

# **SUSTAINABILITY REPORTING PRIORITIES – A STUDY EXPLORING ACCOUNTING MAJORS’ PERCEPTIONS**

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## **ABSTRACT**

*Sustainability reporting continues to gain global significance. Diverse stakeholders expect that entities of all types and sizes behave responsibly and add value while minimizing their negative impact on scarce resources. Increasingly, stakeholders also expect that entities report information about their comprehensive effect on the environment, employees, the community, and other stakeholders. Accounting professionals’ involvement with the selection, derivation, and reporting of sustainability related information is expanding and presents significant opportunities for current and future accounting professionals. Accounting professionals’ perceptions regarding sustainability reporting may influence the nature and extent of reporting; hence, their perceptions are important.*

*This study investigates the perceptions of accounting majors regarding broad as well as specific aspects of sustainability reporting by business entities. The study finds that accounting majors tend to support sustainability reporting by public companies, perceive that entities should report information about failures as well as achievements, and that the information should be audited. In response to open-ended queries, accounting majors specified several types of information with high reporting priority for each major sustainability area - environment, labor, society, human rights, and product responsibility.*

*The findings from this study provide important insights into the perceptions of future accounting professionals, which may be useful to standard setters, policy makers, educators, business organizations, and other stakeholders.*

## **INTRODUCTION**

Sustainability, also referred to as sustainability development, corporate social responsibility (CSR), accountability, and stewardship continues to be of paramount importance to diverse stakeholders. The World Commission on Environment and Development (also referred to as the Brundtland Commission), formally defined sustainability development as a “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations, 1987, 37). Interest in and demand for organizations to minimize their negative impact on the environment, on employees and the regional as well as the global community continues to grow. Annual summits, such as the recent Sustainability Summit held in London, are attended by world leaders, researchers, and other stakeholders; and highlight the need for global solutions to global issues.

Stakeholders of business organizations expect and demand that organizations discharge their obligations to stakeholders responsibly and implement programs that minimize their negative impacts, while maximizing positive results. In response to these expectations and for other reasons such as cost savings and operational efficiencies, organizations of all types and sizes implement and monitor programs that minimize their negative impact on the environment, their employees and the community. In addition, formal and informal reporting on organizations' sustainability programs has grown tremendously. Stakeholder theory and legitimacy theory provide some theoretical explanations for the trend toward increased sustainability reporting.

Accounting professionals' involvement in sustainability reporting is increasing. Large public accounting firms and some smaller accounting and consulting firms have developed service offerings addressing the sustainability reporting needs of their clients. Professional organizations, such as the American Institute of Certified Public Accountants (AICPA), also provide valuable sustainability reporting information. Accounting professionals' involvement in sustainability and sustainability reporting likely will continue to rise. Their perceptions regarding the need for and value of formal reporting will tend to influence the extent and quality of sustainability reporting. Accounting majors, who represent the future accounting professionals and many of whom will directly or indirectly become involved with sustainability, will help influence reporting substance and quality. Thus, their perceptions are important and information about their perceptions provide valuable insights useful to academia, standard setters, and other stakeholders.

This study explores accounting students' perceptions of sustainability reporting with respect to broad and specific issues, including the need for reporting specific types of sustainability related information. The results suggest that accounting majors tend to support mandatory reporting of audited sustainability information by public companies. Accounting majors also appear to recognize the importance of reporting information about sustainability related failures as well as achievements. Study participants indicated multiple issues for which companies should provide information with respect to the environment, labor, human rights, society, and product responsibility and ranked them based on priority. The most frequently mentioned and top ranked sustainability issues with respect to the environment related to "harmful emissions," with respect to labor related to "employee benefits," with respect to society related to "community involvement and charitable work," with respect to human rights related to "prevention of discrimination," and with respect to product responsibility related to "product recalls." Findings from this study provide important insights into the perceptions of future accounting professionals that may be useful to educators, policy makers, information providers, and stakeholders who benefit from reporting of comparable high-quality information.

