Firms) have adopted sustainability (usually referred to as Sustainable Development Goals (SDGs) and classified into ESG by the business environment) as a watermark in every (audit firm's) office or practice. Thus, renowned audit firms currently do not have any option than to get themselves involved in ESG and sustainability reporting functions. However, these efforts require a multi-disciplinary approach because the scope of assurance of ESGs or sustainability has expanded significantly. Initially, practitioners thought that it will be limited to assurance of ESGs such as checking the level of compliance and structures used to support ESG by firms. However, with the reporting of ESG, assurors are now required to audit the detailed compliance process, the reported assertions and the Key Performance Indicators (KPIs) or Key Risk Indicators (KRIs) to ensure they are in line with the ESG requirements. Currently, assurors and practitioners are preparing for the full adoption of acceptable SR and VAR frameworks. This implies that intensive trainings are ongoing to upgrade the knowledge and expertise of the practitioners and industry experts on how to report on sustainability and value-added activities.

Sustainability and value-added functions are the new imperatives in the area of audit and assurance and practitioners are currently widening their personnel base to incorporate subject matter experts who can help deliver value to corporate clients in the area of sustainability and value-added reporting.

7.8 Conclusion and Recommendations

The more diverse the SR and VAR standards, the less attractive for practitioners to implement due to the laborious work involved in attempting to synchronise these various standards into one perceived harmonized canons. Companies will need to scrutinize the existing varied standards, identify areas of commonalities and assess the objectives of these varied standards with regards to meeting the varied needs of the wider stakeholders and rendering a proper account of the financial and non-financial performance of the reporting company. This will possibly allow practitioners to identify which SR and VAR standards could be adjusted, aligned and merged to achieve the above goals of accountability and needs satisfaction. There is no need to throw away any of these supposed varied standards since corporations, regulators and practitioners might possibly revisit the basics and adopt them as best practices for future implementations.

Having different governing bodies and divergent sets of reporting guidelines for similar corporate activities deprives corporate reporting of its beauty. The field of corporate sustainability and value-added reporting may, perhaps, want to have one governing body that will issue globally accepted and uniform set of guidelines for sustainability and value-added reporting. For example, the Sustainability Accounting Standards Board (SASB) could be empowered to merge or integrate all the various SR and VAR guidelines into one pool of guidelines. The SASB could then issue one-single source of instructions to all accounting or professional bodies for implementations to ensure uniformity of purpose and enhance the beauty of corporate SRs and VARs. This approach could be far more valuable than having multiple sources issuing varied principles and standards for similar sustainability and value-added functions.

Just as companies listed on the country-specific stock exchanges must strictly comply with the jurisdiction-specific GAAPs and the IFRS, similar measures could be deployed for jurisdiction-and-industry-specific firms to have their tailor-made sustainability and value-added reporting guidelines. These jurisdiction and industry-specific standards should be designed to augment and complement each other (as in the case of the US GAAPs and EU IFRSs) and not necessarily to supplement or contradict other sustainability and value-added reporting standards. This approach will help to achieve simplification and uniformity of the various reporting frameworks.

In the same vein as regulatory bodies regularly publish changes in accounting standards, the regulators should equally introduce the mandatory need for companies to undertake sustainability and value-added reporting within the context of the firm's operations. For example, there should be a mandatory requirement for companies to discuss their value-added and sustainability activities during firm engagements with investors; and periodic disclosures and discussions of sustainability in open portals and social media. Regulators should not only be interested in the reported figures since a financial report of a liability on the community adds no value to the lives of the community members. Instead, regulators should be concerned about the death rate and shorter life expectancy ratios in the community, the poverty rates, the depletion of Mother Nature, etc. Once firms move beyond the financials towards such qualitative metrics, the level of integrity of the company will be enhanced. Most of the companies are not doing business the right way and they tend to go scot-free because the repercussions of their activities are not easily identified. However, other sectors like the oil and gas industry are heavily regulated since their corporate activities such as oil spillage could be readily assessed via the loss of marine and aquatic lives and health and safety issues on humans. Hence, it could be realized that most oil and gas and aviation businesses ensure that the integrity of their firm operations are held in high esteem in that health and safety reporting metrics are paramount in their annual reports than the mere reporting of the figures.

Following from the above in terms of leveraging on the mechanics of conventional accounting for SR and VAR functions, it should be clearly spelt out that the number one priority of Accountants should not be the financials. Practitioners should be more interested in the ends that justify the means, i.e., the reported financials should have a direct effect on the livelihoods of the community members. Accountants should be more interested in telling the stories behind the numbers, i.e., they should be concerned about whether the sales and profit margins reported are derived from operational sources that did not sacrifice a human life or livelihood for mere financial gains. Corporate bodies and practitioners need to look beyond the peripherals of reported numbers and consider the reasoning behind the numbers. This calls for the governance bodies to introduce sustainability reporting principles that could be adjusted to align with the conventional accounting principles to explain the reasoning behind the reported numbers. These changes or adjustments to the ongoing discussions on accounting conventions will ensure that companies act in right ways and also pave way for external evaluators to audit these value-added and sustainability practices. In summary, the use of modified accounting conventions allows external assessors to review and

evaluate sustainability and value-added activities in line with the current expectations of the stakeholder groups.

In another dimension, the simplification and standardization of the accounting standards by the regulators and governing bodies will be a right step to be undertaken in order to reduce the varied application of accounting conventions. The standard setters should continue to improve upon the existing accounting standards so that there will be a uniform intersection of the GAAPs and/or IFRS with the various SR and VAR standards. The idea here is to enable everyone to adapt a uniform set of corporate reporting principles for easy application in corporate practice, whether for traditional financial reporting or contemporary sustainability and value-added reporting practices. For example, under *IFRS 9 Financial Instruments*, a company which has toxic assets will require the movement of the bad debt provision into the ECL (Expected Credit Loss) calculation, and this process could result in huge financial repercussions to companies in the Banking Sector. These challenges have been resolved to a greater extent through the consistent reviews of the underlying "toxic assets" in order to avoid any financial consequences on the financial institutions. Similarly, *IAS 17 Leases* have created challenges for companies in their reporting due to the categorization of finance and operating leases. Today, there is the standard *IFRS 16 Leases* superseding IAS 17 which has resolved some of the challenges associated with Lease Accounting by removing the confusion on categorization of operating and finance leases. These solutions were due to the continuous harmonization of the existing standards and alignment to the changing dynamics of the business world. If these efforts are channelled into the SR and VAR practices, the likely positive consequences that will emanate from such functions will contribute towards the elimination of the ambiguities surround corporate SR and VAR practices.

To promote an argument for the use of (leveraging on) accounting conventions for use in sustainability and value-added reporting, the established accountancy firms like the Big 4 audit firms could sign a Non-Disclosure Agreement with the regulatory and governance bodies in order to share best corporate reporting practices on how to enhance SRs and VARs. In sharing the best practices, the audit firms must ensure that they do not breach the confidentiality agreements with their clients. In addition, it should be noted that it is different being in industry or in practice and in academia. These three streams of knowledge – accounting researchers, accountants in industry and practitioners in audit and assurance – should liaise in sharing best practices in order to

construct feasible knowledge that can incorporate SRs and VARs into the conventional corporate reporting framework.

Most significantly, the VAS could become more relevant if practitioners could further flesh it out (i.e., add more non-financial parameters and disclosures to the report) without necessarily making it verbose. For example, it is not enough to simply indicate that wealth has been distributed to employees and suppliers. This assertion could be further expanded to disclose the extent to which these values have been used by the wider stakeholders to improve their livelihoods and standards of living as well as enhancements in corporate operations. For instance, as part of the wealth distributed in the VAS, let us say donations or allocations were made to the community in the form of the company's corporate social responsibility to its business environment. Here, full disclosures should be made on how the allocations were made, what the allocations were typically used for and the extent to which these usages and allocations impacted the lives of the community members. Adding on a lot more relevance in terms of quality information to the VAS will aid the users of the VAS to better appreciate the report.

Any additional information that will further inform the users of the corporate reports is a positive development worth welcoming in the accounting practice. Besides the shareholders, there are several other crucial and powerful stakeholders who use these corporate accounts or reports. Hence, if practitioners can use the existing mechanics or develop new mechanics for sustainability reporting to the extent that these will properly inform the key stakeholders, then accounting practice should pursue that trend. On the other hand, if the use of accounting mechanics will just add up to the quantity of the reports without any relevance to the stakeholders, then such a move should be abandoned and not pursued any further.

With regards to the commodification of the sustainability and value-added functions of a company, it is and can be quite difficult to quantify some of these non-financial information to fit into the overall annual reports of companies. To make SRs and VARs more useful and relevant, there will be the need to have defined measurement criteria to assess impact and quantify these non-financial dimensions to integrate into the annual reports. This should be an ongoing discussion between industry players, practitioners, academic researchers and regulators which calls to mind the need to integrate the various SR and VAR Frameworks to align with the IFRS and IAS or ISA standards that are currently in use for traditional corporate reporting.

Additionally, commodifying the SRs and VARs will help in ascertaining the level and degree of severity associated with the sustainability or value-added function. It is not enough to simply disclose these activities. Let us say that the normal purity of the recycled wastewater should be colourless and measured at a particular quantifiable metric (unit of measurement). However, if it turns out that the level of purity is synonymous to the colour of a beer without a corresponding commodification of this level of purity, it becomes difficult to benchmark the actual purity level to the expected unit of measurement to ascertain the degree of compliance to laid down metrics.

In another vein, commodification of sustainability and value-added activities of the company will help the ordinary person or layman to simply assess the actual vs. the expected to hold corporations accountable for their operations and determine any meaningful variances for informed decision-making. In addition, once the quantification and commodification metrics are available, it makes life easier for auditors and assurors to evaluate the sustainability activities of the company under consideration. This could provide a scientific basis of assessing compliance with standards and eliminate the risk of creative sustainability accounting.

Summarily, it is worth indicating that commodification of the sustainability activities is not the duty of the traditional accountant to undertake. It is the responsibility of a subject matter expert to assign KPIs, KRIs and other relevant metrics to these activities. However, the act of assigning financial or monetary units to the sustainability activities could be the prerogative of the traditional accountant. Under sustainability and value-added reporting, the non-financial KPIs and KRIs take precedence over the financial KPIs. This is because the commodification (use of the non-financial KPIs and KRIs) exposes the extent of damage to the societies or amount of positive changes effected by the company to the ecosystem and value-chain.

Chapter 8

Analysis and Findings: Corporate cum National Dimensions and Assurance of Value-Added and Sustainability Reports

8.1 Overview

Part of the researcher's aim to understand how value-added and sustainability reports could be produced to meet the varying demands of the wider stakeholders and to hold firms accountable for their actions has to do with assessing the extent to which these reports could be designed comprehensively and made available for auditing and assurance purposes. This chapter is the final instalment of the three interdependent chapters designed to address the research question on how the VAR (VAS) and SR can be deployed and assured via conventional accounting approaches to aid the wider stakeholders to make informed judgements or decisions and to ensure the organisation operates transparently and responsibly to its constituents. Thus, in this chapter, the researcher sets out the need to coopt systems of national accounting to expand the scope and coverage of sustainability and value-added reporting (Obst et al., 2016). In addition, this chapter further investigates the processes of auditing and assurance of the SRs and VARs vis-à-vis the auditing of the conventional financial statements with the aim of generating further benefits to the users of these reports (Shaoul, J., 1998; Wallage, 2000).

It is believed that the wider stakeholders will typically place much reliance on audited and assured SRs and VARs even if these reviews are of a limited nature (Andon et al., 2015). Characteristics of such reviews vary significantly based on the contents of the given sustainability and value-added activities and the expected benefits of these assurance activities to the wider stakeholders. Hence, this chapter reviews the underlying literature on social audits and recent phenomena on "silent" and "shadow" social accounting practices with the aim of achieving information usefulness to the beneficiaries of corporate reports and achieving social justice. Furthermore, this chapter reviews the existing literatures in the renowned sphere of the United Nations System of National Accounting (UN SNA) and related or alternative reporting frameworks that could be leveraged on by companies in the field of sustainability and value-added reporting. It is after these reviews have been conducted that the researcher performs a thematic analysis of the primary data

collected on the above themes to aid in resolving the research question and sub-objective mentioned above.

8.2 Review of Social Audits

Corporate reporting, as earlier examined, has practically reduced the accountancy practice to the economics of cash control and reporting. This notion is heavily driven by the understanding that the annual reports and accounts are tailored to promote the capitalist approach of satisfying the needs of the stockholders, who are primarily interested in the economic capital and positive cashflows of the entity. In sticking to this notion of reporting on the economic cashflows of the company, the social and political control over the economics of cash is either lost or tends to diminish gradually (Geddes, 1992, p.237). The call for an assurance of the firm's operations from the political and social lenses resulted in the social audit movement or project.

Social audits are usually conducted by independent Not-For-Profit organisations with the aim of inducing corporate bodies and civil authorities/governments to be responsive to the public needs (Medawar, 1976). Charles Medawar, who is credited with the social audit movement, sought to expose the secrecies and lack of accountabilities perpetrated by public and private companies by adopting a "democratic biased" external audit approach that will hold firms accountable to the system (Medawar, 1976, p. 390). The practice gained an extensive ground and reports indicated that civil societies or groups and individuals conduct these types of external audits to champion a political agenda with a focus of increasing public accountability of powerful economic and legal entities or going concerns (Gray et al., 2014, p.237). These social audits are designed to ensure that the social contracts existing between the companies and their environments are fully binding and adhered to, a principle which forms the bedrock of the Legitimacy Theory (Deegan, 2010).

Studies have indicated how pervasive the social audit practice was, penetrating even into religious operations. Religious bodies bought into the idea and resorted to responsible investment behaviours by relying on the issued social audit reports for decision-making. Church organisations wanted to ensure that the companies being invested in are responsible to the societies in which they operate (Brooks, 1980, p. 341). The churches did not want to be seen as preaching virtues but practicing vices via the pursuance of irresponsible investment practices. Recently, the worldwide Seventh-Day Adventist Church has vowed to withdraw its investments in socially irresponsible

firms, i.e., firms whose operations do not promote social welfare (Adventist World, December 2019).

Social audit reports are mostly presented in the form of narratives with sporadic graphical and statistical illustrations and photographic presentations of real-time events or cartoons (Gray et al., 2014, p. 238). The narratives are presented in the form of constructive criticisms of company specific or industry-wide practices (Medawar, 1976, p. 391; Gray et al., 2014, p. 239) without the provision of possible recommendations to fix the identified problems. What social auditors fail to do is to re-present the social audit findings in the form of an audit condition or a current lapse in operational activities of the auditee. Subsequently, the auditors do not tie-in the condition to a possible cause of the problem, which could result in dire consequences on (both the company), and the society. In the same vein, the social auditors fail to work with the client to identify a set of corrective actions for resolving the problems. An audit finding that centres and rides on criticisms without providing a solution is not an effective audit – it is a blackmail.

There is a relatively small body of literature concerned with social audits with the most prominent attributed to the Social Audit Ltd.'s publication, spearheaded by Charles Medawar (1976). A major criticism of the social audit project is the lack of stakeholder engagement with the company being audited. This has possibly led to the negative skewing of the social audit reports to the disadvantage of the auditee. One major drawback of this approach of non-engagement is the possibility that, the companies in question, will consistently reject the social audit reports in order to protect their brands and image (Medawar, 1976, p.391).

Another problem with this lack of client engagement is that facts, figures and findings by the auditor will be materially misstated and misrepresented to the wider stakeholders. The social audit findings are usually not discussed and agreed-upon between the client and the social auditor, as required by assurance best practices. Instead, they are presented as social findings to 'blackmail' the firm to undertake social interventions. This lack of agreement between the clients and social auditors over social audit findings will result in resentments from the management due to discrepancies in reported figures and facts (Gray et al., 1996). Consequently, the purpose of social audit to induce positive social interventions by the clients could be undermined since firms may not discharge their social responsibilities at all or partially discharge it grudgingly from ill-wills.

One notable criticism of the social audit report is its presentation and formatting. Social audit reports typically assume the traditional financial audit report style where the caveats “true and fair views” are adopted (Medawar, 1976, p. 391). Medawar strictly defines true and fair view in line with a supported documentary evidence backing up his audit conclusions. It seems that Medawar’s understanding of the “true and fair view” framework is questionable. What Medawar fails to identify is that a number of factors, including, but not limited to, materiality construction and sample selections, tests of controls and substantive testings to confirm management assertions, follow-up reviews, subsequent events (including social interventions) and cut-off testings, understanding of the client and its environments and management representations, feed into the detailed meaning of a “true and fair” representation (Gray et al., 2019, pp. 15-16). Thus, it sounds misleading to adopt the phrase “true and fair view” in social audits especially in situations where management does not buy-in to the audit process, does not fully participate in the audit assignment, and there are no conventional auditing standards and legislations regulating the practice of social audits. A more comprehensive social audit practice will court management buy-in to ensure information validity, verification and corroboration in order to allow stakeholders place reliance on the reports for informed decision-making.

8.3 ‘Silent’ and ‘Shadow’ Social Accounting

Another significant aspect of contemporary sustainability reporting practice is the twin concept(s) of ‘silent’ and ‘shadow’ social accounting practice(s). ‘Silent and Shadow’ social accounting, an offshoot of the attempts to improve sustainability reporting, leverages on the previous experiments of the social audit undertaken by Medawar’s Social Movement in 1976 (Dey, 2003). The mode of seeking information symmetry and possible social justice under the ‘silent and shadow’ social accounting is similar to that of the social audit project in which stakeholders, other than the company and the independent assurors, produce overt alternative accounts to counter the management assertions postulated in the published annual reports (Dey, 2007). The ‘silent’ social accounting practice tends to independently uncover the covert elements in corporate reports, such as the number of employees and directors, employee relations, safety and security of the systems, customer satisfaction levels and carbon dioxide emission levels (Dey, 2003, pp. 6 - 7). These practices are representative of the need to question the status quo with the aim of assessing

alternative, albeit potentially informal, measures of values that could be used by the wider stakeholders to make informed decisions – a principal caveat of the Social Constructionist paradigm (Burr, 2015).

Gray (1997, p. 205) admitted that 'silent' aspect of the twin concepts of social accounting concentrates on the "greater substance of social" dimension other than the economic perspectives and seeks to attain some form of "information symmetry" that are discrete in the formal financial reports. 'Silent' social accounting does not limit its scope to the annual corporate reports; instead, it gathers supplemental data from the company websites, bulletins, newspaper publication and legal proceedings to build boundaries of corporate social responsibilities expected of the firms (Dey, 2003, p.7). Likewise, the 'shadow' social accounting, builds upon the premise of the 'silent' social accounting by considering external wider sources of information and channels, such as the media and independent organisations like pressure groups, other than the internal CSRs. In addition, 'shadow' social accounting usually incorporates the varied opinions of the wider stakeholders in order to advocate positive change via information symmetry, promote social justice and advance accountability, which ties in with the central issue of 'silent' social accounting (Dey and Gibbon, 2014; Bebbington et al., 2014).

