

# CSR Assurance

# US Academic Perspective

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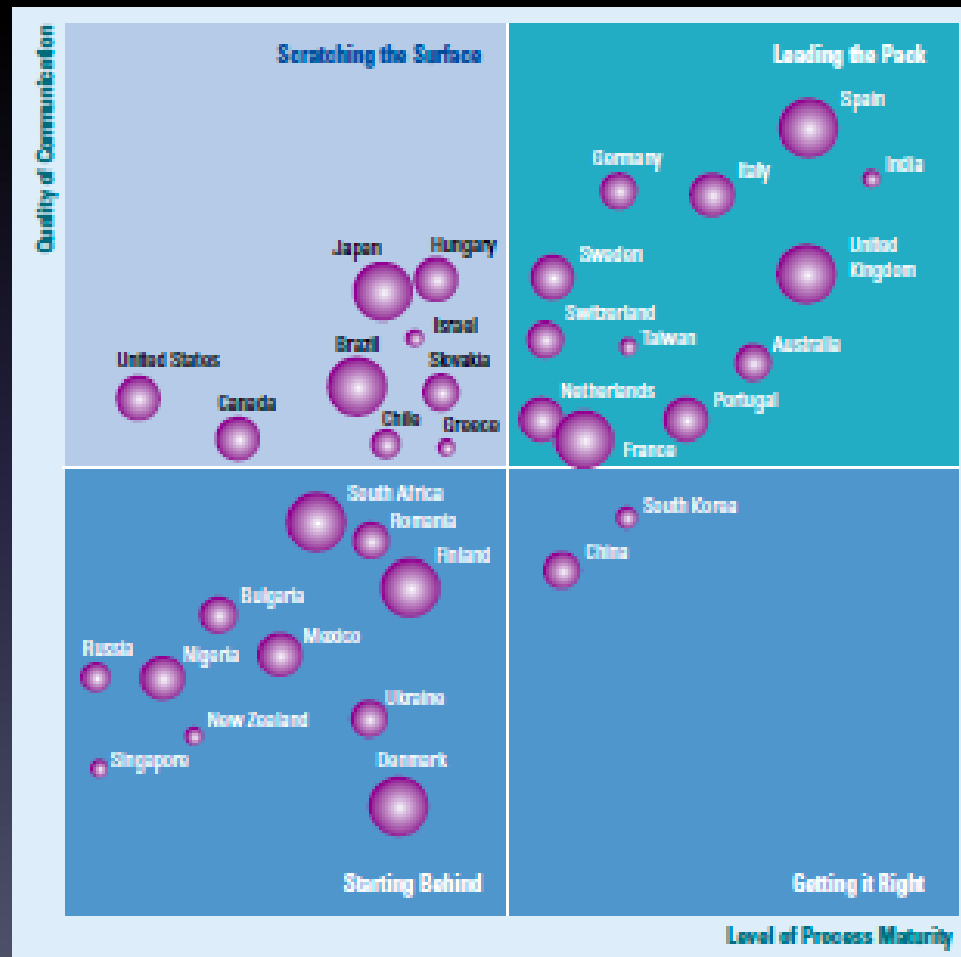
# CSR Reporting in US

- Voluntary Disclosure
- On the rise
- Assurance
  - Accounting firms, consultancy, engineering

# State of CSR Assurance

- KPMG 2011 Survey
  - 3400 Global companies (includes G250)
  - 34 Countries, 16 sectors

# KPMG 2011 Reporting Assessment



# Factors in Assessment

- Information systems and processes
- Assurance, level and scope
- Restatements
- Multiple channel communications
- Use of GRI standards
- Integrated reporting

# KPMG 2011

## Assurance on CR Reports - % by Countries

India	80%	Hungary	33%
South Korea	75%	South Africa	31%
Denmark	65%	Finland	29%
Spain	65%	Israel	28%
Italy	64%	Slovakia	28%
France	60%	Switzerland	27%
UK	56%	Mexico	25%
Australia	51%	Japan	23%
Greece	50%	Romania	23%
Portugal	45%	Canada	21%
Taiwan	43%	Bulgaria	20%
Sweden	42%	New Zealand	19%
Netherlands	41%	Nigeria	19%
Brazil	40%	United States	14%
China	37%	Russia	13%
Germany	35%	Singapore	7%

# Experimental Study

- Brown-Liburd, Cohen, and Zamora (2012)
  - Examined individual investors adjusted stock price assessments (% change) in presence of positive CSR disclosure
    - CSR investment (higher vs lower)
    - Assurance (with or without)
    - Fairness perceptions (linear with positive CSR)

# Brown-Liburd et al. (2012)

- Subjects
  - 268 Individual investors recruited
    - purchased subject pool and web based survey software (Qualtrics)
  - Considered to have appropriate skills to make investment decisions
    - Education, investment experience, age, knowledge of CSR



# Brown-Liburd et al. (2012)

## – Results

- Higher revisions in price
  - with company's higher CSR investment
  - With investors' higher fairness perception (Moral Equity Score) of CSR
- CSR assurance significant only when CSR investment is ranked as higher compared to others in industry
  - » [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1985839](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1985839)

# Experimental Study

– Pflugrath, Roebuck, and Simnett (2011)

Financial analysts from Australia, US, and UK

- Do they perceive difference in credibility of stand-alone sustainability report?
  - Assured vs. not assured
  - Type of assurance (accountants vs. consultants)
  - Analysts' country
  - Different industries

# Pflugrath et al. (2011)

- CSR report credibility perceived as greater with assurance by financial analysts in UK, Australia, and US

# Pflugrath et al.

## – Context mattered

- More credible in industries where assurance is more commonplace
- Analysts in US
  - CSR more credible when assurer is professional accountant versus sustainability consultant
- Auditing: Journal of Theory and Practice,

# Impact of stand-alone voluntary disclosure

- Dhaliwal et al. 2011
- Is CSR disclosure related to US firms' cost of equity capital? Yes
- How is it related?
  - Reduction in cost of capital motivates CSR publication
  - Disclosure of superior CSR performance leads to lower cost of capital.