## **BACKGROUND**

Concern about the comprehensive impact of organizations of all types and sizes on the environment, on people, and the community in which they operate continues to be of high importance. Global concerns about increased pollution levels in especially developing nation and the availability and preservation of scarce natural resources continue to proliferate in light of the persistent increase in the world population and increase in demand for scarce resources. According

to the World Resource Institute (n.d.), during the past decade, water use has increased twice as fast as the world population. Global leaders try to address these issues primarily through agreements among nations and through national regulation. The extent and enforcement of regulation pertaining to sustainability related issues vary considerably among nations. In addition to governmental mandated regulation, sustainable behavior by business and non-business entities has in recent years been motivated by the demand and expectations of stakeholders.

These governmental and stakeholder motivated expectations appear to have been fulfilled. Increasingly, individuals, governmental units, for profit, and not-for-profit organizations participate in efforts to help alleviate the global consequences associated with resource shortages, waste, and pollution; and address issue to enhance employee and community well-being. Extensive recycling programs, investment in renewable energy and energy-efficient equipment, low-flow water systems, utilization of low emission equipment, employee and community oriented programs that improve the health and quality of individuals, and voluntary product recalls are examples of sustainability in action. Global investment in new clean energy rose from \$61.86 billion in 2004, to \$328.93 billion by the end of 2015 (Bloomberg, 2016). Complementing the trend toward enhance sustainability is the trend to formally report sustainability related information to stakeholders.

### **Sustainability Reporting – Current Status**

For decades, companies have publicized their sustainability related efforts to customers and other stakeholder as part of promotional materials, in advertisements, on product packing and other highly visible media, frequently emphasizing only positive achievements. This is supported by past research (e.g., Merkl-Davies & Brennan, 2007). Many of these companies also provide information on their corporate websites. However, increasingly, entities report on their sustainability efforts by issuing formal periodic sustainability reports. The prevalence of formal reporting varies considerably among nations. The highest incidence of formal reporting tends to be by companies located in countries that require some level of reporting. For example, the Danish Financial Statements Act requires that large companies disclose sustainability-related information, which led to a significant increase in sustainability reporting in Denmark (KPMG et al., 2015). In South Africa, sustainability reporting is mandated by stock-market regulators (KPMG et al., 2015).

Selected sustainability related disclosures are required by the U.S. Securities and Exchange Commission (SEC). SEC Regulation S-K, Section 101, “Description of Business,” which SEC registrants must comply with, states that: “Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.” (SEC, n.d. paragraph 229, item 101 (c) (1) (xii)). In addition, regulation S-K requires that SEC registrants disclose material environmentally-related legal actions (SEC, n.d., paragraph 229, item 103). While SEC reporting companies must disclose information required by the SEC, many business entities that do not report to the SEC choose to issue formal sustainability reports. Furthermore, many SEC reporting and non-SEC companies’

issue sustainability reports that include more extensive and diverse disclosures than those required by the regulator.

### **Motivation for Voluntary Sustainability Reporting**

Prior literature identifies primarily two theories that help explain entities' motivation for sustainability reporting -- legitimacy theory and stakeholder theory. Dowling and Pfeffer (1975, 122) define organizational legitimacy theory as: "a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part." Dowling and Pfeffer view a disparity between actual and perceived value systems that are pertinent to the entity as threats to the entity's legitimacy. Thus, legitimacy theory may explain, in part, why companies react to the global demand for sustainable practices by reporting. In essence, companies may be reporting about sustainability to address or prevent an actual or perceived discrepancy between their value system and that of key stakeholders.

Some research supports this theory. For example, Cho and Patten (2007) found evidence suggesting that companies with poor environmental performance tend to report more extensively about their programs to alleviate their negative environmental impact. Cho et al. (2010) found evidence suggesting "language manipulation" by companies with poor environmental performance. Furthermore, Cho et al., (2012) found evidence of companies with weak social performance utilizing "impression management" in their social responsibility graphs. Thus, entities whose actions are perceived as contrary to those of key stakeholders may be using sustainability reporting to improve their reputation and stakeholders' perception about value system congruence.