Recent work by Moerman and van der Laan (2015) suggested that an appropriate implementation of the 'silent and shadow' social accounting in the preparation and disclosure of alternative accounts grants stakeholders the privileges to voice and re-narrate their concerns using the corporate lens and in doing so, they [stakeholders] "expose the interests hitherto 'in the shadows'". Similarly, an observed positive consequence of the 'silent and shadow' accounting as observed by Dey et al (2010) is the improvement in organizational social conduct, creation of "new visibilities" in terms of corporate reporting and the "production of new knowledge" in the reformation of society and the firm itself. Collectively, these external social accounts shape responsible corporate behaviours and permit firms to operate in the best interest of the wider stakeholder groups.

Researchers have not treated the concepts of 'silent and shadow' accounting in detail due to the number of loopholes associated with the potential political approach of these external accounts. Existing published works have limited their findings to the political prospects of influencing firms to improve social behaviours and business practices (Dey and Gibbon, 2014; Bebbington et al., 2014; Dey, 2003; Dey, 2007). A select few researchers have identified a gaping deficiency of the

approach in terms of material accuracy, practicality and feasibility of implementation of the contents of ‘silent and shadow’ social accounting. For instance, ‘silent and shadow’ social accounting will achieve its intended objective of social emancipation only by being educative, feasible to implement the suggested corrective actions and promoting constructive debates (Dey et al., 2010, p. 9; Dillard et al., 2005; Thomson and Bebbington, 2005). Furthermore, Dey et al. (2010) takes issue with the contention that the practice of ‘silent and shadow’ social accounting cannot just rely on publishing political statements to effect social realities unless there is a conscious effort to engage with parallel ‘silent and shadow’ practices in other disciplines such as marketing, public relations, health and safety, economics and engineering. In effect, to promote effective sustainability reporting and meet stakeholders’ information needs, the practice needs to be multi-disciplinary due to its multi-faceted dimensions.

The ‘silent and shadow’ social accounting will be more relevant if the producers of the accounts desist from reporting for their personal interests, biases and political propaganda. A legal framework regulating the reconstruction of corporate annual reports into shadow accounts will provide a benchmark for evaluating the material accuracy, valuation, completeness and existence of the reportage. This lack was slightly touched upon by Gray in his 1997 publication, which stated that, “shadow and silent” social accounting is not geared at illustrating best practices but rather, it exemplifies what could be made of conventional CRS and accounting practices. A much more systematic and regulated approach will identify whether the preparers of these external social accounts have the requisite skills to produce the shadow accounts from an independent perspective, and whether the information used for such accounts are from credible and reliable sources. Critics from accounting practice and academic research question the ability of “silent and shadow” social accounts to identify with appropriate standards and criteria used in preparing these accounts. Gray (1997) suggested the need to amend the respective Companies Acts and Code and a revision to the accounting standards to pave a legitimate way for “silent and shadow” social accountants to streamline their activities, at least, in the interim, to provide basic credibility to the published shadow accounts.

Another weakness is that we are given no explanation on how the shadow accounts tie-in with the regular audited corporate accounts of the firm in question, especially as these shadow accounts are prepared without the express permission of the firm. The shadow accounts cannot be vouched as

representing a "true and fair" view of the auditee, either in relatively reasonable or absolute terms. The shadow accounts could be materially misstated and misrepresented to achieve an activist's potentially political ambitions to the sore detriment of the firm in question. This weakness is further aggravated in that the publications cannot be reliably "audited" to ascertain the extent of reliance that stakeholders can place on these external accounts. Virtually all authors on the subject matter have overlooked the fact that the reconstruction of "shadow and silent" social accounts comes at a cost. The question of who finances the preparation of the accounts remains open to conjecturing, i.e. whether politicians, lobbyists, activists and NGOs fund these shadow social accounts and the main motivation for funding the silent and shadow social accounts. Besides the economic cost, the cost of identifying and incorporating subject matter experts (SMEs) in the practice seems to have evaded this practice of sustainability reporting (Gray et al., 2014).

In summary, accounting and accountability are advanced concepts that extends beyond any human imagination. The practice requires consistent implementations, imaginations and negotiations in order to improve human lives via the provision of suitable accounting information for various stakeholders. For instance, CSR indicators should progress from mere policies and processes to quantitative and measurable KPIs (Ruffing, 2007). This aids in evaluating effective accountability. However, the practice should not be reduced to mere econometrics, mechanics and sequencing of numbers. The social, environmental, governance and ethical components of firm activities that impact on overall social welfare of the systems should equally be accounted for. Hence, the need for an advanced corporate reporting that is multi-disciplinary in scope. This review confirms that various attempts are tailored at ensuring a meaningful sustainability reporting and in order to meet the repertoire of stakeholder (information) needs.

A close engagement with the traditional accounting practice, given its established and regulated structures, could aid in identifying more practical ways of presenting sustainability reports meaningfully. Thus, leveraging on conventional practice, possibly via the expansion and reconstruction of the VAS to incorporate initial sustainability disclosures – voluntary or mandatory - will give credence to the information symmetry, social justice and positive change movement. However, the information provided by the accounting fraternity should be meaningful to all (key) stakeholders lest its usefulness for decision-making becomes pointless (O'Dwyer et al., 2011; O'Dwyer, 2011; Ruffing, 2007). This will then go a long way to secure or gain and maintain

legitimacy for the operating entity because the very element of the provision of relevant and reliable information to the wider stakeholders as required by the inherent social contract between the firm and the society would have been met by the companies.

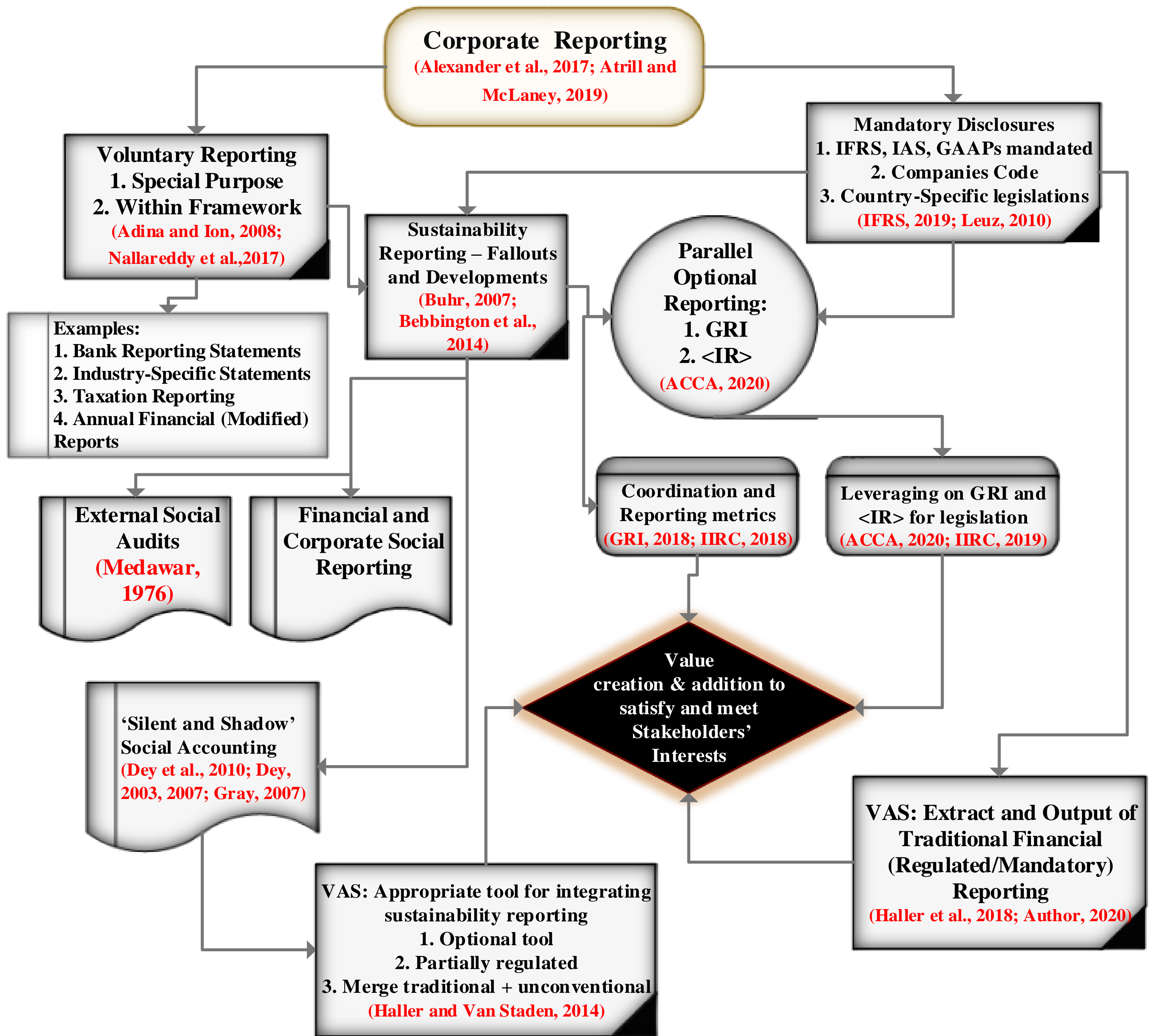


Figure 8.0: *Illustrative flowchart of the historical development, contemporization and possible regulation of sustainability reporting by leveraging on the VAS as an appropriate tool.*

8.3.1 Summary Explanation and Point of Departure and Synopsis as per figure 8.0

Technically, corporate reporting should disclose all information ranging from the social, economic, governance, ethical and environmental. However traditional corporate reporting, over the past decades, had limited its scope to meet only the financial and economic dimensions. Corporate reporting practice are guided by voluntary and mandatory disclosure. Both disclosures are designed to achieve information symmetry and provide stakeholders with essential information that are key to their interests.

Mandatory disclosures are guided by the accounting standards, legislations and codes. Parallel regulations and frameworks such as the GRI and <IR> have been coopted into these mandatory regimes by practitioners to enhance their reports. It is argued that firms could leverage on the GRI and <IR> models to improve corporate reporting as well as diffuse the perceived information asymmetry and social injustices at hand. Further arguments suggest that these mandatory disclosures could aid in resolving the obscurity surrounding traditional corporate reports. Thus, a reporting tool, the VAS, could be reconstructed from mandatory financial statements, using the above frameworks and guidelines to resolve the information gaps and meet stakeholder needs.

On the other hand, the voluntary disclosure aspects of corporate reporting have led to arguments on the information veracity and legitimacy, especially with respect to the sustainability reporting. Instances of voluntary disclosures and reporting include taxation reporting, industry-specific reporting and modified annual financial reporting. The voluntary disclosure practice has caused academics and social auditors to argue for alternative contemporary sustainability reporting such as the "silent and shadow" social accounting and social audits of firms. The intent is to empower external stakeholders to hold firms accountable to the society at large. These alternatives have been heavily criticized as being potentially political in nature without recourse to any regulatory regime and guidance. To gain traction and court wider public support, researchers have advocated for the adoption of the VAS, a variant of the traditional financial statements, to be deployed as an appropriate tool for both sustainability and integrated reporting. The VAS seems to merge both voluntary sustainability reporting practices with mandatory financial reporting. An expanded VAS which incorporates both financial and non-financial values will aid both economic and non-financial interest holders to recognize values, obtain necessary information for decision making and promote the social justice cause.

8.4 Value-Added Reporting and Alignment to National Accounting

Much of the available literature on the evaluation, recognition and appropriation of values to stakeholders is geared towards improving and sustaining the overall economic (cutting across financial, social, natural and human) well-being of these stakeholders (van Staden, 1998; Haller and van Staden, 2014; Aldama and Zicari, 2012; Meek and Gray, 1988; Stainbank, 2009). Accordingly, established relationship exists between the measurement and recognition of values at the firm and national levels. Publications that concentrate on synthesizing this interrelationship of firm and national values more frequently align it to the Gross Domestic Product (GDP) measurements in the quest of assessing overall economic welfare of the various stakeholders. This view is critically evaluated by Carl Obst (2015) in his reflection of how significant values are omitted in the overall national accounting for the welfare and well-being under the practice of using GDP as an appropriate measurement and reporting tool. Subsequently, Carl Obst proposed sustainable reporting and measurement approaches leveraging on the UN System of Environmental-Economic Accounting (SEEA) Central Framework for appropriately identifying relevant values worth considering the assessment of economic welfare.

8.4.1 GDP as a metric for value and well-being

Obst (2015, p. 317) notes that economies grow and develop via the exploration and exploitation of both the natural and social capitals for which reason the measurement of economic growth should be comprehensive enough to incorporate these varied capitals. However, measurement of economic growth and welfare have been virtually restricted within the scope of GDP. A classical and widely accepted definition of GDP, relegating the concept to purely economic value measurement, is provided by the US Bureau of Economic Analysis (BEA); GDP is considered as "*the value of the goods and services produced by the nation's economy less the value of the goods and services used up in production. GDP is also equal to the sum of personal consumption expenditures, gross private domestic investment, net exports of goods and services, and government consumption expenditures and gross investment*".

The BEA definition is consistent with Haller and Stolowy's (1998) Indirect or Subtractive Model of determining value addition in which ***Value Added = Outputs – Inputs.*** Haller and Stolowy (1998) had limited their definition of value added to the economic performance of social, economic and corporate entities in the *generation and aggregation of economic wealth*

. . . *wealth that could be easily re-distributed to all stakeholders*; *wealth that contributes to the overall national income of the economy; and wealth measurement that is consistent with the macro-economic management of the economy*. This perspective represents a capitalist framework and arguably support the Classical Political Economy Theory which is tilted towards the profit maximization notion and the recognition of value from a financial and economic dimension.

In his influential analysis on the use of GDP as a measure of economic well-being, Obst (2015) showed that GDP measurement uses the economic accounting approach, leveraging on the UN's System of National Accounts for consistency and comparability over time. However, what this measurement approach and system of accounting fails to recognize in the holistic disclosure of economic welfare is the open omission of the natural and social capitals. Aitken (2019) equally identified that the broad nominal GDP could result in distorted measures of human welfare; Thus, a probable ideal measure of both economic activity and well-being is the nominal GDP adjusted for depreciation, i.e., the Net Domestic Product. Aitken (2019) intimated that the NDP is a real measure of both economic wealth and values and serves a foundational framework for measuring, recognizing and understanding economic sustainability.

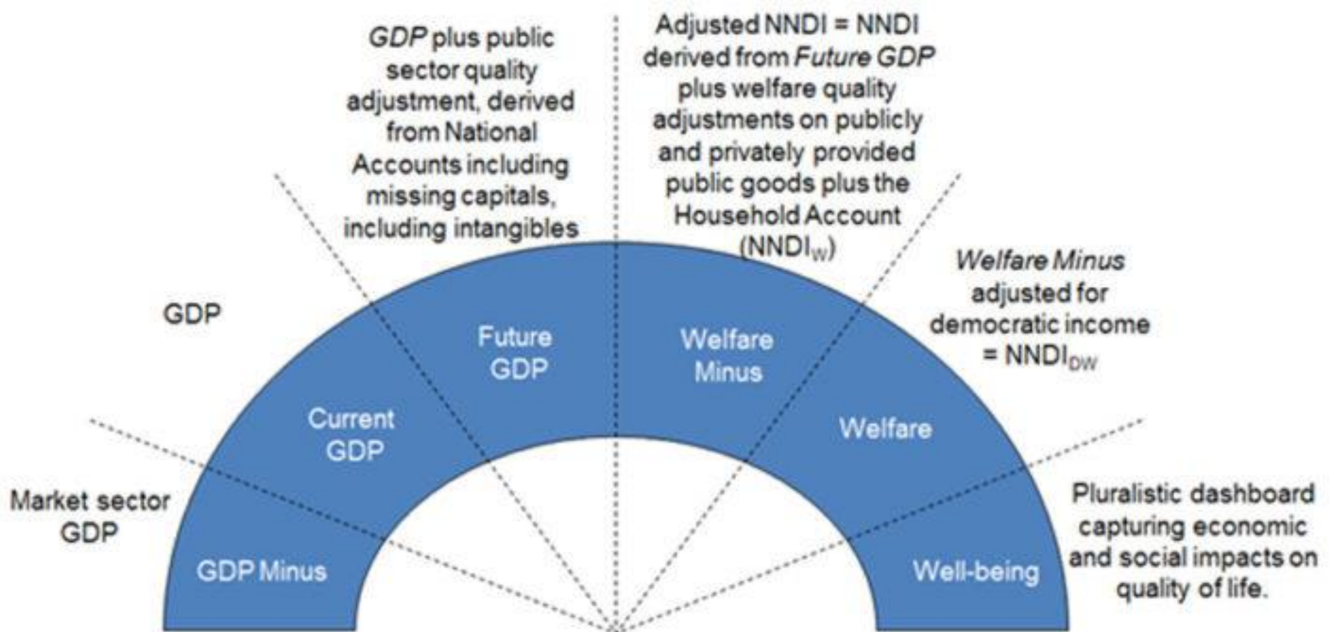
Corroboratively, the GDP economic approach to measuring welfare does not broadly assess the sustainable generation or creation of value from these natural & social capitals and the subsequent appropriation of these values to the public at large (Dynan and Sheiner, 2018). It is an open-source knowledge that GDP measurement is constructed within acceptable reporting frameworks which makes its reporting and disclosure formats quite uncontestable. However, there have been recent debates questioning why politicians, economists, media practitioners and industry experts adopt it as an overall measure of economic well-being. This has resulted in the modification of any measure of economic welfare to include additional measurement procedures of human welfare, such as the UN’s Human Development Index (HDI) and natural resources exploitation and restoration indices (Dynan and Sheiner, 2018; Obst, 2015; Aitken, 2019).

Critics of the economic-based GDP metric as a tool for measuring human welfare content that GDP identifies a particular line of value appropriated in economic terms and then drills down to identify the lines of production and supply that contributed to such economic values (Obst, 2015, p.318; Dynan and Sheiner, 2018, p.5). Although this approach appears to be a

transposition of the traditional VAS approach (*Corporate Reports, 1975;* Haller and Stolowy, 1998), the framework is fraught with econometrics at the expense of the valuable subjective factors of human well-being such as health and safety, peace and security and social acceptance.

