Geert Braam (Radboud University)

“Exploring the relation between corporate sustainability performance and assurance on sustainability reports”

Abstract

In response to investors and other stakeholders questioning the credibility of the performance information displayed in sustainability reports, companies increasingly have their sustainability reports voluntarily assured by an independent third party. However, voluntary third-party assurance on sustainability reports (CSRA) may vary considerably in terms of the choice of the assurance provider as well as the scope and level of assurance. In this study, the relation between corporate sustainability performance (CSP) and choices related to CSRA is explored. Using a panel data set of listed companies during the period 2009–2014, comprising 4,686 observations in European and North American countries, the results indicate that companies with a superior CSP are more likely to employ third parties to provide assurance on their sustainability reports than companies with an inferior sustainability performance. For the companies that employ third parties to provide assurance, CSP plays a significant role in explaining variation in (a) the choice of the assurance provider for companies headquartered in North America, (b) the scope of assurance for European companies, and (c) the level of assurance for companies from the United Kingdom. The results support the notion that companies with a superior CSP make different choices related to CSRA than companies with an inferior CSP. The results also indicate that country-specific characteristics are important for understanding the variation in choices related to CSRA. We discuss the findings and their implications.