Stakeholder theory, which is attributed to R. Edward Freeman (1984), also provides support for entities' motivation to report on sustainability. In the context of sustainability reporting, stakeholder theory suggests that entities report on sustainability in response to stakeholder expectations and demand. Furthermore, entities tend to be more likely to meet the expectations of those stakeholders that are perceived as most powerful and important. Some prior research (e.g., Chen and Roberts, 2010) supports this view. While taking a somewhat different focus, both stakeholder theory and legitimacy theory are closely related. In the context of sustainability reporting, legitimacy theory may explain why companies who perceive the need to address reputation issues will report information that may enhance their reputation, while stakeholder theory may explain why companies whose stakeholders hold sustainability-related expectations tend to comply with those expectations.

Recent surveys appear to support stakeholder theory. Findings from a survey by Ernst & Young and Boston College Center for Corporate Citizenship (2013) suggest that "transparency with stakeholders" represents the most important motivation for both large and smaller companies to report about sustainability. Specifically, in their survey, nearly 80% of the large and 60% of the smaller companies that report on sustainability indicated "transparency with stakeholders" as an important reason for reporting (EY & Boston College for Corporate Citizenship, 2013). Furthermore, analysis of shareholder-initiated proposals shows that in 2016, sustainability

represented the top category, with 41% of shareholder proposals dealing with environmental and social issues (E&Y, 2016).

Commitment of entities' decision makers to sustainability reporting will likely depend on their perceptions that reporting will yield tangible and/or intangible benefits in excess of reporting related costs. These benefits may include enhanced reputation, mitigation of negative stakeholder and regulator perceptions, cost savings, and employee and investor goodwill. Sustainability reporting may also affect a company's cost of capital. A recent study (Dhaliwal et al., 2011) suggests that entities with high cost of capital that voluntarily start reporting about superior social responsibility programs will tend to experience a decrease in their cost of capital.

### **Sustainability Reporting Guidelines**

The usefulness of sustainability reporting strongly depends on the relevance, faithful representation, and comparability of the information provided. The availability and consistent application of reporting guidelines are necessary to achieve a high level of comparability. Efforts by several organizations support this objective.

Since its establishment nearly two decades ago, the Global Reporting Initiative (GRI) has developed and periodically updated its sustainability reporting guidelines. GRI's mission is "...to empower decision makers everywhere, through our sustainability standards and multi-stakeholder network, to take action towards a more sustainable economy and world" (GRI, n.d.). Its newest set of guidelines is referred to as "G4 Sustainability Reporting Guidelines" (GRI, n.d.). The GRI guidelines are widely used. A study by Ernst & Young and Boston College of Corporate Citizenship (2013) found that approximately 63% of the S&P 500 companies that issue formal sustainability reports utilize GRI's guidelines. Another study (James, 2015b) found that of a sample of medium-sized entities that issue formal sustainability reports, 62% utilized GRI guidelines.

In the U.S., the Sustainability Accounting Standards Board (SASB) is currently developing industry-specific sustainability reporting standards that can be utilized for SEC reporting (SASB, n.d.). The availability of standards that address industry specific issues may further enhance formal reporting and comparability. In addition, the International Integrated Reporting Council (IIRC), established in 2010 as part of the Prince of Wales' *Accounting for Sustainability Project*, developed a framework for integrated reporting. Its guidelines for integrating both financial and sustainability related information into one report were issued in 2013 (IIRC, 2013). Accounting professionals play an instrumental role in helping companies select sustainability reporting guidelines and selecting, compiling and reporting company specific information.

### **Importance of Accounting Professionals' Involvement**

Accounting professionals' involvement in sustainability reporting tends to be very beneficial to organizations and their stakeholders. The AICPA views CPAs role with respect to sustainability as follows: "Members in public accounting practice - can add value to their clients by providing services related to the development of sustainable business strategies, sustainability

accounting and reporting, and assurance” (AICPA, n.d.). A study (Ballou et al., 2012) emphasizes the value of accounting professionals’ involvement with corporate sustainability. Their study involving 178 corporate responsibility officers (Ballou et al., 2012) suggests that accounting professionals’ involvement with the integration of sustainability projects is positively related to a “strategic integration” of sustainability projects. The authors further assert that additional involvement by accounting staff in sustainability initiatives may benefit companies and their stakeholders (Ballou et al., 2012).