The generalizability on the use of GDP as measure of economic welfare and well-being is problematic since both economists and other researchers have constructively and repeatedly cautioned that GDP (or its variants, GDI, GDE) are not designed to measure economic welfare (Aitken, 2019, p. R5). He further postulated that welfare measurement should extend beyond the economic reporting of values to include notions of subjective well-being and social justice. For example, the element of freedom of choice, human satisfaction and access to health and safety protocols should be included in the proper measurement and recognition of economic welfare/well-being. This stance by Aitkens is consistent with what the spectrum of theoretical options postulated by Heys et al., (2019) advocate (as seen below).

Figure 8.1: Spectrum of Economic Welfare and GDP



Source: Heys et al., (2019)

Summary Explanation and Synopsis of figure 8.1

The adjusted Net National Disposable Income (NNDI) is deemed an appropriate representation of welfare than the GDP. This is because the NNDI is the actual income and value in hand to spend and save by the citizenry. Secondly, the NNDI (per capita or per head) is net of profits and economic rents from foreign investments and it is adjusted for capital consumption costs. GDP, whether at its minus, current or future stages is a bloated figure since it includes adjustable transactions such as capital depreciation, amortizations and impairments of fixed capacity deployed in the value production processes. Depreciations do not contribute to the general well-being of residents. An ideal minimum measure of economic welfare NNDI stage, whereas an appropriate measurement of economic welfare is the stage in the spectrum where social, natural and economic elements are integrated in assessing the quality of life.

Heys et al (2019) further elaborated that future GDP level denote sustainability of the economy due to its consideration for the incorporation and adjustments of qualitative values, unaccounted capitals and intangibles in addition to public sector values (social and environmental interventions). The consolidation of the future GDP together with the adjusted NNDIs technically result in the quality of life categorized as economic welfare level, at least at a minimum. A holistic national welfare level is achieved when the migration results in well-being stage at which point all factorable elements such as social, economic and natural capitals are accounted for. This is the point Heys et al., (2019) describe as the Distribution Level. The above categorization and analysis by Heys et al., (2019) confirm earlier propositions that market sector GDP and current period GDP do not, even at a minimum, contribute to the determination of economic sustainability, national welfare and general well-being.

8.4.2 Alternative SEEA Approach for assessing value and welfare

Considering an alternative approach to recognizing economic welfare can be found in Obst's (2015) reflection on the adoption of the UN's SEEA Central Framework for extended measurement. The SEEA is internationally standardized, at least conceptually, and synchronizes with the UN's System of Accounts. The adoption of the SEEA reporting framework has received critical attention for various reasons. Principally, the valuation and measurement principles of the SEEA are carefully aligned to international reporting

frameworks which permits the accurate recognition of social and environmental values, assets and resources with reference to standard economic accounting principles and income and expenditure measures aligned to the GDP of any nation (Obst, 2015, p.327).

The SEEA approach to national accounting recognizes the non-financial values created and appropriated from other sources of value other than the economic. This perspective gives credence to the social and environmental capitals in addition to the economic capitals which is typical of the concept of sustainability. It is noteworthy that the SEEA is not a competing measure of national accounting; instead, it is meant to augment the traditional GDP national accounting framework (Obst, 2015; SEEA 2012 Central Framework, 2014).

Traditionally, developed economies such as Denmark, Canada, The Netherlands and Australia have subscribed to this format of inclusive national accounting by using the SEEA since 2012. In light of recent events to recognize economic welfare beyond the traditional GDP approach, comparative developed countries like the UK are gradually buying into the expanded SEEA approach by rolling it out in phases in addition to the traditional SNA framework of measuring GDP.

Adopting the SEEA framework to expand GDP and national accounting delves into the recognition of values inherent in Property Plants and Equipment (PPEs), natural and social capitals (Obst, 2015, pp. 327 – 328). For instance, the SEEA looks at Ecosystem Accounting which, inter alia, considers land and property accounting. A depletion of the land is considered values lost whilst a revalued and appreciated landed property is seen as an increase in value of the asset. These principles are consistent with the traditional accounting principle such as IAS 36 – Impairment of Assets (PwC, 2019). Central to this thesis is the extent of identifying similar strands of expanding the traditional VAS to identify, measure and recognize corporate values from PPEs, natural and social capitals without limiting value measurement to just the income statement transactions. Such scope limitations will constrict the definition of both corporate and national values and welfare. It is critical to identify that values which constructively result in the concrete recognition of individual, corporate and economic welfare and well-beings are derived from the entire financial statements (i.e., profit and loss, balance sheet, cashflows and statement of changes in equity). Hence, values derived from additional sources other than the economic transactions, e.g., values from the natural, social and human capitals and non-current assets are to be recognized in realizing a holistic welfare and well-being.

Another significant aspect of the SEEA approach is that it follows traditional accrual accounting principles and further extends to the rather useful-yet-unconventional accounting for the environment (SEEA 2012 Central Framework, 2014). In this regard, SEEA examines the physical accounting flows for water, energy, greenhouse gas (GHG) emissions, climate change and waste using standardized measuring units such as metric tonnes, cubic metres, kiloton (kt) and kilo joules (kj). Obst is critical in detecting how the SEEA Central Framework assesses the input flows (value generation) of these natural, human and social phenomena and how their corresponding outputs (value appropriation classified under the SEEA as residual identities of the capitals) lead to overall improvements of the economy (Obst, 2015, p.324).

Most compelling about the SEEA approach is the fact that these qualitative physical flows are directly related and traceable/reconcilable to the monetary equivalents in the GDP measurement accounts. A reasonable approach will be to replicate this reconciliation activity in traditional corporate reporting. This could be possibly achieved by incorporating non-financial corporate activities (that could be quantitatively traced to the financial statements) in the corporate reports/accounts. It is believed that the direct attribution of qualitative accounts to the econometrics will satisfy varied stakeholder information needs and lead to meaningful corporate and national accounting. This is because the aggregation of firm values will culminate into the overall national accounts and GDP measurements, both in monetary and qualitative terms and physical flows, thereby justifying an appropriate estimation of economic welfare and well-being.

A couple of theoretical and empirical limitations have been associated with the adoption of the United Nations SEEA Central Framework (and its related Experimental Ecosystem Accounting Framework). Evidently, selection bias in the nomination of subject-matter experts seems to be the dominant flaw identified. Academics and researchers who are deemed to undertake reflective thinking and conceptual reasoning (McNiff and Whitehead, 2002) are overtly omitted from consultative stakeholders involved in the drafting and implementation of the frameworks. It is probably this risk of open neglect of the academia that has resulted in little and significantly few academic literatures on alternative national accounting practices (Obst, 2015, pp. 321 – 322). There is the need for an intensive engagement between practice and academia to effect a holistic value reporting and national accounting system if economies are to reliably and accurately measure economic well-beings.

Another major drawback of the SEEA Central Framework and System of National Accounts is the lateral and significant focus on the natural and environmental values at the expense of social and human capital. This makes the concept of sustainability incomplete under the SEEA and SNA framework. For sustainability to faithfully represent its underlying tenets, entities must achieve a reasonable balance among the economic, environmental or natural or human, and social capitals or resources (Mebratu, 1998). Initial observations form available literature suggest that this gap is gradually being bridged through the wealth accounting module and the consolidation of the multiple capitals and values which tends to fairly incorporate human and social indices in the SEEA Central Accounting Framework. (Obst, 2015, pp. 330 – 331; SEEA 2012 Central Framework, 2014; SEEA 2012 Ecosystem Accounting Framework, 2014; IIRC, 2013; ACCA, 2020).

An open criticism is the replication and applicability of the SEEA framework at either the household or corporate level due to its tailoring to meet national accounting needs. In addition, critics question the reality of valuing the natural capitals due to the absence of valuation models or market prices for these natural resources or values. In valuing natural capitals, entities are commodifying nature which is unrealistic. No valuation model or expert can accurately and reliably place quantitative values on natural capitals like human life (Obst, 2015, p. 331; Coulson, 2016). Certainly, these alternative means of unearthing items of value to the wider stakeholders (which include the community or society in which the firm operates) secures a formidable legitimate right for the company to operate since the firm will be able to meet the changing demands of the wider stakeholder groups (Deegan, 2010; Donovan, 2002).

8.5 Gap in Literature and Research Question/Objective

It is still not known whether the audit and assurance of sustainability and value-added functions could be conducted using the conventional reasonable assurance approach. Currently, all attestations and reviews of SRs and VARs undergo and undertake a limited assurance engagement in which the reviewers or assurors do not explicitly express an opinion on the true and fair representations of the reports vis-à-vis the actual sustainability activities being assured. However, the mechanisms of auditing and assurance of the SRs and VARs could be adjusted to align with conventional accounting practices such that the outputs of these engagements will lead to boosting the confidence of the users of these SRs and VARs. Additionally, an assured

SR and VAR in line with generally acceptable norms and principles will improve the information integrity of the SRs and VARs, reduce the expectation gaps currently circulating among the wider stakeholder groups as well as enhance the accountability prospects of the reporting entity.

Another identified gap has to do with the uncertainty surrounding the use of macro-economic reporting frameworks for SRs and VARs. Little is known about the extent to which the United Nations SNA and SEEA and other globally recognized sustainability reporting frameworks could be applied to companies on a case-by-case basis. Thus, this chapter of the thesis examines whether it is possible to ride or leverage on these macro-level reporting frameworks for micro-level (firm-level) sustainability and value-added reporting practices in an emerging economy like South Africa.

In the subsequent case analysis and discussions section below, the researcher addresses the above research gap in light of the research objective on the need to expand the scope of the VARs and SRs through the use of national income or accounting frameworks as well as adapting best practice auditing and assurance approaches to verify the claims and assertions in such reports. Once again, the case context for this chapter is referenced in section 6.6 under Chapter 6 above for reference.

8.6 Case Analysis and Discussions

Under this section of this chapter, the researcher conducts a thematic analysis of three sub-themes in the quest of addressing the research gaps and objectives identified above. These three case findings and analyses cover the following areas: audit and assurance of the sustainability and value-added reports given the positive outputs of a reasonable assurance of conventional financial statements; macro-level national and firm-level corporate accounting of sustainability and value-added functions; and assessments of the historical developments of the sustainability and value-added functions and reporting in an emerging economy such as South Africa.

The researcher has practiced over the past decades as an internal and external auditor and corporate financial analyst for a Big Four Audit Firm and International Governmental Organisations like the World Vision International and USAID. In his practice, he has realized that the audit and assurance of conventional financial statements normally follow well-laid

down procedures and audit methodologies which provides a reasonable basis for vouching, verifying and validating management assertions on corporate transactions. On the other hand, such assurance engagements tend to be quite mechanical with no room for reviewing the non-financial statements of the corporations. Thus, the researcher believes that the positive mechanical approaches in the audits of conventional financial statements could be applied in the field of SR and VAR audits whilst expanding the scope of such engagements to incorporate the audit and assurance of the non-financial statements of the reporting entity.

The second and third parts of the analyses under section 8.6 addresses the means by which the non-financial components of the SRs and VARs could be made effective through the use the UN SNA and SEEA (and other alternative globally acceptable) reporting frameworks, and how these VARs and SRs have evolved or developed over time within the corporate sectors.

8.6.1 Audit and Assurance of Conventional Accounts, SRs and VARs

A common ground upon which an efficient and effective audit and assurance of the VARs and SRs could be accomplished is through the collaborative efforts of conventional accountants and subject-matter experts (SMEs) involved in sustainability and value-added projects. Industry experts advocated that a multi-disciplinary approach will be the best approach to adequately verify the claims reported by corporations in their SRs and VARs. This is because the audit and assurance of sustainability and value-added functions are emerging functions which require the establishment of generally agreed-upon evaluation criteria to achieve value for money objectives. Comparative to the conventional accounting practice in which standards for reporting and auditing of the financial transactions undergo intensive and time-consuming collaborative and consultative processes involving subject matter experts (Aerts and Walton, 2017), all 17 practitioners who were interviewed argued that the audit and assurance of VARs and SRs could equally undertake such rigorous consultative processes to achieve value for the users of such reports.

The audit and assurance of SRs and VARs is an emerging issue and practitioners require a multi-disciplinary approach to ensure that these reports are evaluated against defined criteria or standards and the final outputs (the reports) presented in a prescribed format that will meet the wider stakeholders' information needs. There is the risk of relegating the SRs and VARs in the hands of traditional accountants in that the auditing and reporting of SRs and VARs may

be tilted towards the conventional accounting practices, hence the need to extensively engage with subject matter experts whose line of business involves sustainability and value-added programmes (IIE-1.1, Financial Controller, (Accountant), 2022).

Inasmuch as the concept of SR has evolved over the past decades (driven by pressures from civil society organisations and other pressure groups), its corresponding audit and assurance practices have also undergone (and still undergoing) continuous improvements to ensure appropriate value-addition to all stakeholders. Currently, some organisations have integrated these SRs into the traditional financial statements which require companies to hire independent auditors and assurors who can verify these non-financial information in line or in compliance with applicable SR standards. For example, the current GRI guidelines criteria on the economic measurements could typically be deployed to verify the VAS assertions prepared by companies. On the other hand, the other two elements of the GRI Reporting Framework focuses on the Environment and Society will need expert assurors, other than financial accountants, who are imbued with the technical eyes to provide the highest level of assurance to users of these non-financial information (IGS-3.1, Financial Analyst and Local Solutions Expert, (Accountant), 2022).

Unlike the conventional accounting practices in which standards employed in the measurement, recognition, reporting and disclosures of the financial reports are the same ones used in the audit and assurance of these financial statements, it is also expected that the associated GRI Guidelines, <IR> principles and other sustainability standards used in the preparation of these reports should be employed in their audit and assurances. If such measures are used in the audits and assurances of SRs and VARs, assurors and practitioners are of the opinion that it will increase the information usefulness and integrity of the reports and disclosures. Simply put, the interviewees indicated that, as in the case of the audit and assurance of traditional financial statements, the audit and assurance of non-financial information embedded in the SRs should be directed at enhancing the integrity of these corporate reports. However, unlike the audit and assurance of traditional financial statements, the verification of SRs should include stakeholder engagements to ascertain the integrity and existence of the reported sustainability activities of the company. In addition, there should be professional certification of the management assertions in the SRs in which management claims are measured against certification criteria agreed in the assurance engagements. It is worth highlighting that the traditional Chartered Accountant cannot reliably measure and report on

developments like carbon emissions, safe mining procedures, health safety measures and climate changes (IGS-4.1, Senior Financial Analyst and Local Solutions Experts, (Accountant), 2022). Thus, the need for an intensive collaboration with experts from various disciplines involved in sustainable development and value-added reporting is key to enhancing the information usefulness and data integrity reported to the wider stakeholders.

Interviewees consented that the standards used for preparations and reviews of VARs (and SRs) are governed by the IASB, SASB, IFRS Foundation and their counterparts like IIRC and GRI. It appears there are adequate standards on how to prepare the VARs and SRs; however, the next steps will be to develop auditing standards on how to verify compliance with sustainability and value-added standards. Once these steps have been finalized and implemented, corporations and practitioners can then properly produce valuable reports that meet the reporting expectations of stakeholders (BAF-1.1, Audit Partner, (Accountant), 2022).

All or a 100% of the interviewees were highly concerned about the approach and outputs of the audit and assurance of SRs and VARs. Practitioners and industry experts collectively confirmed that the reviews of SRs and VARs do not require the expression of a true and fair view opinion (reasonable assurance) over the reports. Instead, these are limited reviews or agreed-upon procedures conducted in a short space of time (comparative to the financial statement audits) to assess the impacts of the sustainability activities and to enhance the information usefulness or integrity of the sustainability and value-added activities of the reporting entity. Subsequently, there are both financial and non-financial positive consequences from the audit and assurance (or reviews) of the SRs and VARs in terms of stakeholder confidence in the sustainability (and overall) operations of the company, stakeholder buy-in and reputation or brand image of the company. Unlike the audit and assurance of financial statements, practitioners indicated that the limited reviews of SRs and VARs are conducted by cross-checking the actual reported Sustainability and Value-Added KPIs against industry and agreed-upon benchmarks expected to be used in the preparation of these reports.

It may definitely not be a report asking us to report on the "true and fair view" of the sustainability and value-added activities of the company. The reports will be to serve the interests of the stakeholders and we will need to avoid any risk of repetitions that could reduce the value in the VARs and SRs (BAF-1.1, Audit Partner, (Accountant), 2022).

There is a benefit of the audit and assurance of SRs and VARs to the users of these reports. For example, if a stakeholder is aware that companies should not emit carbon monoxide beyond a threshold of 2.0 but the audited accounts confirm that the company in question is emitting carbon monoxide beyond 2.5, it gives the stakeholder a clear-cut indication that the company is not compliant to the set sustainability benchmarks or standards. This will also inform responsible investments and financiers to divert or direct their funds into environmentally compliant companies.

One interviewee had worked with a team of sustainability assurors in South Africa [during the audit of (Name of Listed Company)]. Primarily, the audit of sustainability activities, according to the interviewee, deals with checking evidence of compliance with key metrics or performance indicators. Usually, the audit and assurance of sustainability activities are done in shorter space of time and entail limited assurance (whereas the financial statement audits are more of reasonable assurances). Normally, a threshold template is used by the SR assurors to check, monitor and benchmark the performance of these companies against (BAF1-3, Associate Audit Director, (Accountant), 2022).

The audit of SRs should not be focused on the expenditures spent in undertaking the venture. The audit should be centred on the values created for the beneficiaries. For example, if the company spent $1m in reducing CO2 emissions by 20% over 12months, the audit should validate the details of the 20% CO2 emissions which have been reduced and verify the extent to which this reduction had positively benefited the stakeholders. Simply vouching the $1m expenses is not sustainability assurance; the focus of sustainability assurance should be more of impact evaluation and assessments (BAF-1.2, Audit Partner, (Accountant), 2022).

Summarily, audit and assurance of SRs and VARs require the same but a more diverse technical competencies in the effective discharge of these unique engagements. Similar to the audit and assurance of financial statements, the reviews and evaluations of SRs and VARs require the use of agreed-upon standards and principles against which the actual reported metrics (KPIs and KRIs) could be benchmarked. Unlike financial statement audits, the audit and assurance of SRs and VARs are tilted towards the impact assessments of the sustainability and value-adding projects of the company other than the vouching of the financial transactions incurred by the reporting company in discharging these sustainability and value-added projects. Most importantly, SR and VAR audits are usually in the form of limited assurances in which no

express opinions are provided by the assurors to the company or any other users of these reports.

