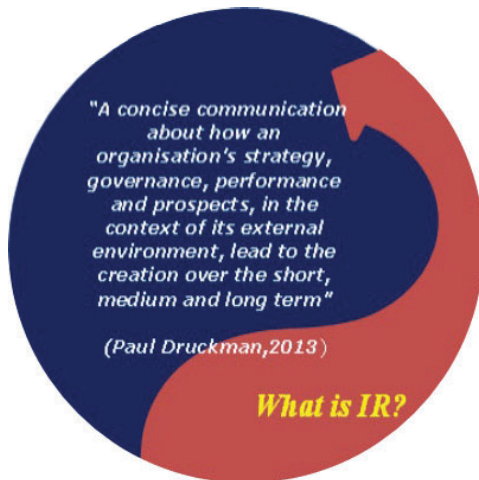


Integrated Reporting: Engaging Sustainability Assurance

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Integrated reporting (IR) is a clear and concise communication about how an organisation's strategy, governance, performance and prospect lead to a creation of value over the short and the long term. IR helps organisations to think holistically about their strategy and plan in the context of the business impact on the different capital, making better informed decisions and managing key risks taking advantage of opportunities. A substantial number of prior research has documented an increased interest and awareness in sustainable development, in which organisations

willingly participate in sustainability activities and disclosure.

The upsurge in the number of integrated reporters has led to the awareness or debate on the need to provide credibility and reliability to sustainability-related information within the integrated reports (Kilic & Kuzey, 2018). Independent sustainability assurance identified as the key mechanism to ensure the credibility and reliability of the integrated reports (IIRC, 2014). The independent sustainability assurance serves as the monitoring mechanism to curtail the opportunistic manoeuvre of the companies' agents and minimizing the agency conflicts. This monitoring mechanism has been rapidly adopted by institutions and organisations due to the need to monitor sustainability risk and activities (Fraser et al. 2020). Hence, the need for assurance functions should be evolved alongside the integrated reporting practices.

The engagement of independent sustainability assurance is influenced by many factors. Kilic et. al, (2021) examined the country specific factors associated with the decision to adopt voluntary sustainability assurance on integrated reports. The study found that companies operating in code-law (stakeholder-oriented) countries relative to common-law (shareholder-oriented) are more likely to adopt assurance statements for integrated reports. This mainly due to their response to the expectations of the general public.

Besides, public institutions also have influence on the need for sustainability assurance statements or reports. A Low-quality public institution or weak institutional environment increases the need for assurance statements (Kilic, 2021). When the authorities fail to act responsibly particularly



when the investor protection mechanism is not strong, the companies are highly likely to put an extra cost to obtain the voluntary sustainability assurance and demand for higher quality assurance. Corporate commitment and general awareness of environmental issues are also the main factors of the adoption of the sustainability assurance (Hazeaa S.A, Zhu,J., Khatib, S.F.A, Bazhair, A. H, Elamer A., (2021).

Apart from the factors associated with the decision to adopt the independent sustainability assurance, the other area of concern surrounding the sustainability assurance is the assurance services providers. Unlike the financial statements, the sustainability assurance services can be conducted by both accounting and non-accounting firms.

The auditor of sustainability information has a significant role in mitigating the risks related to sustainability violations. There is no doubt that accounting assurance providers have greater knowledge, experience and skills in financial auditing services and highly likely be hired for assurance services rather than the non-accounting, however, it does not mean that the non-accounting assurance provides affect the quality of the assurance reports. This is supported by Hazea et al. (2021) that assurance providers are not necessarily linked to the audit profession. The non-accounting assurance providers may possess a greater level of expertise in complicated social and environmental processes. To promote and practice rigorous assurance, organisations should be responsible for hiring assurance experts who have sufficient experience.

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