Accountants’ perceptions of sustainability tend to influence their involvement with and support for sustainability and sustainability reporting. As the importance of sustainability-related projects and the prevalence of formal reporting continue to increase, current and future accounting professionals will encounter enhanced opportunities for adding value to entities’ sustainability goals and reporting efforts. Accounting majors represent future accounting professionals; hence their perceptions are important. This study investigates accounting majors’ perceptions regarding sustainability reporting.

## METHODOLOGY

### Research Instrument and Validity

The researcher developed a survey instrument that addresses sustainability-related corporate reporting issues. The questionnaire consisted of three sections; a brief instructional/explanatory paragraph preceded each section of the questionnaire.

The first section of the questionnaire addressed the overall benefits of sustainability reporting for investors, the need for mandatory sustainability reporting, the desirability of issuing an integrated report, the need for external review of sustainability-related information, and the importance of reporting both successes and failures. Brief affirmative statements addressed these issues. Study participants were asked to indicate their level of agreement with each statement. A 5-point Likert rating scale was used, with “5” defined as strongly agree, “4” defined as agree, “3” defined as neutral, “2” defined as disagree, and “1” defined as strongly disagree. Students’ perceptions regarding these issues are important because their perceptions will influence their support for reporting sustainability related information.

The second section of the questionnaire was organized into five categories addressing sustainability-related reporting areas. The five categories were (1) environment related information, (2) labor related information, (3) society related information, (4) human rights, and (5) product responsibility. These categories were selected because they represent areas of concern to a broad range of stakeholders and address common reporting themes. In addition, they represent subcategories included in the GRI’s sustainability reporting guidelines and are often reported in company reports. Ample space was provided between the sub-categories to encourage participants to indicate multiple specific types of information.

Study participants were instructed to indicate the type of information that they believed should be reported by companies. Participants also were reminded that compiling and reporting of information will incur short-term and long-term costs. The participants were asked to rank their

answers with respect to priority and importance of reporting a particular type of information and to utilize each rank only once. The highest importance/priority was defined as “rank 1,” the second most important as “rank 2” and continued in that manner. A prior study (James, 2015a) focused on students’ perceptions regarding specific GRI performance indicators and asked participant to indicate the importance of each on a 5-point scale. This study asks participants in an open-ended format to indicate the specific issues for which companies should report information and to rank each item based on perceived priority.

The third section consisted of demographics type questions, including gender, major/minor, academic standing, and career aspirations. The research instrument was piloted with two accounting educators and three students to ensure the clarity of each question or statement. Based on their feedback, some of the statements were slightly modified to enhance clarity and understandability.

### **Sample Selection and Administration of Research Instrument**

All accounting majors at a Western Region State University, at which this study was conducted, complete Intermediate Accounting I and II. Class discussions in Intermediate II includes significant current and emerging reporting trends, including the continued global dominance of IFRS and the convergence of international standards and U.S. GAAP, private company reporting rules, and sustainability as well as integrated reporting. Discussions related to sustainability and integrated reporting focus on the global trend toward increased reporting; motivation for reporting on sustainability such as stakeholder demand and perceived effect on reputation; availability of reporting guidelines such as the GRI, IIRC, and SASB; examples of companies who extensively report on sustainability; variations in the extent and quality of reporting in the U.S., and opportunity for involvement by accounting professions.

Students enrolled in Intermediate Accounting II were chosen to participate in this study for several reasons. First, the vast majority of students enrolled in Intermediate Accounting II have declared accounting as their major or minor and thus are likely to become future accounting professionals. Second, as future accounting professionals, accounting majors will (in the future) influence the nature, extent, and quality of sustainability projects, as well as sustainability reporting. Thus, their perceptions in terms of the need for quality reporting and the type of information that should be reported are important. Third, participation in this survey may motivate accounting students to reflect on corporate responsibility programs and the need for reporting on those programs; furthermore, it also helps support currency in their future profession.