8.6.2 National and Corporate Accounting of VARs and SRs

To a larger extent, firms could leverage on the internationally recognized frameworks such as the United Nations SNA, SEEA and related national accounting frameworks to recognize, measure and report values created and distributed at both the micro and macro levels. The interviewees (both practitioners and industry experts) noted that it may be difficult to assign values to these natural phenomena or capitals (elements of sustainability and value-added reports). However, if there are available scientific methods to quantify and value these natural capitals, then the valuation process will become far more effective and valuable. As generally noted, the VAS structure discloses wealth (total income) created and distributed; meanwhile, there are some values (wealth or income items and natural capitals) which have associated impacts on the firm and stakeholders alike. Hence, should accountants and sustainability practitioners adopt and adapt to reporting frameworks like the UNSNA and SEEA, the focus should be more on undertaking impact analysis and disclosing these as additional benefits or values to stakeholders (IIE-5.1, Internal Auditor, (Accountant), 2022).

A common notion expressed by the respondents is the potentially futile efforts to leverage on national and international reporting frameworks with the aim of assigning quantitative or financial values to the impacts generated from the sustainability and value-added projects. For example, a respondent whose line of business has spanned traditional audit and assurance, management accounting, account management and sustainability reporting indicated that any attempt to leverage on reporting frameworks like the UNSNA and SEEA with the aim of commodifying value-added or sustainability activities will lead to issues of comparability and consistency over time. The subject matters or inputs used in SRs and VARs are usually qualitative in nature and any standards used in VARs and SRs should be geared at evaluating, presenting and reporting on qualitative metrics other than assigning approximate quantitative values to these qualitative measures (IIE-4.1, Assistant Vice President – Account Management, (Accountant), 2022).

Comparative thoughts from some of the interviewees suggested that there may be the need to update existing reporting frameworks to correspond with the UN SNA and SEEA in order to

gain traction and global acceptance and application. In terms of precision in quantitative measurement, sustainability experts recommended the need to either use the above-mentioned frameworks or the Natural Capital Accounting Toolkits to recognize the cost of value-added, environmental and sustainability projects of a company. Impact assessments not necessarily be quantified using the above standard reporting frameworks or toolkits (IGS-2.1, Sustainability and Natural Resource Expert, (Non-Accountant), 2022). In the meantime, the respondents indicated that proxies could be used in place of the supposed accurate and complete commodification of the value-added and sustainability activities of a company (BAF-2.1, Senior Manager, (Accountant), 2022; BAF-3.1, Associate Audit Director, (Accountant), 2022). However, when assigning such proxies, the respondents cautioned that disclaimers should be issued to avert the risk of any auditor liabilities on the part of the assurors or legal suits that could be levelled against the reporting entity by stakeholders who place reliance on such VARs and SRs.

Incorporating the principles of the UNSNA and SEEA will require the need to use pseudonyms to commodify the natural and social capitals into corporate and national value accounting. Other than this, we may need to tweak existing framework to align with the UNSNA and SEEA in order to give it an embodiment for practice (IIE-3.1, Vice President – Internal Audit, (Accountant), 2022).

There were arguments that typically approved the need to leverage on such internationally recognized frameworks such as the UN SNA and SEEA on the basis that these frameworks play a crucial role in standardizing the analyses of cost of environmental degradation, biodiversity offsets and help to streamline methodologies of sustainability and value-added reporting. Similar to the World Bank Environmental and Social Framework (ESF) and IFC's Sustainability Framework, sustainability experts argued that the UN SNA and SEEA articulates both the National and Corporation's strategic commitment to sustainable development, social and environmental standards; thus, organisations can leverage on these system of standardized framework that looks into Natural Accounting, Ecosystem Accounting and other related sustainability and value-added reporting (IGS-1.1, Sustainability Expert, (Non-Accountant), 2022).

What the UN SNA is advocating ties into the concept of sustainability and value-addition in that both the national government(s) and private participants are encouraged to contribute towards national capital and national income accounting. Most organisations have vested interests in the government of the economy and the central government plays a key role in

protecting these companies in order to avoid any possible instances of liquidation. The central government's call for the recognition (taking stock) of these natural capitals or assets is geared at ensuring that companies safeguard the interests of posterity whilst sustaining their current going concern status. This advocacy by the UN SNA is at the macro level and considers the spate at which the natural assets are depleting due to the operations of corporate entities and the impact of firm operations on future generations. Nonetheless, the assessments being advocated by the UN SNA may be quite difficult to apply at the firm (micro) level due to the broader scope of the national accounting principles in either the UN SNA or SEEA framework literatures. For example, a nation may consider an audit of its forest reserves and the rate at which these forest reserves are depleting with its accompanying effects on carbon emissions and adverse impacts of these developments on the environment.

The above macro-level developments could be correlated using the UN SNA or SEEA frameworks in order to clearly recognize any resulting impacts. This will then aid the country to assess how much carbon emissions they are producing and provide a platform to develop corrective measures to forestall these negative impacts on the economy at large (IGS-3.1, Financial Analyst and Local Solutions Expert, (Accountant), 2022). These macro-level SR frameworks help organisations and especially national governments to assess their natural capital assets and the impact these assets have on the nation and how to remediate any negative consequences.

Some interviewees questioned the need to probe into whether the UN SNA, SEEA and other natural capital accounting protocols have worked out successfully and contributed significantly to the value-addition process. If these have been successful in the past in terms of implementation, then it provides the leeway and foundation upon which practitioners could adopt some (if not all) of its tenets in preparing value-added and sustainability reports. On the other hand, if the UN SNA, SEEA and other natural capital accounting protocols are merely advocacy tools for future implementation, then there could be the potential for mistakes and challenges in adopting and implementing these tools for SR and VAR. Clearly, if UN has a system of sustainability reporting framework with evidence of workings and templates to be adopted, then there are enough grounds to leverage on their systems (as a starting point) to enhance and improve SRs and VARs in an emerging economy like South Africa. However, if there are no standard working papers and templates from the UN (or any other regulatory body)

to mimic, then practitioners and sustainability reporting specialists may want to tread cautiously when adopting such frameworks:

We need to make provisions for challenges in implementations of such grand reporting frameworks with the aim of deploying these tenets in a gradual or piece-meal basis. We need to be practical about the UN SNA and SEEA frameworks – what is the point if you expect me to be compliant when the dictates of the compliance documentations do not provide me with the avenue to measure, recognize, disclose and report the elements for which I need to be compliant? If I cannot measure sustainability activities ABC yet I am required by (a supposed UN System of National Accounting or SEEA Framework) sustainability standard XYZ to comply with specified metrics, how do you expect me to achieve this especially when I do not have anything to leverage on? This will obviously not add any value to my corporate activities and reports and I may be compelled to seek alternative feasible forms of reporting to achieve similar objectives (BAF-1.3, Associate Director of Audit, (Accountant), 2022).

Summarily, firms could clearly account for SRs and VARs on either a national scale or at firm level provided specific data could be made available within a proven and globally recognized reporting framework. In some jurisdictions, it is quite difficult to obtain these datasets neither are there clearly laid paths for leveraging on such globally accepted reporting frameworks. Inasmuch as it is important to embed all relevant natural, social and economic variables in the SRs and VARs, it is important to ensure that practitioners and sustainability reporting experts can get these datasets available. Obviously, the Western advanced countries have the logistics, staff, data and technical know-how to incorporate these natural and social capitals into their national accounts by leveraging on an existing framework such as the UN SNA and SEEA. In contrast, in emerging countries like South Africa and Ghana, it will be an arduous task to adopt and adapt the UN SNA and SEEA as a framework for either a firm-level or national-level accounting. The ideal approach, as earlier stated, will be to have some basic national accounting reporting framework and then build upon this structure as practitioners advance along the lines of SRs and VARs.

8.6.3 Historical Developments of SRs and VARs

In light of the variations in the SRs and VARs published across developing economies, the respondents sought to establish that these variations could be attributed to the level of compliance and advancements in these jurisdictions. Over the past decades, the advanced economies had been on a progressive learning curve regarding sustainability and value-added reporting. Today, they have progressed beyond the mere representation and reporting of

sustainability or value-added activities via the use of the VAS. It could be argued that they are now focused on more premium reporting regimes regarding sustainability and value-added activities; hence, the perceived slowing down or abandonment of the conventional VAS by the advanced economies (IIE-1.1, Financial Controller, (Accountant), 2022; BAF-1.2, Audit Partner, (Accountant), 2022). It is important to bear in mind when interpreting the above finding that it may be possible the changing historical developments of SRs and VARs could fundamentally boil down to the level of maturity of the society or economy in question. Each society or country determines what is relevant to them at the various stages of its developments.

The Western world have advanced in this area of VARs and it could be deduced that countries like South Africa are aligning their SR and VAR functions to that of the advanced western worlds like UK and USA. It is possible that the advanced economies may be "cooling or stepping down" and not totally abandoning the VAS system of reporting because they are waiting for more advanced and broader guidelines which will call for extensive sustainability and value-added reporting systems; thus, the advanced world may be potentially contemplating over the need to report on limited basis via the use of the VAS when legislations may soon require them to expand their VAR and SR frameworks (BAF-1.1, Audit Partner, (Accountant), 2022.

The current standards for SRs, ESGs and VARs are reflective of the mechanical accounting standards which clearly specifies how to recognize, measure, disclose and report sustainability activities. In the coming months or years, there will be additional standards that will mirror these existing standards by providing additional tenets and principles on how to assure or audit sustainability and value-added activities, just like the ISAs mirror the IASs and IFRSs.

Personally, I think the advanced economies have advanced beyond the basic or rudimentary stage of VAS reporting into a more progressive ESG level reporting. On the other hand, the developing or emerging economies are now buying into the VAS concept because they are now seeing the relevance of some of these VARs. In addition, emerging economies are now appreciating the effects of corporate activities and critically reviewing the operations of these corporate organisations. This is the reason why an emerging economy like South Africa is now adopting the VAS due to their awareness of firm activities, values created by these firms and appropriated (BAF-1.5, Senior Manager, (Accountant), 2022).

Similar to the above argument, the interviewees indicated that the westerners have strong institutions and systems that ensure compliance with sustainability and value-added activities. Companies who deviate in their sustainability mandates will be penalized accordingly. Consequently, if company ABC Ltd does not invest resources in the preparation and

presentation of its VAS and yet does not incur the wrath of the regulatory regimes or bodies, then it means that the VAS is not an essential document to such an economy at large.

Although the economic directions of a country could take various forms, interviewees confirmed that a country that is heavily tilted towards manufacturing and production could adopt more stringent and traditional sustainability and value-added reporting practices. Arguably, emerging economies like South Africa are more manufacturing and production centred. Investors are now looking at setting up manufacturing and production outlets in emerging economies in order to utilize the potentially available natural resources in such territories. By implication, it means that shareholders are now responsibly investing in environmentally friendly companies and weighing the impact of their shareholdings on the communities in which the company operates. For this reason, the people living in these areas could physically feel the impacts from the productions and manufacturing processes in the emerging economies. Accordingly, such emerging economies will be propelled to adopt value-added and sustainability reporting metrics to ensure that their production and manufacturing activities do not have adverse effects on the people. On the contrary, an advanced country like the UK which is service-oriented may be compelled to abandon a VAR like the VAS since it adds little or no value to their operations and to stakeholders of these companies located in the UK (BAF-1.4, Associate Director of Audit, (Accountant), 2022).

Consistent with the above results, most of the advanced countries are less endowed with natural resources whereas a continent like Africa has innumerable natural reserves that could be exploited through the manufacturing and production processes. Since production and manufacturing could harm the environment, companies in the emerging economies and on the African continent will take active steps to sustain these natural reserves. The adoption and use of a VAR system like the VAS could serve as a starting point. Conversely, the advanced worlds may be compelled to adopt alternative reporting metrics other than a VAS to narrate their sustainability functions to their stakeholders especially when the VAS might not necessarily serve a valid purpose for their service-oriented sustainability functions (IIE-6.1, Head of Investigations and Quality Assurance, (Accountant), 2022).

In accordance with the present results, about 95% of the respondents unanimously asserted that consumers are becoming much more selective and enlightened, their needs are becoming unpredictable and their expectations are extending beyond the mere acquisition of goods and services. Consumers are interested in the company’s carbon footprints and responsibilities

towards the economy and which equips them with the assertiveness to assess whether product supplied to customers will continue to be produced and supplied to consumers into the unforeseeable future period. They are concerned about extinction of the forest reserves, destruction of water bodies, harm to aquatic life and specific species of breeds of animal life, etc. arising from the production and manufacturing activities of companies (IGS-2.1, Natural Resource and Sustainability Specialist, (Non-Accountant), 2022; IGS-1.1, Sustainability Expert, (Non-Accountant), 2022). For example, it has been noted that blue-fin fishes are becoming extinct in the water bodies. Thus, regulatory and ecological bodies in the advanced countries are instituting restrictions on the fishing activities in some territorial waters and seasons of the year.

The above restrictions are imposed to ensure that these unique aquatic species do not get depleted from the water bodies. As such, firms, whether located in the advanced worlds or emerging economies, could risk going out of business if they do not pay attention to the natural environments and habitats. This is because consumers will not only be interested in the taste and content of the products but also in the detailed packaging and descriptions, labels and analysis of what goes into the content being produced and sold by these companies. Since corporate reporting is typically geared at meeting the going concern prospects of the company, the firms will most likely adjust their reporting requirements to meet the SR and VAR needs of their customers. This may result in a comprehensive reporting approach which could mandate the preparation and presentation of a modified VAR (VAS) to meet the sustainability requirements of their clienteles (BAF-1.1, Audit Partner, (Accountant); 2022; BAF-2.1, Senior Manager, (Accountant), 2022).

To corroborate the above results, a legitimacy strategy used by the wider stakeholders is premised on the fact that beneficiaries of corporate activities are merely interested in the usual peripherals of corporate reports such as the stock prices, dividends paid, profitability ratios and assets of the company. On the contrary, the wider stakeholder groups are more informed and interested in the impact of the business on societies. Companies are endowed with the legitimacy to operate in the society and they are typically “threatened” and held more accountable for their adverse actions on the societies. For this reason, companies (both in emerging and advanced territories) are adopting more advanced reporting guidelines to ensure that they meet the green-accounting standards of sustainability reporting.

We are in a global village and the influx of information has led to stakeholders being more interested in intrinsic values inherent in published reports. If information published in the past added no values to the lives of these stakeholders, they will most likely abandon these sources of SRs or VARs and resort to alternative sources of information (BAF-1.6, Senior Audit Associate and Sustainability Advisor, (Accountant), 2022).

The focus of the recent COP26 which was held in 2021 has intensified due to the threats emanating from climate changes. Today, a good number of companies are industrialized and emerging companies are becoming awake to the threat posed to our environments. Post-covid will bring about various measures to safeguard the environment and it could probably compel both the western worlds and emerging economies to re-adopt a refined or modified VAR (VAS) to meet their environmental accounting needs.

In tracing the extent to which some countries adopt stringent SR and VAR disclosures as compared to others, the levels of regulatory and legislative regimes play significant roles in such functions. Most entities are currently incorporating SRs and VARs in their annual reports due to the developing and increasing legislations by countries regarding sustainability and value-added reporting. Almost all countries in the world have signed up onto the United Nations Sustainable Development Goals (UN SDGs) which requires enforcement of compliance to the SDGs by companies at the country level. The recent 26th Conference of the Parties (COP26) which was attended by the countries that have subscribed to the UN Framework Convention on Climate Change (UNFCCC) in Glasgow, (Scotland) - UK in 2021 emphasized the need for firms and nations to ensure some level of stringent compliance to the SRs and VARs.

In line with the researcher's expectations, this study found that audit and assurance of the value-added and sustainability reports could play a significant role in the attention placed on VARs and SRs. Since ESG assurances are big areas with more stringent regulatory compliances and requirements, companies will have no choice than to adhere and comply with the criteria set by the national and regulatory bodies. For this reason, it is probable that the Western and Advanced Countries (and their companies) are setting up their internal processes, procedures and machinery to aid in meeting these imminent regulatory criteria. Conversely, the lack of audit and assurance and full disclosures on SRs and VARs could potentially lead to companies not placing credence on the preparation and presentation of these reports. If investors will only consider and place reliance on such (audited) SRs and VARs prior to financing projects, companies will be compelled to place premiums on the comprehensive engagement in and

reporting of their sustainability and value-added activities. Further to the above, the existence of a regulatory framework governing the preparation and presentations of the SRs and VARs, accompanied with stringent enforcements of these regulations by a national supervisory body such as the EPA, is key to ensuring that companies in either advanced or emerging economies use the latest reporting guidelines for their SRs and VARs (BAF-1.1, Audit Partner, (Accountant), 2022; IIE-1.1, Financial Controller, (Accountant), 2022).

The results of this section show that the level of SRs and VARs will undoubtedly vary from the advanced nations to the emerging economies. The advanced nations may have progressed beyond the mere traditional reporting of value-added and distributed through the value-added statements. They are adopting more complicated and contemporaneous reporting practices to disclose their value-added and sustainability activities. Thus, emerging economy like South Africa may have realized the need to "catch-up" with the advanced trends of the western world which may have necessitated the use of the traditional VAS and other ESG or CSR reporting frameworks to woo investors and satisfy the information needs of the wider stakeholder groups. The most obvious finding is that the world is currently awakened to the ravages of corporate activities which has mandated all companies to operate responsibly in order to safeguard the world from environmental degradation and societal deprivations. Thus, regardless of whether a company operates in South Africa or advanced western world, it behoves on the said company to comply with the fundamentals of sustainable development practices in order to survive as a going concern.

8.7 Findings and Implications

The research objective for this chapter is in two folds – to assess how national accounting reporting frameworks can be used to expand the scope of SRs and VARs and make a case for the audit and assurance of these reports in order to provide a locus for verification of sustainability and accountability of the reporting entities. These two branches of the research objective treated in this chapter are aimed at ensuring that the wider stakeholder groups could benefit from a wealth and expanded pool or market of sustainability and value-added reports, i.e., expanding the range of information usefulness to the beneficiaries and to enhance the integrity, relevance and faithful representativeness of the reported information.

The researcher's approach to achieving the above two-prong sub-themes of the research objective was to consider how the audit and assurance of VARs and SRs could be conducted and by which experts should be coopted into the assurance engagement to achieve value for the wider stakeholders. Additionally, the researcher gathered opinions and expert ideas from practitioners and industry experts on the need to incorporate national accounting reporting frameworks such as the UN SEEA and SNA in the SR and VAR projects. Furthermore, given the rapidly evolving nature of the SR and VAR practices, the researcher gathered additional information from the interviewees on the historical developments of the SR and VAR within corporations in the South African and/or emerging economies context. The fall outs of these assessments have been detailed out above as per sections 8.6.1, 8.6.2 and 8.6.3. In the following paragraphs, the summary implications and findings have been provided by the researcher to inform the conclusions and recommendations in section 8.8 below.