During the Summer and Fall 2015 and Winter and Spring 2016 academic quarters, 214 students enrolled in eight sections of Intermediate Accounting II completed the survey instrument. Participation in the survey was voluntary and students’ responses were anonymous. The survey was administered during the last week of instruction. The surveys were reviewed for completeness and those with duplicate rankings in the same sustainability reporting subcategory were eliminated from the sample. Information from 195 usable surveys was input into Microsoft Excel and analyzed.

## **Demographics**

The study participants were asked to indicate their major, academic standing, gender, and work status. Ninety-five percent of the students who completed the survey indicated accounting as their declared major, 4% indicated accounting as their minor field of study, and 1% indicated another major, such as aviation, health care management, and mathematics. Seventy-three percent of the study participants indicated that they were juniors, 24% indicated that they were seniors, and 3% that they were graduate students. Forty-eight percent of the study participants were female and 52% were male. Study participants indicated a wide spectrum of career aspirations, including taxation, external and internal audit, consulting, cost accounting, and working as sole proprietors. Some participants indicated that they were undecided about their career aspirations and a few indicated that they planned to continue their education to earn a law degree.

## **Statistical Tests Utilized**

Student responses to the survey questions were summarized and statistically evaluated using Microsoft Excel statistical tests. Means and standard deviations were derived to report descriptive statistics. Correlations were evaluated at a 0.05 significance level.

## **EMPIRICAL RESULTS**

This section presents empirical results.

### **The Benefits of Sustainability Reporting**

The first section of the questionnaire addressed the overall benefits of sustainability reporting for investors; and the need for (1) mandatory reporting, (2) the information to be audited, (3) reporting of sustainability-related failures as well as successes, and (4) combining sustainability reporting with financial reporting. Students' mean ratings and the related standard deviations are presented in Table 1.

QUESTION/STATEMENT	MEAN RATINGS 5 = strongly agree N = 195	STANDARD DEVIATION
Investors benefit from sustainability reporting	4.09	0.88
Reporting should be mandatory for public companies	4.14	0.89
Reporting should be mandatory for private companies	3.80	1.10
Publicly available sustainability reports should be audited	4.13	0.87
Both successes and failures should be reported	4.27	0.98
Companies should combine financial and sustainability-related information in one report	2.92	1.09

Based on the results, on average, students tended to agree with the statement that investors benefit from sustainability reporting. Students also tended to agree that sustainability reporting should be mandatory for public companies; support for reporting by private companies was less strong. These findings are consistent with those of James (2015a) whose study involving a sample from a comparable population also found support for mandatory public company reporting. Thus, results appear to be stable over time.

On average, study participants also agreed that publicly available sustainability reports should be audited. With a mean rating of 4.27, the strongest support was for reporting both successes and failures related to sustainability. Support for combining sustainability reporting with financial reporting was somewhat below neutral, suggesting that on average, students did not perceive a need for companies to publish combined (i.e., integrated) reports.

### **Reporting Priorities of Sustainability-Related Information**

Students were asked to indicate what they perceived as the most important sustainability-related information that companies should report with respect to each of five categories: (1) environment related information, (2) labor related information, (3) society related information, (4) human rights, and (5) product responsibility. Study participants were asked to list as many types of information within each of the five sustainability areas as they perceived should be reported and then to rank their responses based on importance (priority) of reporting. A rank of “1” was defined as the most important information in that sub-category, a “2” as the second most important, and so on. Students were encouraged to indicate as many types of information within each sustainability-related issue as they deemed necessary, while considering the constraints of reporting cost. Prior class discussions on reporting cost focused on the cost/benefit principle and staff-related resources.

Students’ responses were analyzed for common themes and frequency. Responses that addressed identical or highly similar issues were combined. For example, responses indicating “air pollution,” “green-house gases,” and “CO<sub>2</sub> emissions” were combined under “harmful emissions - air.” On average, students listed 5.8 items related to environment, 4.3 related to labor, 3.7 related to society, 4.2 related to human rights and 4.4 related to product responsibility. If students listed

several items that were similar, they were combined and only counted once. The top ranked issues, organized by sustainability-related area, are shown in the next sub-section.