The same technical lens used in auditing the traditional financial statements need to be deployed in auditing the related financial data associated with SRs and VARs. In the case of a typical VAS, these may need to be audited in line with the ISAs and any applicable regulatory or statutory framework governing sustainability and value-added functions. In addition, depending on the country in which the company is domiciled, SRs and VARs will likely be audited or assured in line with country-specific statutory regulations or standards. The tax authorities may be mandated to audit these SRs and VARs with the aim of ensuring that these sustainability and value-added activities were really tailored for a good cause and not otherwise. For example, if the country's marginal tax rate is 25% and the company reports a £100m expenditure on sustainability functions, the tax auditor will likely verify that these activities are allowable within the framework of the country's ESG mandates. Once these transactions and activities are verified, the tax auditor will then allow £25m as credits or reliefs to reduce the overall tax burden of the company. On the other hand, any purported sustainability or value-added functions that cannot be verified will possibly be disallowed for tax purposes.

Just as the ISAs (International Standards on Auditing) are adopted for the audit and assurance of the conventional accounting practice, there are also the ISAEs (International Standards on Assurance Engagements) that have defined subjects (say agricultural and mining activities) for which the assuror could verify. The ISAEs then stipulate clear-cut procedures for auditing these qualitative dimensions of the corporations. Thus, the audit and assurance of sustainability and value-added functions will typically follow laid down auditing and assurance standards that are

generally acceptable by the regulatory bodies, (emerging) economies in which the company resides, the sector or industry in which the company operates and the wider beneficiaries who rely on these reports for informed decision making.

Audits of SRs and VARs are to be focused on impact assessments and not the financial expenditures incurred on these activities. This implies that more work will need to be done, regardless of the fact that such audits are of a limited review, to assess the cost of the impact assessments. However, since SR and VAR audits are limited reviews, any user who places reliance on the outputs of the reviews may not be indemnified in case of liabilities incurred by the stakeholders since the case or element of proximity (or proximate relationship) cannot be established, i.e., the assuror does not anticipate any close relationship with any of the members of the wider stakeholders in which a beneficiary will rely on the limited assurance reports for decision making.

With regards to the national accounting reporting frameworks, the UN SNA and SEEA framework may be adapted, to a reasonable extent, to enable companies provide the reasoning behind the reported numbers. This will aid in reporting on qualitative metrics that will make corporations accountable to their key stakeholders in terms of the firm's macro responsibilities to the environment and society (business ecosystem). However, there is the need to comprehensively define what values represent in such macro level reporting systems of frameworks. For this reason, practitioners could leverage on the holistic nature of the UN SNA and other qualitative measures of value for corporate reporting. For example, it will be difficult to place any kind of value on institutional knowledge that an executive director may have acquired over a long period of his/her career. To roughly assess the value of this institutional knowledge, practitioners should ask themselves this question, "what will be the loss to the company if such an executive director leaves the company for another entity? How will customers be affected provided they can rely significantly on this particular human resource when patronizing the services of the company?"

Following from the above point made, regardless of whether practitioners will leverage on conventional accounting mechanics or national accounting standards or frameworks for reporting their VARs and SRs, it could be daunting to measure elements like greenhouse gas (GHG) emissions and such measurements would usually require the employment of subject matter experts to undertake these recognition and measurement practices. To really be able to achieve a fully compliant annual or corporate report, there is the need for a lot of human and

financial investments which could be very expensive to the company. Today, Banks in emerging economies like South Africa and Ghana are hiring Sustainability Officers who will ensure that companies are complying with sustainability standards in addition to reporting and presenting their sustainability activities with the correct metrics. In the advanced countries, it could be easy to outsource these SR compliance and functions to specialist consultants and firms; on the other hand, emerging economies lack the expertise and specialist organisations that could either be right-sourced or contracted to augment and provide SR compliance and reporting functions.

Historically, companies in South Africa might have reverted to more robust forms of SRs and VARs because of their strategic foresights and visions. Such companies are looking to change the narratives by linking the developments in their business environments (communities and stakeholders) to their mission statements and visions. Today, companies like *(Name of Company)* have dedicated sustainability divisions headed by a Global Sustainability Director who ensure that SRs and VARs in emerging (and advanced economies alike) conform to the latest sustainability and value-added reporting guidelines.

In addition to the above, companies will adopt the latest SR and VAR frameworks to assess customer responses to their products and services, i.e., they want to see whether consumer preferences and buying patterns are gravitating towards sustainability reports and disclosures. Thus, companies in emerging economies like South Africa are investing and researching into detailed SRs and VARs in order to identify any red flags that could signal risks to their going concern prospects.

It is possible that companies in South Africa did abandon the SR and VAR project during the earlier periods of such developments since such corporate reports were not mandatory. Besides, companies will not attract any sanctions nor fines, neither will their going concern status be threatened should they refuse to engage in SRs and VARs. However, given the above point made, the narratives have changed – a company that overtly defies the logic of sustainability and operates with the sole aim of maximizing shareholders' wealth to the detriment of the environment stands the risk of losing its legitimacy to operate as a going concern in the economy.

Traditionally, humans and entities tend not to appreciate the value of a resource until they have lost that resource. From the secondary data analysis (as per table 5.3.1 under section 5.4.2 in

chapter 5 above), South African firms may have abandoned the use of SR and VAR standards only to adopt much more stringent measures such as the GRI version 4.0 to report on their sustainability functions because, perhaps, investors are now requiring much more robust reporting standards.

8.8 Conclusion and Recommendations

The auditing firms should pool resources and bring onboard subject matter experts to brainstorm on how to develop guidelines for auditing and assurance of SRs and VARs. The audit of SRs should be annexed to the conventional audits of the financial statements. If practitioners and the reporting entities leave the audit and assurance of SRs and VARs to typical conventional audit practices, then firms will most likely risk reporting similar financials and repeat technical jargons peculiar to the audit and assurance of the traditional financial statements. This approach will add little or no value to the interests of the wider stakeholders.

Just as there are Auditing Governance Boards supervising the issuance of ISAs for audit and assurance of conventional accounting practices, it will equally be important to establish a governing board that will help in developing ISAs for sustainability and value-added activities. This governing body should clearly map out the processes and best practices involved in auditing sustainability activities. For example, if an investment in a Non-Current Asset (Fixed Asset Infrastructure) resulted in the setting up of a solar grid for electricity generation that augmented the national grid, then there is the need to audit the proportions of energy mixes and map out the sales (or rechannelling) of solar energy into the national grid. This could help in defining the surplus energy generated and reintegrated into the national grid and assessing whether surplus energy generated had gone waste or unutilized by examining the processes of energy reintegration and utilization ratio against benchmark criteria developed by a sustainability governance body.

Internal Auditors should be at the forefront of audit and assurance of sustainability functions (CSRs, ESGs and Corporate Culture) of any organisation since they are part of the everyday operations of the company. Principally, the principles of auditing either the traditional financial statements or the sustainability activities of companies should be the same; however, the focus and objectives will differ one from another. Depending on audit objectives and the expectations from the various stakeholders, the accountant or assuror will then design the appropriate audit

programmes for verifying these functions. Until regulators and practitioners develop generally accepted standards for measuring and evaluating the SRs and VARs, it will be challenging to express a reasonable opinion over these activities. This is the stage that researchers and practitioners need to develop some form of convergence among the various sustainability and value-added standards, principles or tenets in order to allow for feasible verification of these activities. This could provide some level of confidence in the SRs and VARs issued by a corporate entity whilst allowing a uniform and global adoption and application of these generally acceptable sustainability and value-added standards.

Companies will not restrict their operations to the reporting of the traditional numbers but rise to the task of accounting for the impact of their operations on the ecosystem to their stakeholders. Firms will also dedicate equivalent resources into sustainability reporting which will augment the traditional accounting practices and render the company (under consideration) to be seen as a complete corporation. In this wise, the use of the UN SNAs and SEEAs comes in handy. However, incorporating the principles of the UN SNA and SEEA will require the need to use pseudonyms to commodify the natural and social capitals into corporate and national value accounting. Other than this, practitioners and the reporting entities may need to tweak existing framework to align with the UN SNA and SEEA in order to give it an embodiment for practice.

Some entities advance their VAR and SR frameworks using these UN SNA, SEEA and the World Bank's Natural Capital Toolkits with the idea of ensuring complete and comprehensive reporting of corporate values to all relevant stakeholders. The reasoning could be to adapt what has already been tested and proved by pacesetters, correct their past errors of inappropriate corporate reporting practices, and adjust to generally accepted SR and VAR accounting standards in order to report values comprehensively. The use of the UN accounting system for national accounting practices could serve as a starting point to engage the various players in VAR and SRs and set the tone for harmonizing the varied standards and regulations underpinning the practice of corporate sustainability reporting.

Organisations impact countries and most of the time how a country is perceived and the achievements of a country are basically the aggregation of the achievements of the various organisations within the country. Aggregates of firm-level values will amount to the macro-level values. Hence, the need for standardization leads to aggregation of these firm-level micro values into national accounting of values. If there are standardizations, then corporations can

easily use the platform to aggregate the firm-level SRs and VARs into a country-level macro sustainability and value-added reports. This calls for leveraging on the UN SNA and UN SEEA and related frameworks for firm-level and national level accounting of SRs and VARs.

Companies will usually undertake a comprehensive stakeholder mapping (by using, for example, Mendelow's Stakeholder Mapping Matrix) to determine the extent to which they will engage in stakeholder sustainability activities and reporting. In addition, governments are not providing the enabling environments and drivers for companies to engage in holistic sustainability and value-added activities and reporting functions. This is because sustainability functions are quite expensive and are capital intensive, e.g., setting up the initial infrastructure for the wind turbines, solar panels and nuclear energy could cost governments and companies fortunes to start with. These two additional dimensions could dictate the level of depth and details incorporated in SRs and VARs insofar as the adoption of latest SR guidelines are concerned.

Emerging economies like South Africa could start with the VAS but they should quickly integrate more advanced SR functions in these corporate reports lest these emerging economies continue to play "catch-up" with the advanced worlds. This is because, if the emerging economies get stuck to the VAS without any meaningful progress in the area of sustainability reporting, they will end up falling behind advanced corporate reporting practices since the advanced economies will be moving onto more matured and advanced corporate reporting practices.

Chapter 9

Conclusions and Recommendations

9.1 Overview

This thesis sought to gain an understanding of how the mechanics of conventional accounting practices can be leveraged upon to ensure that sustainability and value-added reporting processes are efficient and effective. Efficiency in this context is measured in terms of the maximum benefits derived from the production and publication of the sustainability reports (SRs) and value-added reports (VARs) in that the wider stakeholder groups can rely on these reports for their judgements and other informed decision making. Effectiveness, on the other hand, the context of this thesis looks at how corporations who disclose and publish their SRs and VARs could be reasonably held accountable for their reported metrics (both financially and non-financially).

In order to achieve the overarching research question of how conventional accounting practices could be leveraged upon to achieve information usefulness and verification with respect to the SRs and VARs, this thesis aimed at addressing three (3) sub-objectives which, when addressed by the researcher, will satisfy the requirements of the research question above. Firstly, the thesis responds to the call for a proper contextualization of the terms sustainability and value-addition and the need to clearly delineate areas of convergence and divergence between these two corporate practices in the quest of providing useful information for the wider stakeholder groups in emerging economies (Adams, 2017; Mandal and Goswami, 2008). Secondly, this thesis set out to address the benefits and potential risks associated with regularizing and standardizing SRs and VARs in order to expand the scope of these reports and also identify appropriate performance and evaluation criteria for reporting and assessing sustainability and value-added functions of organisations (Stainbank, 2009, Mazzioni, et al., 2014).

The third and final objective which this thesis addresses is the extent to which VARs and SRs at the micro or firm-level interrelates with the macro-level national accounting frameworks (Obst et al., 2016). The intent is linked to the second objective of expanding the scope of the SR and VAR in order to meet varying needs of the members of the wider stakeholders. Additionally, this third objective of the thesis assesses the need to and how to audit or ***assure and evaluate*** such general-purpose or specific-purpose VARs and SRs so as to obtain a credible

locus for holding corporations accountable for their operations on the wider ecosystem in which they operate (Shaoul, J., 1998; Wallage, 2000; Andon et al., 2015).

Five interrelated analyses were conducted in this thesis and these analyses were grounded in securing legitimacy for the reporting entities to operate as going concerns since extensive literature from prior studies have confirmed that legitimacy is central to the voluntary supply of sustainability and value-added reports that satisfy the needs of the wider stakeholders (Deegan et al., 2000). Furthermore, although an extensive amount of research has confirmed that voluntary reporting on and audit and assurance of sustainability and value-added reporting contribute substantially to gaining and maintaining legitimacy by organisations in the economy (Free et al., 2009; Power, 2003), yet little attention had been paid to the need to regularize and expand the SRs and VARs to meet the ever growing and varying needs of the wider stakeholders. Additionally, little efforts have been made to ensure that the audit and assurance of the SRs and VARs conform to generally accepted auditing standards across emerging and advanced economies. For these reasons, this thesis addresses the theoretical need for expanding the scope of the SRs and VARs by critically evaluating the reporting formats of a typical value-added report, the Value-Added Statement (VAS).

Further to the above, the research then examined the case of the South African listed companies whose annual reports require the inclusion of some form of sustainability or value-added report such as the VAS or Sustainable Development Reports (SDRs). The case of South Africa was selected as ideal for this thesis since the South African economy is considered a best practice scenario on the basis of their significant advancements in the areas of value-added reporting and sustainability reporting among the world of emerging economies (Aldama and Zicari, 2012, van Staden, 1998; van Staden, 2000). The findings and themes emanating from secondary data analysis informed the need to address the areas of convergence and divergence between SRs and VARs and to clearly provide indepth meaning to the contexts and scope of these two practices.

Additional findings from the secondary data analysis drew out the two additional objectives of assessing the extent to which SRs and VARs could be standardized and harmonized in order to court international recognition and lay out a framework or an effective and valuable review of these reports. Moreover, the element of audit and assurance which underscores legitimacy, the historical developments and alignment of sustainability and value-added reporting to national income accounting were derived as additional themes and core objective of this thesis. It is

worth highlighting that the sustainability and value-added reporting projects require an interdisciplinary approach in which both accountants and related subject matter experts need to collaborate to provide reasonable values to the wider stakeholders. Most importantly, an interdisciplinary approach has the potential to unravel areas of complexities which may elude the traditional accountant when it comes to the issue of verification of the non-financial components of the SRs and VARs. Thus, this research capitalized on the social constructionism philosophy by challenging the status quo (doing things as it is in the realm of accounting practice) such that the scope of accountability can be expanded to exceed the mere recognition, measurement and representation of quantitative or financial metrics. To achieve this, the social constructionist approach requires co-opting experts from natural capital, sustainability, engineering, economics, human relations, etc. into the practice of accountability for the use of resources in the production of goods and services. Perhaps, the most valid argument for adopting a social constructionist paradigm for this thesis is premised on the fact that all social actors and participants involved in the creation and implementation of knowledge in the field of social accounting need to be brought into the picture of SR and VAR practices.

In the next five sections below (from 9.2 to 9.6), the researcher summarizes and/or simply outlines the conclusions and recommendations of the analyses conducted in chapters 3, 5, 6, 7 and 8 for reference. These are summaries since the detailed recommendations and conclusions have been written out in the above-mentioned chapters. These recommendations and conclusions are supported with illustrations for ease of reference. Afterwards, the researcher then addresses the limitations of the study and identifies areas for future research.

9.2 Summary Conclusions on the VAS Conceptual Framework Analysis

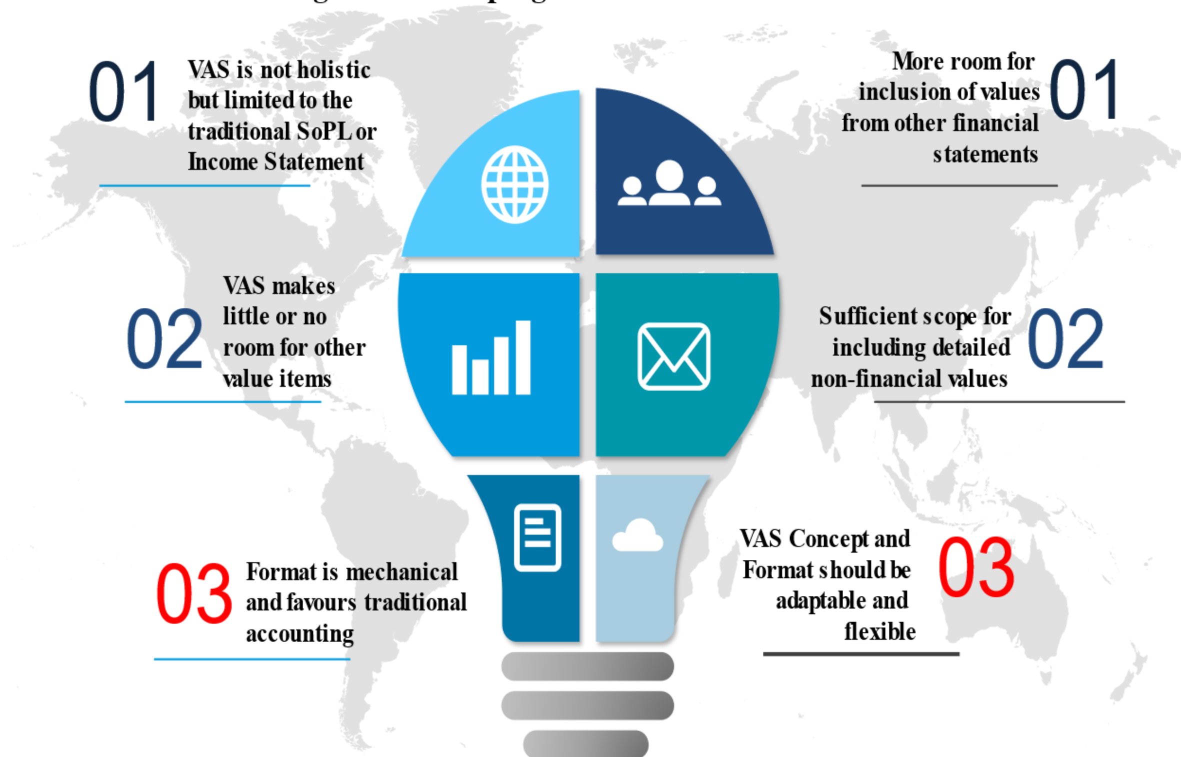
This thesis has found that the Value-Added Statements (VAS) is conceptually limited to the Statement of Profit or Loss (or Income Statement). One of the most instrumental corporate reports or statements is the Income Statement which underscores the financial performance of the company. However, its status as a major contributing factor to the value-added reporting prospects of the company has become debatable in the sense that values are not necessarily embedded in the lines of transactions in the statement of profit or loss or income statement. Potentially, corporations who adopt the VAS as a value-added report could improve their substantive legitimacy by ensuring that other items of values are included in the VAS. For

example, values that emanate from the balance sheet items in terms of the appreciation in the underlying values of property, plant and equipment should be addressed in the VAS.