### Reporting of the Most Important Environment Related Sustainability Information

Study participants were first asked to indicate what type of information should be reported with respect to environment related sustainability and to rank them in order of importance/priority. Table 2 presents the most frequently indicated information, as well as the mean and associated standard deviation for each.

	Number of Usable Responses	Percent of all Participants Indicating and Ranking this Issue	Mean Rankings 1 = most important	Standard Deviations - Rankings
Harmful Emissions – Air	169	87%	1.95	1.14
Water Usage and Contamination	156	79%	2.29	1.31
Use of Scarce Resources	140	72%	2.50	1.18
Land Destruction/contamination	85	30%	3.23	1.05
Waste Generation and Waste disposal	55	28%	2.60	1.21
Global Warming	51	26%	2.64	1.32

Study participants most frequently indicated “harmful emissions” as the environment related issue for which companies should report information. Second and third most frequently listed issues were “water usage and contamination” and “use of scarce resources.” Based on study participants’ rankings for each environmental issue they listed, mean rankings and associated standard deviations were calculated. A lower numeric mean indicates a higher perceived priority of reporting on a particular environment related sustainability issue. Thus, on average, students who participated in the study and indicated the particular issues, ranked information about organizations’ harmful emissions, water usage and contamination, and use of scarce resources of primary importance.

Because means may not fully capture study participants’ perceptions of the most important environment related information that companies should report on, frequencies and related percentages for each rank assigned to frequently mentioned issue were derived. Table 3 presents the number of participants who ranked reporting of specific sustainability related issues as No. 1 or No. 2 in terms of importance. The percentages indicate the percent of those listing a specific issue and assigned either rank 1 or rank 2.

Environment Related Sustainability Issue	Number (percent) of those indicating the issue who assigning rank No. 1 – most important	Number (percent) who ranked issue No. 2	Rank 1 or 2 in percent
Harmful Emissions - Air	73 (43)	55 (30)	73%
Water Usage and Contamination	55 (36)	37 (26)	62%
Use of Scarce Resources	30 (21)	43 (31)	52%
Waste generation and Waste Disposal	19 (16)	19 (35)	51%
Global Warming	13 (25)	10 (20)	45%

As shown in table 3, study participants most frequently ranked information about harmful emissions as the most important environment related sustainability issue that should be reported by companies; this is consistent with the findings based on overall means. Of those who indicated that companies should report on “harmful emissions,” 73% assigned a rank of either one or two. The second most frequently highly ranked information in terms of importance of reporting was information about water usage and water contamination. Of those who indicated that companies should report on “water usage and contamination,” nearly 62% assigned a rank of either one or two. Furthermore, nearly 52% ranked information about the use of scarce resources among the top two most important issues; and nearly 51% ranked information about waste generation and waste disposal among the two most important issues.

### **Reporting of the Most Important Labor Related Sustainability Information**

Study participants were asked to indicate what type of information should be reported with respect to labor related sustainability and to rank them in order of importance. Table 4 presents the most frequently indicated information, as well as the mean and associated standard deviation for each.

Labor Related Sustainability Issue	Number of Usable Responses	Percent of all Participants Indicating and Ranking this Issue	Mean Rankings 1 = most important	Standard Deviations
Employee Benefits	175	90%	1.86	1.11
Work-related Injuries	148	76%	2.25	1.23
Compensation/fair Pay	92	47%	2.18	1.04
Working Conditions and Training	65	33%	2.43	1.21

As with the environment related sustainability means, a lower numeric mean indicates a higher perceived importance of reporting on a particular labor related sustainability issue. Thus,

on average, the students who participated in the study perceived information about organizations' employee benefits as the most important labor related issue for which companies should report information. It was also the most frequently indicated type of information. The second most important labor related issue based on mean rankings relates to compensation and especially fairness of compensation. However, only 47% of the respondents indicated the need for reporting on compensation and fair pay. More frequently mentioned was the need to report information on work-related injuries, with 76% of the study participants listing it as an area for which companies should report information; the mean ranking was 2.25. Information about working conditions and employee training was listed by 33% of the study participants; the mean ranking was 2.43.