Evidence of the VAS being constricted to quantitative and financial measures are paramount in the conceptual analysis of this report. This seems to have rendered the VAS mechanical in practice and implementation which allows traditional accountants to obtain leverage over the reporting tool. However, in order to ensure that the scope is thorough enough to contribute to information usefulness to the wider stakeholders and comprehensive accountability by the reporting entities, there is the need to make the VAS flexible and adaptable by both practitioners and non-accountants alike. In doing so, the VAS could be further expanded to incorporate non-financial disclosures that detail out other items of values created by the companies to the wider stakeholder groups.

The above summarized findings are illustrated in figure 9.1 below, scoping of the Value-Added Statement for reference.

Figure 9.1: Scoping of the ValueAdded Statement



9.3 Summary Conclusions on Secondary Data Analysis

Theoretically, this thesis confirmed that companies in emerging economies such as South Africa adopt various reporting models, frameworks and guidelines for their SRs and VARs based on the sector requirements and country-specific mandates placed on these companies. The findings confirmed that corporations will stick to these country-specific mandates and industry requirements in order to court the interests of the regulators and other key members of the wider stakeholder groups. However, significant arguments have been tilted towards the achievements of comparability, consistency and verifiability when corporations align their value-added and sustainability reporting approaches to required and specified models and frameworks. Thus, sectors and industries will need to develop and design reporting models and frameworks that are tailored to meet the operational needs and reporting practices of the organisations within that sector. Moreover, tailored frameworks for specific sectors or businesses will decidedly enforce accurate measurement, reporting and assurance of SRs and VARs to optimize information usefulness to the wider stakeholders whilst simultaneously ensuring that companies account for their actions against set criteria and benchmarks.

Empirically, the VARs and SRs need to be structured and presented in a unique format such that these reports will not only convey reported metrics and ratios but also include illustrative mapping of the benefits provided to the wider stakeholders. The use of an appropriate communication tool that is pervasive but enticing to the beneficiaries will lead to adequate patronage of the SRs and VARs. Corporations should not simply relegate the VARs and SRs to either quantitative or qualitative disclosures or both but should incorporate charts, figures, graphs, geographical and engineering mappings and projections to accompany these financial and non-financial reports. Perceptibly, the use of these communication tools aid users of the reports to assimilate pages of written statements easily and readily via a glance at a single page.

9.4 Summary Conclusions on VAR and SR Contextualizations

Continued efforts are made by researchers and policy analysts to ensure that the context, definition and contents of sustainability do not deviate from the fundamental meaning of safeguarding the resources of the current and future generations in order to enhance the livelihoods of all generations. The literature on these contexts, scope and content should include the need to incorporate impact evaluations and assessments of value-added activities

of organisations if the concept of sustainability is to be accepted as a value-added function of an organisation. Alternatively, the correlation between sustainability and value-addition should be captured in the holistic description and explanation of sustainable development since any effective and efficient sustainable development activities such as the safeguarding of the natural resources and environment by an organisation leads to the upward valuation of their goodwill. Goodwill, in accounting terms, is a quantifiable value that can be reasonably measured, recognized and reported in line with laid down benchmarks and reporting frameworks.

Another theoretical contribution to knowledge within the context of sustainability and value-added reporting is the capturing of the definitions in jargons and/or languages that are acceptable by the greater number of experts across the field of corporate reporting, value-added reporting and sustainable development practices. The simple understanding of sustainability to mean the judicious use of our current resources without compromising future generation's ability to have a better and improved lives should be critically examined in terms of what and who constitute future generations. Subject matter experts (SMEs) and practicing accountants should agree on whether future generations include both biotic and non-biotic (living and non-living) factors. Since current and future generations include biotic and human factors or stakeholders, then a resolution should be arrived at in deciding whether to apply the Ethical or Normative perspective or Managerial dimension to the concept of stakeholders. If the latter is used, then the definition and context of sustainability and value-addition could be clearly bounded to key and identifiable stakeholder groups; otherwise, an ethical perspective to the identification of stakeholders could potentially lead to questions on who and what constitutes a stakeholder since everything and everyone – both existing and perceived – fall within the ethical domain of stakeholders.

Empirically, findings of this thesis suggest that the project and practices of sustainability and value-added reporting require an interdisciplinary approach to validating and maintaining the going concern prospects and status of the reporting entity. It is not enough for traditional accountants to leverage on *ISA (UK) 570 Going Concern* to limit the timeline of a valid going concern entity to a supposed foreseeable period of 12months. This is quite myopic and short termism in nature. Collaboration with engineers, marketers, financial analysts, human resource experts, customer relations officers, forecasters, natural resource experts and scientists can enable corporate entities to expand their going concern horizon above the 12months

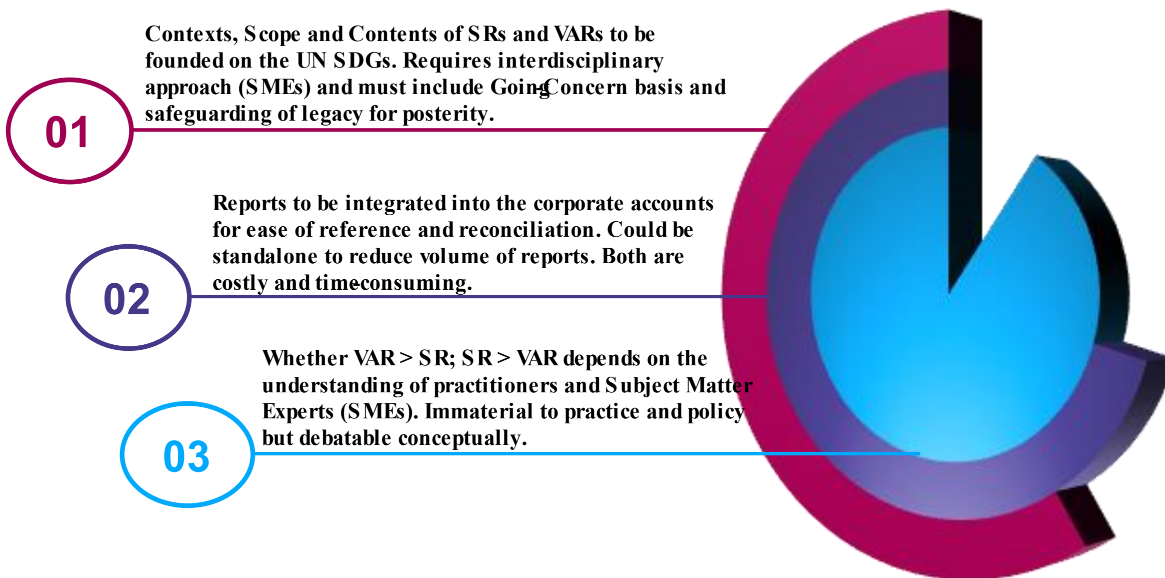
projections. In doing so, there will be some greater certainty in safeguarding the legacy of posterity and ensuring that the time horizons bounding the concept of going concern are strategic and not short-term.

Ensuring that there are available resources – time, talents and treasures – to structure the VARs and/or SRs as either standalone reports or integrated into the annual accounts should be the priority of every organisation. This is because either approach requires indepth investments of knowledge and time and involves the dolling out of sufficient remuneration to the experts involved in these reporting practices. In either case, efforts should be made to reduce the verboseness of a one-stop-shop for an integrated report and to ensure an easy reconciliation or traceability of the reported disclosures or narratives to the quantitative or financial metrics reported in the SRs and VARs. A key policy priority should therefore be to plan for the hiring of traditional and non-traditional accountants in the practice of sustainability and value-added reporting.

On a more superficial level, the arguments on whether SR is a superset of VAR or a SR is a subset of VAR is a matter of understanding by the reporting entity and practitioners. If practitioners and SMEs regard SRs are encompassing value reporting plus additional non-value reporting practices, then VAR will be a subset of SRs. However, if all SRs are considered as valuable in nature and a conveyor of values to the wider stakeholders, then practitioners are prone to admit that SRs are subsets of the broader value-added functions of the company.

The above summarized conclusions are represented in figure 9.2 below, Contexts and Structuring of the SRs and VARs, for reference.

Figure 9.2: Contexts and Structuring of the SRs and VARs



9.5 Summary Conclusions on Standardization of VARs and SRs

This study has found that SRs and VARs are prepared in line with some form of standards or principles acceptable within a business sector or industry and aligns with country-specific compliance requirements. However, the study clearly disclosed that there are variations in these standards across emerging (and even advanced economies). The result of this study reveals that, empirically, it will be reasonable to have a global standard setting organisation in charge of sustainability and value-added reporting which will serve as a responsible supervisory body (RSB) for such reporting practices. Under this RSB, emerging economies like South Africa (and even advanced countries like Germany and France) and various business sectors or industries could then draw out their sustainability and value-added reporting standards for contextualized applications within organisations. What this means is that countries and sectors could continue to run their SR and VAR functions using varied standards; however, such standards will not be materially different from each other in terms of provision of information usefulness to the wider stakeholders and setting out a criterion for verifying the claims of these SRs and VARs. Most significantly, having an umbrella RSB that regulates the various and perceived divergent standards governing SRs and VARs will easily pave the way for future harmonization of these standards and principles.

A second major theoretical contribution to knowledge in this thesis was that the practices of sustainability and value-added reporting and assurances could be drafted to follow the conceptual reporting framework of the traditional accounting practices. This recommendation is laudable in that traditional accounting has been globally accredited as a pacesetter in the field of corporate reporting with well-laid down standards and principles governing the practices of reporting and audit and assurance. Hence, practitioners and subject matter experts (SMEs) in the field of sustainability and value-added functions could readily leverage on existing literature and principles to carve out their own standards and benchmarks for reporting and evaluation of SRs. Since SRs and VARs form part of the bigger corporate reporting practice, this approach will readily help to adjust and fit in the SR and VAR functions into the broader corporate reporting framework.

The above recommendations, together with the summary recommendations in section 9.6 below, have been summarily illustrated in figure 9.3 below for reference.

9.6 Summary Conclusions on Audit and Assurance and National Dimensions of SRs and VARs

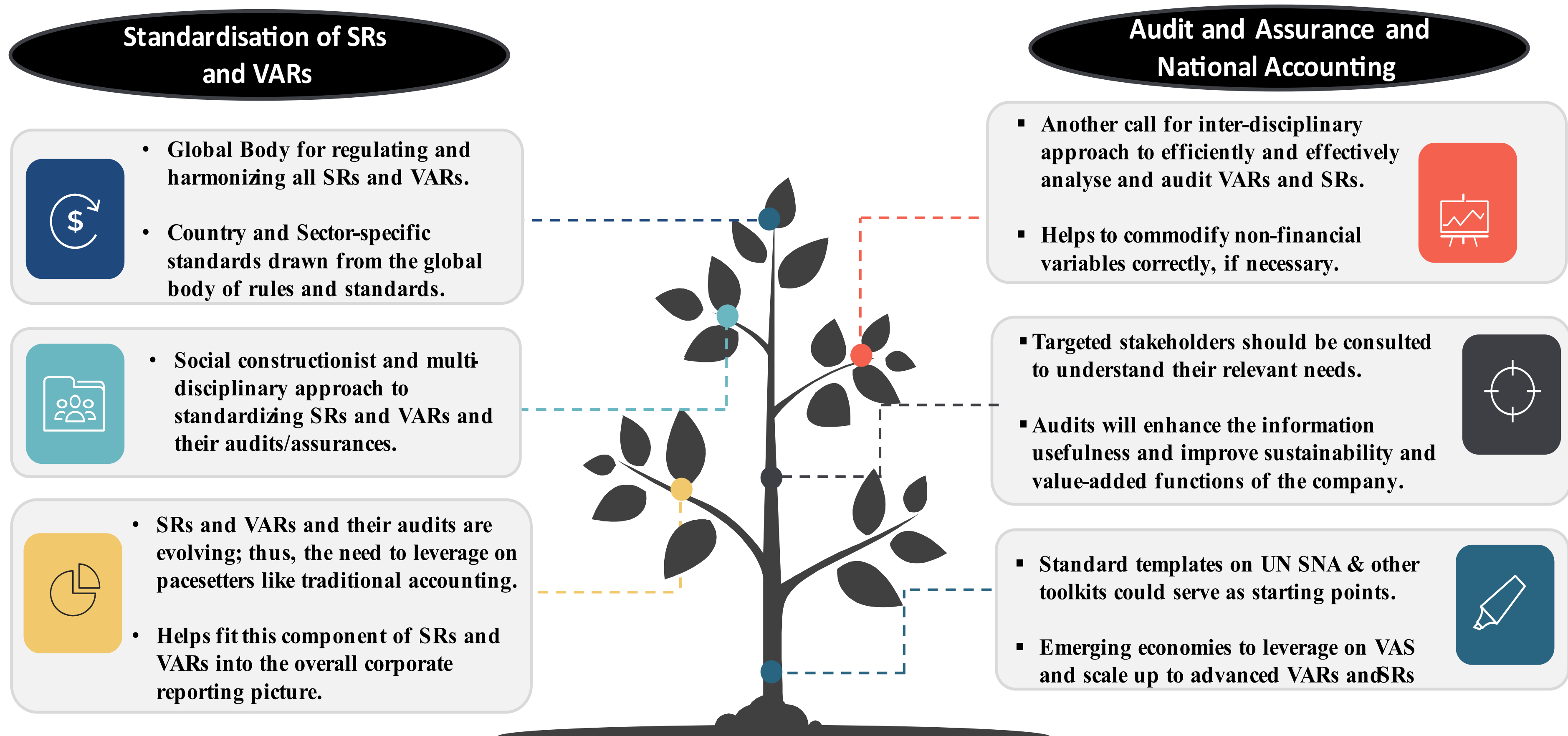
Similar to the theme on standardization of SRs and VARs, the issue of audit and assurance of SRs and VARs require a social constructionist approach in which all social actors in the field of corporate reporting must work together to draft standards for practice. Practically, unless theorists, researchers, subject matter experts and practitioners collaborate in the quest to define what constitutes value to the wider stakeholders and how accountability of sustainable development practices should be conducted, the topic of information usefulness and accountability insofar as SRs and VARs are concerned will continue to remain opaque. The implications of these findings on practice and theory are that corporations will be able to go the extra mile in commodifying non-financial variables or values in SRs and VARs whilst audit and assurance of the SRs and VARs will be conducted in an efficient and effective manner. Consequently, any reported item of value to the wider stakeholders will be tangibly felt by the beneficiaries whilst assurors and evaluators will have a solid platform (benchmarks, set criteria and KPIs) for their assurance practices.

Another recommendation and key conclusion drawn from this thesis is the need for inclusion of the target audience, the wider stakeholders whose needs are to be met by the SRs and VARs,

in the reporting and assurance processes. Greater efforts must be made to consult and solicit the relevant needs of the wider stakeholders to ensure that the outputs of the SRs and VARs are directed at resolving those information needs. Although this approach has cost implications to the reporting entity and could elongate the audit and assurance engagement period, such consultative measures will lead to the patronage of the sustainability and value-added reports issued by corporations.

Another important theoretical contribution of this thesis is the drawing down on macro-level toolkits such as the UN SNA and SEEA or alternative globally recognized protocols. On the basis of these toolkits being updated regularly to adapt to the changing dynamics of sustainability and value-added practices, leveraging on such toolkits and national accounting frameworks provides a leeway to advance the cause of sustainable development and corporate reporting. The practical implication of this recommendation is that a prototype or templates on the extent of application of these toolkits and frameworks will help in the easy adaptation of these tools. Finally, emerging economies could leverage on the value-added statement (VAS) as a starting point for their VARs and SRs. Subsequently, emerging economies could scale up their VARs and SRs using more advanced toolkits and frameworks.

Figure 9.3: Summary Conclusions on Standardization, Audit and Assurance and National Dimensions of Sustainability Reports and Value -Added Reports



9.7 Methodological Contribution to Knowledge

The methodology by which the researcher corroborated evidence for this thesis is quite demanding and rigorous but rewarding and worth emulating for future studies. The researcher initially assessed the conceptual framework for value-added (statement) reporting practices. These were mapped against IFRS to identify any potential items of value-added (and distributed) that could be included in the broader reporting of corporate values to the wider stakeholders. Subsequently, the researcher undertook a secondary data analysis of the VAS (VARs) and SRs reported by listed companies in the South African economy. A detailed reconciliation process was used to ensure that material and identifiable items of values can be traced to the supporting financial statements of those companies. This method of analysis helps in triangulation and authentication of figures, findings and facts reported in the VARs and SRs in line with established International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). Furthermore, the themes emanating from the secondary data analysis informed the primary data collection, transcriptions and thematic analysis of the primary data. This three-pronged methodological approach aided in drawing out corroborative conclusions and making both feasible theoretical and empirical contributions to knowledge.

The use of a three-prong methodological approach to research – mapping out and application the conceptual framework to practice and soliciting expert opinions on the applications of concepts to practice – will enhance the credibility of research outputs and contributions to knowledge since field and industrial practices will be traced to the underlying theoretical or conceptual frameworks. Additionally, expert opinions and ideas will be synthesized and/or synchronized with the outputs from the field or industrial practices and underlying concepts or theories that guide corporate reporting. Ultimately, a corroborated approach which links theory to practice to practitioners grants credibility to the research outputs and recommendations made to the field of accounting and finance studies (or any other area of academic and professional research).

9.8 Limitations of the Study

A major limitation of the study is that South Africa, economically, is classified as an advanced country and not an emerging economy. Thus, using the case of South Africa as a case study of

SRs and VARs in an emerging economy could be misleading. Perhaps, in terms of sustainability and value-added reporting, the South African context could be well classified as an emerging economy thereby making it ideal for a case study on SRs and VARs.

Secondly, the fact that the secondary data analysis (under chapter 5 above) was conducted using the GRI Sustainability Disclosure Database - a database which no longer exists, i.e., was shut down in April 2021 - casts some form of question marks on the validity of the datasets used for the study. It will be quite difficult for anyone to go into the past and corroborate evidence from the database unless the evaluator takes upon him/herself to check the individual websites of all of the 100 listed companies studied in chapter 5 above.

The generalisability of these results is subject to certain limitations. For instance, the case of South Africa is quite unique due to their colonial (apartheid) situation which may have created a form of regulatory requirements for corporate reporting. To illustrate this point, let us take for example the issue of Black Economic Empowerment (BEE) metrics which requires corporations to include at least one black person in their senior leadership or executive structure if these corporations expect to court the favours of the wider stakeholder groups in South Africa. Hence, well performing companies that are considered as financially sustainable and meeting the varied needs of the wider stakeholder groups typically implement the BEE metrics or policy in their workplaces. This situation does not apply to other emerging economies in Latin America and Africa. Thus, using the case of South Africa to generalize could be potentially misleading.

It is worth noting that all of the companies studied in chapter 5 under the secondary data analysis were taken from the South African context and economy. However, under chapters 6, 7 and 8, all of the interviewees involved in the research work are residents in other emerging and advanced countries other than South Africa. Nonetheless, about 40% of these interviewees have had on-site field experiences within South Africa and their inputs reflected the current sustainability and value-added cum corporate reporting practices within the country.

9.9 Areas for Future Research

Further studies should consider an inter-continental comparative analysis of the value-added and sustainability reporting practices of say two to four companies in emerging economies

across Africa and South America. Alternatively, an intra-continental analysis could be conducted for a couple of companies operating within the same continent, say Africa (Ghanaian vs Kenyan companies) to assess the level of similarities and deviations in their SRs and VARs. Such studies could help in understanding the dynamics and areas of commonalities in SRs and VARs within a continent or across continents.

Similar to the above, a natural progression of this study is to select one or few of the companies studied in chapter 5 (under the secondary data analysis section) and then conduct an indepth analysis on why such companies in South Africa report produce their VAS, other forms of VARs and SRs. Additionally, such studies should focus on what elements of values have been reported over the past periods and address whether these reports are audited and assured. In terms of the audit and assurance element mentioned above, further research could consider the composition of the audit engagement teams, the length of time used on such audits, outputs of the audit engagements and the audit methodologies used in the assurance of SRs and VARs.

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Appendices

Appendix 1 – Definition of Terms

Throughout this thesis, key terms have been employed to underpin the research work. It is important to understand the contextual meanings of these key terminologies insofar as the issue of value-added and sustainability reporting practices in emerging economies are concerned. Below are adapted meanings and explanations of these key terms.

Social Accounting. Social accounting was conceived in the 1960s as the origin and umbrella body from which all other accountings emanate. The terminology encompasses both the conventional and non-conventional possible accounting practices and imaginative thoughts of new accountings that are yet to be fully manifest. Thus, any other accounting as briefly described below fall under the ambit and serve as subsets of the social accounting project. However, the term social accounting has been generally ascribed and attributed, amidst contemporary popular beliefs and acceptance, to mean accounting for the social aspects and phases of the company. Hence, the term will be adopted in this literature to mean, interchangeably, “accounting for the social dimensions and activities” of the company in addition to being designated as the “umbrella body under which all accountings emanate”. *(Gray, 2002).*

Environmental Accounting and Reporting**.** This is the process of analyzing, reporting and disclosing an entity’s corporate environmental responsibilities insofar as its operational activities affects the entity’s immediate and distant environment. Environmental reporting does not follow an IFRS requirement; however, the IASB encourages its adoption provided the management believes that such reporting would be of material importance to stakeholders’ decision-making. In the immediate short and medium term, environmental accounting and reporting results in identification of the environmental costs and revenues associated with firm activities, and the environmental criteria for reporting purposes. *(Gray, 2002 as discussed in CIMA F3, 2017)*

Conventional Accounting. Traditional or conventional accounting is a reactive process of identifying, measuring, analyzing and communicating/reporting historical economic information about a firm's activities to allow for informed judgements and decision-making by the stakeholders (users of the information). Accounting is not just about the reporting of figures but the communication of the reasons and realities behind the figures to the users of such economic information. Conventional accounting usually covers both the financial and management accounting components. Generally, accounting has been mistakenly limited to the conventional practice, however, it is worth mentioning that there are various practices of accounting of which the traditional practice is just one strand. *(Alexander et al., 2017; Atrill and McLaney, 2019).*

Accounting for Sustainable Development or Accounting for Sustainability (A4S). Sustainability and Sustainable Development are used interchangeable to mean the same concept. The most prominent definition of the term is associated with the *Brundtland Report* which identifies Sustainability as "*development that meets the needs of the present (generation) without compromising the ability of future generations (posterity) to meet their own needs*" (UNWCED, 1987, p. 8). It is worth mentioning that sustainable development covers eight (8) main goals namely, the eradication of extreme poverty and hunger; universal primary or basic education; gender equality and women empowerment; reduction in child mortality rates; enhancing maternal health; combatting HIV/AIDS malaria and other infectious diseases; environmental sustainability; and global partnership for development.

Given the above, A4S accounts for the social and environmental externalities by measuring and representing human and firm activities, in either financial or non-financial terms. These reports are geared at improving the current living conditions and retaining an improved legacy for posterity in the hereafter. A4S has three notable legacies, i.e. the self-regulation of voluntary reporting of sustainability activities; assessing the risks and opportunities from firm operations; and the need to integrate sustainability reporting with traditional financial accounting for a complete picture of firm activities. *(Bebbington et al., 2014).*

Sustainability Reporting. Following from the famous *Brundtland Report*, Sustainability Reporting follows in the line of writing on sustainable development and tends to overlap the environmental, economic and social phases, usually termed the triple bottom line (TBL) reporting patterns, of the firm. It deals with the practice of presenting the operational activities of the organisation in its entirety ensuring a balance of information disclosure covering the social, economic and environmental systems of the firm. Interestingly, Elkington (2004) who was credited with the TBL admitted that TBL is not the same as sustainability reporting. This is because, for sustainability reporting to be holistic, there is the need to include other aspects such as justice, equity and timeframe. *(Gray et al., 2014; Bebbington et al., 2014).*

Audit and Assurance. Assurance engagements involve the services of an unbiased independent expert who reviews underlying aspects of an organisation's operations with the sole aim of improving upon firm performance and improving stakeholder investments in any entity. It includes business risk assessments to improve internal control systems, information systems evaluations, audits of financial and non-financial historical information, agreed-upon procedures, revaluation of assets and other attestation engagements. Assurance stands as a mother-body of all audits, whether financial or non-financial.

It should be noted that the term audit has been broadly (mis)associated with the sole review and examination of financial records of an organization. This misunderstanding has been pervasive to the extent that other emerging trends of the auditing profession such as environmental audit, efficiency audits and social audits have been linked to statutory financial audits (ICC, 1991, p.4, Radcliffe, 1999). Contemporary auditing is pregnant with varied professional requirements other than financial given its broad and never-ending scope extension to advance the social justice cause, add value to economic variables and improve organizational performance. *(Gray et al., 2019, pp. 22 – 23).*

Social Audit. This is an independent (external) assurance process that examines and reports on the activities of both private and public organizations that affect the social phases of the organization such as employees, communities, consumers, and other interests. Social audits are undertaken either with or without the consent of the organisations concerned and it is tailored

towards seeking social justice for both the operating entity and the various stakeholders. It aims at securing the public interest and to sustain responsible behaviour by company executives, government officials and other stakeholders. *(Medawar, 1976).*

'Silent' and 'Shadow' Social Accounting. The 'silent' social accounting practice involves the collation, analysis and reporting of the pieces of the social and environmental information that are latently scattered across firm's annual corporate reports. These 'silent' accounts include elements such as mission and policy, employees (including directors and management), customers and the environment. These 'silent' accounts are usually published by independent 'accountants' and issued as standalone reports independent of the firm's annual reports. *(Gray, 1997).*

Similarly, 'shadow' social accounting provides a mirror image and a reflection of the already published corporate reports. Interested academics, researchers, accountants and pressure groups adopt an already-published corporate report(s) and produce similar accounts that reflect a shadow of the actual. It is a 'shadow' of the actual annual accounts; however, it is purely skewed to reflecting the social aspects of the corporate reports and considers external wider sources of information and channels, such as the media and independent organisations like pressure groups, other than the internal CSRs. 'Shadow' social accounting usually incorporates the varied opinions of the wider stakeholders in order to advocate positive change, promote social justice and advance accountability, which ties in with the central issue of 'silent' social accounting. *(Dey, 2003, p. 6 - 7).*

Corporate Social Responsibility (CSR) Reporting. This is a reporting process that extends from earlier forms of corporate reporting to include an entity's social policies and impacts (such as safety of employees at work) and its environmental policies and impacts (such as water use and pollution levels) on the various stakeholders. The main feature of CSR Reporting is that the firm articulates its social and environmental policies and then provides practical examples of social and environmental interventions undertaken by the firm to meet these policies. CSR reporting tend to reconcile theory to practice, i.e. policy statements to actual interventions. There are concerns about what materiality thresholds should be reported and how to vouch for

the accuracy, existence and completeness of CSR projects/interventions undertaken by the reporting entity. *(Gray et al., 1995).*

Value-Added Statement (VAS). The VAS is an adaptation of the traditional financial statements, usually derived from the income statement (or profit and loss account), which depicts the values generated from and appropriated to specific stakeholders of the company. The major stakeholders represented on the face of the VAS include the shareholders, employees, government, society and state agencies, and suppliers of materials and services. *(The ASSC's Corporate Report, 1976; Morley, 1979).*

Appendix 2 – Modified VAS: Value Addition and Generation

Panel A: Statement of sources of value added (Value Added Generated)			
	SALES REVENUE	XXXY	
Add	Prior year adjustments: Reductions in provisions for doubtful debts (sales pushed)**	YY	
Add	Prior year adjustments: Recoveries of doubtful debts written off (sales pushed)**	YY	
Adjusted Sales Revenue**			XXXY
Less	Cost of related bought-in materials and services (M&S)	XX	
Less	Decreases in finished goods and/or work in progress**	XX	
Total Cost of Value Added Generated**			(XX)
Sales-Based Gross Operating Value Added = A			XXXY
Add	Increases in finished goods and/or work in progress [less related bought in materials and services (M&S)]	XXY	
Add	Self-produced non-current assets [less related bought in materials and services (M&S)]	XXY	
Production-Based Gross Operating Value Added = B			XXY
Add	Revenues from intangible assets [less related bought in materials and services (M&S)]	YX	
Add	Other operating revenues [less related bought-in materials and services (M&S)]	YX	
Related Operating Value Added from Sources other than Sales & Production = C**			YX
GROSS OPERATING VALUE ADDED (Sales + Production + Other Sources): D=A+B+C**			XYXY
Less	Depreciation of recognized tangible non-current assets	XY	
Less	Amortization of recognized intangible non-current assets	XY	
Less	Amortization of internally generated intangible non-current assets**	XY	
Less	Depreciation of self-produced non-current assets deployed for value creation**	XY	
Less	Revaluation losses from recognized tangible non-current assets**	XY	
Less	Impairment losses of recognized intangible non-current assets**	XY	
Operational Reductions in the Generation of Gross Value Added = E**			(XY)
Add	Revaluation surpluses from recognized tangible non-current assets**	XYX	

Add	Impairment surpluses of recognized intangible non-current assets**	XYX	
Operational Increases in the Generation of Gross Value Added = F**			XYX
NET OPERATING VALUE ADDED: G = D + E + F			YYXX
Add	Income from investments and other financial instruments	YY	
Add	Income from disposal of assets, scraps and other investment instruments**	YY	
Net Ordinary Value Added = H			YY
Add	Value added from extraordinary items (less associated costs incurred in the generation of the value**)	YXY	
Add	Value added from discontinued operations (less associated costs incurred in the generation of the value**)	YXY	
Value Generated from Extraordinary Items and Discontinued Operations = I**			YXY
Add	Increases in equity valuations: Stocks/Shares, Premiums and Reserves**	YY	
Add	Positive values arising from revision of debt covenants, e.g. interest rates reduction**	YY	
Less	Upward revision of debt covenants, e.g. increase in interest rates/finance costs**	XX	
Value Generated from Changes in Equities and Debts = J**			YYX
Add	Write-off of liabilities by Suppliers of Materials and Services**	YY	
Add	Tax rebates, Subsidies and refunds from Government and Revenue Authorities**	YY	
Less	Contingent Liabilities provided for prior year and paid for in current period**	XX	
Value Generated from Governments, Suppliers and Contingencies = K**			YXY
Total Value Generated for Retention & Distribution to Stakeholders : L = G + H + I + J + K**			YXYX

Appendix 3 – Modified VAS: Value Distribution

Panel B: Statement of Value Added Appropriation (Value Added Distributed)			
Employees' Share			
	Net Wages and Salaries (including Directors' Fees and Emoluments**)	***YYXX***	
Add	Contributions to Social Security and Pensions withheld	***XY***	
Add	Pension Premiums	***XY***	
Add	Statutory Health Insurance Levies **	***XY***	
Add	Other additional employee benefits and emoluments	***XY***	
Add	Periodic Bonuses (and one-off awards **)	***XY***	
Total Employees' Share: A			***YYXY***
Government and Society's Share			
	Corporate Income Taxes	***XXYY***	
Add	Indirect Taxes (e.g. VAT, tariffs, duties, sales taxes)	***YX***	
Add	Other public charges, levies and duties	***YX***	
Less	Government Subsidies, Rebates and Refunds	***YX***	
Add	Income Taxes (PAYE and WHT) from employees' and directors' pay **	***YX***	
Government's Share: B			***XXYX***
Add	Donations to society, Local Councils and Funding Agencies	***XYXY***	

Add	Support for Public Opinions and Related Sustainability Activities (e.g. cost of reducing pollution and carbon emissions, sensitization programmes, public awareness, etc.) **	***YY***	
Add	Infrastructural support to the community (e.g. schools, boreholes, hospitals, etc.) **	***YY***	
Add	Scholarship schemes set-up and disbursed to the public **	***YY***	
Add	Other contributions to society and social activities	***YY***	
Society's Share: C			***XYYY***
Total Contributions to the Public, Society and Government: D = B + C			***YYXY***
Capital Providers' Share			
	Interest paid/Finance Cost	***YXYY***	
Add	Dividend and other payments to Shareholders	***XX***	
Add	Appreciation in Stock Values for Ordinary and Preference Shareholders **	***XX***	
Total Capital Providers' Share: E			***YXYY***
Suppliers and Other Vendors' Share **			
	Payments for Bought-In Goods and Services **	***XXY***	
Add	Payments to Energy providers and related service providers **	***XXY***	
Total Contributions to Suppliers and Other Vendors: F			***XXY***
Value Added Retained in the Organisation		***YXY***	
Add/Less	Additions or Reductions to Retained Earnings	***XYX***	
Total Retained in the Organisation: G			***YXXY***
TOTAL VALUE ADDED DISTRIBUTED: H = A + D + E + F + G			***YYYXX***

Appendix 4: Participant's Information Sheet and Consent Form

Participant Information Sheet for Stakeholders involved in Value-Added Reporting, Sustainability Reporting and Assurance

[FOR USE WITH STANDARD PRIVACY NOTICE FOR RESEARCH PARTICIPANTS]

Name of department: Department of Accounting and Finance
Title of the study: Participant Information Sheet for Stakeholders involved in Value-Added Reporting, Sustainability Reporting and Assurance

[FOR USE WITH STANDARD PRIVACY NOTICE FOR RESEARCH PARTICIPANTS]

Name of department: Department of Accounting and Finance

Title of the study: *Leveraging on the mechanics of conventional accounting practice to aid*

sustainability reporting and assurance: a case study of the practice in Emerging Markets via the use of the Value-Added Statement

Introduction

I am Richard Kojo Tawiah, a Doctoral Student with the University of Strathclyde Business School, Department of Accounting and Finance. My contact email address is richard.tawiah@strath.ac.uk

What is the purpose of this research?

The research is looking into how we can use conventional or traditional accounting practices to aid, promote and enhance/improve sustainability reporting (and its associated audit and assurance processes). Hence, the dominant objective of the investigation is to seek ways in which accountants, academic researchers and industry experts could leverage on the generally accepted accounting principles and standards (like the International Financial Reporting Standards, International Accounting Standards and Generally Acceptable Accounting Principles) to disclose and report major elements of sustainability activities.

Since sustainability activities include both quantitative and qualitative transactions, the investigation is further considering how these non-financial elements of sustainability could be disclosed in the company's books for audit purposes. Where necessary, we are looking at whether firms could place some monetary values (i.e. quantify or commodify) these non-financial activities for future audit and assurance purposes.

It is important to mention that the concept of sustainabilty and topic of accounting is generally broad. Thus, this research is focusing on one key aspect of sustainability and accounting, i.e. the recognition of corporate values and how to use the Value-Added Statement (VAS) to report all of these values (or sustainability transactions).

The importance of this investigation is in three-folds. Firstly, the research will help in making theoretical contributions in the field and literature of value-added reporting, sustainability reporting, audit and assurance of sustainability activities. Secondly, this investigation will help in proposing modifications to the existing reporting structure, format and framework used in presenting the Value Added Statement. This will also lead to revising company policies and international accounting reporting standards in the quest to expand corporate reporting beyond the traditional or conventional phase. Last but not least, the investigation will lead to possible

modifications to the methodological approaches used by social scientists and accountants in defining what constitutes value, how to commodify or recognize value and the method for full disclosure of changing corporate values and/or sustainability transactions or activities.

Do you have to take part?

Your participation in the research is not mandatory. If you decide to participate in the research, it will be considered a voluntary will on your part to assist the researcher in his investigations. You may decide not to further participate in the investigation and your refusal to participate or withdraw your participation will not in any wise affect any other aspects of the way a person is treated. At any point during the investigation, you have the right to withdraw from the research without any detriment. In addition, if at any point of the investigation you withdraw from the research, all the information you have provided will be destroyed at your request unless you expressly permit us (the researchers) to adopt the partial information provided us for our analysis.

What will you do in the project?

During the investigation, you will be asked to partake in a zoom or Microsoft Teams interview in order to solicit information or data. There is no cost element to the interview activity, i.e. no funds will be reimbursed to the participant for participating in the interview process. It is expected that the interview will take place remotely via the use of Zoom or MS Team. The researcher will be based in the UK whereas the respondent or interviewee(s) will be located in either South Africa, Ghana, Latin America and the UK. Interviews could last up to 2hours depending on the extent of exposure and depth of knowledge of the participant. It is expected that the interviews will take place between 1st March, 2022 and 30th April, 2022. Where necessary, the researcher will conduct a follow up interview with the participant in order to seek further clarifications to responses earlier provided.

Why have you been invited to take part?

Participants are primarily Practitioners involved in the preparation, reporting and auditing and assurance (evaluation) of the basic VAS and financial statements. These are Auditors from selected Big 4 Audit Firms, Financial Analysts from IGOs (specifically USAID West Africa),

Consultants involved in the preparations of the VAS for companies and Company Accountants responsible for Sustainability Reporting.

The major inclusion criteria used is that the participant should have an indepth understanding of the main financial statements (Income Statement, Balance Sheet or Statement of Financial Position, Statement of Cashflows, Statement of Changes in Equity) of a company. Another inclusion criteria is that the participant should be able to readily recognize values created and distributed in the company. No further screening procedures are use.

An estimated number of 15 participants are expected to participate in this research. These include senior consultants, managers and senior managers working in Big 4 audit firms, one or two audit partners from Big 4 audit firms in emerging economies, financial analysts and officials in charge of corporate value reporting and sustainability examinations from the USAID and Company Accountants or official(s) involved in the preparations and reporting of sustainability and value-added statements.

What information is being collected in the project?

Information collected in this research are not personally identifiable information (PIIs). Information being collected are primarily financial statement information, class of accounts presented in financial statements, summarized and categorized financial and non-financial information in the form of sustainability transactions or activities and value-addition and/or value distribution information. In addition, individual perceptions, opinions, knowledge and understandings of technical information based on corporate activities are to be collected in this research. International standards that define and overtly or covertly support the reporting and disclosure of sustainability and value-added information also form a core of the categories of information to be collected in this investigation.

Who will have access to the information?

All primary and secondary data collected will only be accessible by the chief investigator and myself (the lead researcher). In addition, my primary or other supervisor will be able to access the secondary and primary pieces of information and data gathered from my investigations. Information gathered will be password-protected and the identities of the respondents anonymized via the use of code-names assigned to each participant. This will ensure

confidentiality of the gathered data in line with the University of Strathclyde's ethical code of conduct.

Finally, data which has been collected from the original sources will not be shared with or published in any public domain. Data collected will be restricted to the sole purpose of the PhD work. Access to the data will be granted to my Supervisors and, where necessary, Examiners (or any other authority that the Strathclyde Business School deems fit to access the data). Access to all stored data will be restricted using a robust alpha-numeric (coupled with special characters) password. This should safeguard the integrity of the data collected. Data will not be shared with any external body outside of the UK.

Where will the information be stored and how long will it be kept for?

Data collected will primarily be encrypted and stored on OneDrive, which is the University of Strathclyde's secure cloud storage system. All recorded interviews (including audio files), secondary pieces of information (whether in scanned copies or original soft copies, and transcribed audio recordings and other correspondences will be securely stored in the University's OneDrive. Where necessary and approved by the University, I will keep copies of these data on my iDrive.

It is expected that the data collected will be retained by the University of Strathclyde for a minimum period of five (5) years after which the data will be securely disposed off. No personal information will be held beyond the prescribed minimum period of retention by the University of Strathclyde. However, given that all participants will be anonymised, the anonymised data could be retained for up to ten (10) years in line with the University's data repository and retention policies.

Thank you for reading this information – please ask any questions if you are unsure about what is written here.

All personal data will be processed in accordance with data protection legislation. Please read our Privacy Notice for Research Participants for more information about your rights under the legislation.

What happens next?

All thematic analysis conducted on the primary data collected will be shared with the participants prior to finalizing the research findings, discussions and conclusions. Participants are allowed to modify, amend or adjust the analytics provided they are convinced that a possible misinterpretation has been applied to their responses. If there are responses which the participants deem unsuitable to be included in the research work, such responses will be totally expunged from the thesis.

If the participants have any follow up questions or need for further clarifications, they are at will to contact the following personnel for assistance:

Lead Researcher: Richard Kojo Tawiah, PhD Candidate, richard.tawiah@strath.ac.uk
Chief Investigator: Prof. Krishna Paudyal, krishna.paudyal@strath.ac.uk

Other Primary Supervisor: Dr. Andrea B. Coulson, a.b.coulson@strath.ac.uk

If you are happy to proceed in participating in the investigation or research, you will be asked to sign-off (either electronically or by ink) a Participant Consent Form to confirm your voluntary participation. We will greatly appreciate your time and knowledge for participating in this research.

On the other hand, if you think it is unsuitable for you to participate in the project, I would like to take this opportunity to thank you for your kind attention.

Results of the research work will be included in a couple of research publications. These draft manuscripts will be shared with the respondents, first-hand, via emails prior to disseminating the research findings in academic journals.

Researcher contact details:

Richard Kojo Tawiah (FCCA, PG Dip., PG Cert., MBA, ACFE, CIMA Adv.Dip. M.A., B.Com)

Doctoral Researcher (Strathclyde University) and Lecturer (University of the West of Scotland)
University of Strathclyde, Strathclyde Business School, Department of Accounting and Finance
Stenhouse Wing, Level 3, 199 Cathedral Street, Glasgow G4 0QU, Scotland, UK
Telephone: +44 (0) 141 586 2949 / (0) 755 159 6650
Email: richard.tawiah@strath.ac.uk

This research was granted ethical approval by the University of Strathclyde's Department of Accounting and Finance Ethics Committee.

If you have any questions/concerns, during or after the research, or wish to contact an independent person to whom any questions may be directed or further information may be sought from, please contact:

Chairman to the Department of Accounting and Finance Ethics Committee
University of Strathclyde
Strathclyde Business School
Stenhouse Wing, Level 3
199 Cathedral Street
Glasgow G4 0QU
Email: patrick.mccolgan@strath.ac.uk

Consent Form for [Name of Participant]

Name of department: Department of Accounting and Finance

Title of the study: *Leveraging on the mechanics of conventional accounting practice to aid sustainability reporting and assurance: a case study of the practice in Emerging Markets via the use of the Value-Added Statement*

- I confirm that I have read and understood the Participant Information Sheet for the above project and the researcher has answered any queries to my satisfaction.
- I confirm that I have read and understood the Privacy Notice for Participants in Research Projects and understand how my personal information will be used and what will happen to it (i.e. how it will be stored and for how long).
- I understand that my participation is voluntary and that I am free to withdraw from the project at any time, up to the point of completion, without having to give a reason and without any consequences.
- I understand that I can request the withdrawal from the study of some personal information and that researchers will comply with my request. In addition, should I withdraw from the investigation at any point in time during the research, all data and information I have provided will be destroyed by the researcher unless I have expressly given the researcher my consent to use the partial or full information or data provided. This includes the following personal data:
    - video recordings of physical interviews that identify me;
    - audio recordings of interviews that identify me;
    - pictorial representations and images that identify me;
    - applicable audit working papers or company reports that identify me;
    - my personal information from transcripts.
- I understand that anonymised data (i.e. data that do not identify me personally) cannot be withdrawn once they have been included in the study.
- I understand that any information recorded in the research will remain confidential and no information that identifies me will be made publicly available.
- I consent to being a participant in the project.

- I consent to being audio and/or video recorded as part of the project

(PRINT NAME)	
Signature of Participant:	Date:

Appendix 5: Interview schedule and set of semi-structured questions for the interviews

<u>Introduction</u>

I am Richard Kojo Tawiah, a final year Doctoral or PhD Student with the University of Strathclyde Business School, Department of Accounting and Finance.I am currently based in the city of Glasgow, Scotland, UK and ply my profession as a Full-Tenured Lecturer with the University of the West of Scotland, UK.

<u>Purpose of the Interview</u>

I am conducting an investigation into how we can use conventional or traditional accounting practices to aid, promote and enhance/improve sustainability reporting (and its associated audit and assurance processes). I am seeking ways in which accountants, academic researchers and industry experts could leverage on the generally accepted accounting principles and standards (like the International Financial Reporting Standards, International Accounting Standards and Generally Acceptable Accounting Principles) to disclose and report major elements of sustainability activities.

Since sustainability activities include both quantitative and qualitative transactions, the investigation is further considering how these non-financial elements of sustainability could be disclosed in the company's books for audit purposes. Where necessary, I will be looking at whether firms could place some monetary values (i.e. quantify or commodify) these non-financial activities for future audit and assurance purposes.

It is important to mention that the concept of sustainabilty and topic of accounting is generally broad. Thus, this research is focusing on one key aspect of sustainability and accounting, i.e. the recognition of corporate or entity values and how to use the Value-Added Statement (VAS) to report all of these values (or sustainability transactions).

During the investigation, you will be kindly asked to partake in a live interview session in order to solicit information or data. There is no cost element to the interview activity, i.e. no funds will be reimbursed to the participant for participating in the interview process. It is expected that the interview will take place remotely via the use of Zoom or MS Team.

Contacts and Participant's Consent Form

Professor Krishna Paudyal, a Professor of Empirical Finance at the Strathclyde Business School's Department of Accounting and Finance is the primary supervisor of this investigation.

If you need any information or further clarifications relating to this research project, please do not hesitate to contact any or both of us for assistance:

Chief Investigator: Prof. Krishna Paudyal, **krishna.paudyal@strath.ac.uk**

Lead Researcher: Mr. Richard Kojo Tawiah, FCCA **richard.tawiah@strath.ac.uk / richard.tawiah@uws.ac.uk**

As part of the investigation, I have attached herewith the Participant Consent Form under Appendix 1 for your kind reference, review and attention.

Thank you for your collaboration and I look forward to having a fruitful data collection/interview session with you.

Thank you,

Richard Kojo Tawiah, FCCA.

Interview Questions and Guide

I recently undertook a secondary data analysis of the Value-Added Statements and/or Sustainability Reports of the top 100 Listed Companies of the Johannesburg Stock Exchange (The JSE Ltd) (top 100 by Market Capitalization as of August 2020). Based on the preliminary findings, the researcher came up with four (4) themes namely:

1. Value Reporting and Sustainability Reporting
2. Standardisation and Regulation of Value and Sustainability Reporting
3. Changing Trends in Value-Added (VAS) as a tool for Sustainability Reporting
4. Leveraging on the mechanics of Conventional Accounting Practice

Subsequent to the above, the following set of questions, based on the themes developed above, will guide our discussions.

Section A: Value Reporting and Sustainability Reporting

1. How can we describe corporate sustainability activities to a non-financial stakeholder, i.e. the ordinary stakeholder who has little or no knowledge of the financial statements?

2. In your own words, how should we simply explain what corporate or company value-addition means? How would you classify/categorize corporate value-addition by and value-distribution to stakeholders?

3. To what extent do you think sustainability reporting differs from corporate value-added reporting? In which unique ways do these two terminologies or concepts converge (or share similar features)?

4. A cross-section of stakeholders tend to refer to the Value Added Statements (VAS) as a restatement of the conventional financial statements (typically limited to the Income Statement or Statement of Profit and Loss). How will we justify or refute these claims made by this cross-section of the users of financial statements?

5. Following from (4) above, how can we detail out areas in which the value added statements differ significantly from sustainability reports. In your opinion, which other elements do you think need to be included or removed from the VAS in order to gain more stakeholder usefulness?

Section B: Standardisation and Regulation of Value and Sustainability Reporting

6. Conventional accounting is privileged to have standardized and generally accepted accounting principles and standards that regulate the practice. It makes the practice uniform across countries and continents. From your experience and opinion, how will we justify the need to adopt and deploy these standards and accounting principles for use in corporate value-added and sustainability reporting?

7. It is also argued, on the contrary, that these accounting standards are always undergoing periodic reviews, revisions and updates. This places some doubt on its validity and consistent application or usefulness over time. Given this argument, how will we make a case for a parallel modification to the VAS and Corporate Sustainability Reports provided these accounting standards be applied and adopted in corporate sustainability and value-added reporting functions?

Preamble to question 8:

Unlike conventional accounting practices that use generic and standardized regulations and principles (such as the IFRS, IAS and GAAPs), sustainability reporting uses varied standards such as the GRI Reporting Framework, AA1000AP, AA1000AS, <IR> Framework, and the most recently drafted Sustainability Reporting Standards. Interestingly, these various sustainability regulations are difficult to synchronize or harmonize into one piece, unlike the conventional accounting principles. Besides, they are voluntary to adopt and not mandatory as in the case of conventional accounting practice.

8. Based on the above, how will/can we argue for and against the use of these divergent sustainability reporting standards in corporate reporting practices? Are there any merits in the use of these varied principles?

Preamble to question 9 and 10

Similar to point (8) above, VAS reporting is voluntary and does not follow any standardized reporting framework. Even though VAS was first adopted, introduced and regulated in the UK in 1976, and subsequently adopted as a meaningful tool for sustainability in the USA, France, Germany and other advanced countries, the VAS seems to be abandoned by the Westerners. Currently, VAS is much more used and adopted by emerging economies such as South Africa, selected West African countries and predominantly in the Latin American countries like Brazil, Uruguay and Argentina.

9. From the above, how can we justify the reasons for which we think corporate entities should adopt a rather standardized reporting principle(s) for use in corporate value-added (VAS) reporting and sustainability reporting functions.

   If you think there are merits in using different reporting standards for use in corporate sustainability and value-added reporting, please explain these as well.

10. Secondly, how can we explain the possible reasons causing the Westerners to gradually abandon the VAS (as a tool for sustainability reporting) and the motivation behind the adoption of the VAS by emerging economies?

Section C: Changing Trends in Value-Added (VAS) as a tool for Sustainability Reporting

Preamble to question 11 and 12

The United Nations have put together a System of National Accounting (SNA) Framework. In addition, the UN has a standardized framework that looks into Natural Accounting and Ecosystem Accounting, i.e. the UN System of Environmental Economic Accounting (SEEA).

In these reporting frameworks, the UN advocates for the recognition and measurement of natural capital, social and environmental values-created and distributed under the same framework as the financials (economic data).

11. Based on the above and given your background and experience, how do we think firms could leverage on the UNSNA and UNSEEA Reporting Framework to comprehensively identify and disclose corporate values-added and distributed in the VAS?

12. Subsequent to point (11) about, how can companies commodify non-quantitative values, i.e. how to measure and place value of natural or social elements of value such as customer satisfaction, fair labour relations, quantum of pollution emitted into the environment, etc.? Are there any tools that could be used to measure and quantify these non-financial values – can we think of any?

Preamble to question 13 and 14

A detailed secondary analysis of the top 100 companies listed on the Johannesburg Stock Exchange (The JSE Ltd) (by Market Capitalization) as of August 2020 disclosed that some companies tend to abandon the practice of preparing and including the VAS (as a tool for sustainability reporting) only to pick them up at a latter period. In lieu of not preparing the VAS, these companies will usually plug in CSR and Sustainable Development Reports (which are typically narratives) in their annual reports. In addition, about 95% of the VAS reports are not assured nor audited by any third party assurance firms.

13. In your opinion, why do firms sometimes abandon sustainability and value-reporting tools (like the VAS) only to later come and pick them up?

14. Are there any benefits associated with auditing and assuring the VAS and/or other sustainability reporting tools? How different is audit and assurance of VAS and sustainability activities from the audit and assurance of the conventional financial statement?

Section D: Leveraging on the mechanics of Conventional Accounting Practice

15. Given your background and expertise in corporate reporting, how will you justify the need to leverage on mechanical accounting conventions to enhance corporate value-added reporting (the VAS)?

16. What other suggestions could you provide in relation to how to expand sustainability and value-added reporting using any other approach in addition to the conventional accounting practice? Will there be the need for a multi-disciplinary approach to promoting sustainability and value-added reporting?

17. In what ways can the traditional VAS be expanded to include other measures of values other than those primarily captured from the Income Statement? Can corporate entities use other values from the Statement of Financial Position (Balance Sheet), Statement of Changes in Equities (SOCIE) and Statement of Cashflows? Can you kindly specify which classes of accounts to be included and why you think these other classes of accounts or account lines incorporate elements of value-addition and/or distribution?

18. Is there any justification and motivation for firms to prepare VAS in addition to separate standalone (qualitative) sustainability reports? Will than amount to extra work to the preparers? What are the risks associated with this practice of producing separate/standalone VAS and Sustainability Reports?

19. Contrary to point (18) above, are there any reasons for which you think the VAS, other Sustainability Reports and the conventional financial statements should be integrated into one comprehensive report?

20. It has been argued that a broad range of stakeholders find the VAS and Sustainability Reports boring to read, and adds no value to their lives. Reason: just a repetition of the same financial statements in a different format with no recourse to qualitative metrics

that improve the lives of the stakeholders. In your opinion, how can corporate entities add values to and entice more stakeholders to use and patronize the VAS and Sustainability Reports?

Appendix 6: Sample Letters to Audit Partners and Audit Directors of Big 4 Audit Firms

Dear Mr. (Name of Audit Partner/Director),

Greetings and trust this email finds you well. This is your boy, Richard Kojo Tawiah. I am currently in the UK wrapping up my PhD studies in Accounting and Finance at the University of Strathclyde.

Mr. (Name of Audit Partner/Director), I need your help with regards to your wealth of knowledge and experience in the field of corporate reporting, auditing and assurance. My PhD work is focused on how we can use the conventional accounting practices to promote sustainability reporting and assurance in emerging markets. I then narrowed down on the use of the Value-Added Statement (VAS) as a tool for advancing this field of work.

Currently, I have done some secondary data analysis of the top 100 listed companies (by market capitalization) on the Jo'burg Stock Exchange. I am now seeking to gain some expert advice, opinions and knowledge on emerging themes I derived from my secondary data analysis. This is where I need your expert knowledge and inputs.

May I kindly use this means to say that I am not using (Name of Big 4 Audit Firm) as a case study. I am only seeking expert knowledge from my networks. Thus, I have participants from EY, USAID, KPMG, PwC, Industry CFOs, Practicing Accountants, Consultants etc. These experts are based across South Africa, Ghana, UK, USA and Latin America. This is the reason why I am contacting you as a direct network other than (Name of Big 4 Audit Firm) as a Body

Corporate. I am not too sure how the SOPs of (Name of Big 4 Audit Firm) are when it comes to such issues – do I need to write officially to a point of contact seeking permission to obtain expert knowledge and advice from one of their key staff? Please advise me on this.

On the basis of the above, I pray that my request fits into your interest(s) and willingness to assist me. I have attached to this email my draft interview guide and set of questions for your review and kind consideration. I would prefer to have a follow up zoom meeting with you at your earliest convenience to record your responses, provided you can squeeze some time out of your busy schedules for me. On the other hand, if time will not permit (since I understand the workload on you as an Audit Partner with a Big 4 Audit Firm such as (Name of Big 4 Audit Firm)) then you could provide me with written responses as you deem fit. I need your help, please, Mr. (Name of Audit Partner/Director),

I will await your kind response to my email. Many thanks for your continued support and my warmest regards to the (Name of Big 4 Audit Firm) Family.

Kind regards,

Richard.

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