As with environment related sustainability issues, frequencies and related percentages for each rank assigned to frequently mentioned labor related issue were derived. Table 5 presents the number of participants who ranked specific labor related information as No. 1 or No. 2 in terms of importance. The percentages indicate the percent of those who listed a specific issue who assigned either rank 1 or rank 2.

Environment Related Sustainability Issue	Number (percent) of those indicating the issue who assigning rank No. 1 – most important	Number (percent) who ranked issue No. 2	Rank 1 or 2 in percent
Employee Benefits	85 (49)	50 (28)	77%
Work-Related Injuries	46 (31)	47 (32)	63%
Compensation/fair pay	28 (30)	29 (32)	62%
Working Conditions and Training	16 (25)	20 (31)	56%

### **Reporting of the Most Important Society Related Sustainability Information**

Study participants were first asked to indicate what type of information should be reported with respect to society related sustainability and to rank them in order of importance. Table 6 presents the most frequently indicated information, as well as the mean and associated standard deviation for each.

Society Related Sustainability Issue	Number of Usable Responses	Percent of all Participants Indicating and Ranking this Issue	Mean Rankings 1 = most important	Standard Deviations
Community Involvement/charitable Work	167	86%	1.25	0.78
Truthful Reporting	27	14	2.00	0.66
Effect (harm) of Product or Service on Community	21	11	2.14	0.90

As with the environment and labor related sustainability means, a lower numeric mean indicates a higher perceived importance of reporting on a particular society related sustainability issue. Thus, on average, the students who participated in the study perceived information about organizations' and employees' community involvement and charitable work as the most important society related issue for which companies should report information. It was also the most frequently indicated type of information, with 86% of all participants indicating that reporting on this issue was important. The second most important society related issue based on mean rankings relates truthful reporting. However, only 14% of the respondents indicated the need for truthful reporting. The only other type of information listed more than a few times was reporting on the effect of harm caused by companies' products or services. This issue more frequently mentioned in the sub-category of product responsibility.

As with environment and labor related sustainability issues, frequencies and related percentages for each rank assigned to frequently mentioned society related issue were derived. Table 7 presents the number of participants who ranked society related information as No. 1 or No. 2 in terms of importance. The percentages indicate the percent of those who listed a specific issue who assigned either rank 1 or rank 2.

Society Related Sustainability Issue	Number (percent) of those indicating the issue who assigning rank No. 1 – most important	Number (percent) who ranked issue No. 2	Rank 1 or 2 in percent
Community Involvement/charitable Work	145 (87%)	9 (5%)	92%
Truthful Reporting	4 (15%)	17 (63%)	78%
Effect (harm) of Product or Service on Community	3 (14%)	12 (57%)	71%

## Reporting of the Most Important Human Rights Related Sustainability Information

Study participants were asked to indicate what type of information should be reported with respect to human rights related sustainability and to rank them in order of importance. Table 8 presents the most frequently indicated information, as well as the mean and associated standard deviation for each.

Human Rights Related Sustainability Issue	Number of Usable Responses	Percent of all Participants Indicating and Ranking this Issue	Mean Rankings 1 = most important	Standard Deviations
Discrimination Prevention	161	83	1.87	1.09
Safety reviews	133	68	1.82	1.16
Work Place Adequacy	56	29	2.47	0.84
Human Trafficking/child Labor	50	26	2.33	0.97

As with the environment, labor, and society related sustainability means, a lower numeric mean indicates a higher perceived importance of reporting on a particular human rights related sustainability issue. Thus, on average, the students who participated in the study perceived information about organizations' rules and records related to the prevention of discrimination as an important human rights related issue for which companies should report information. It was also the most frequently indicated type of information. The second most frequently mentioned issue with high importance dealt with safety reviews. While some participants indicated safety with respect to labor related issues, 133 participants listed safety as a human rights related sustainability issue; the mean rating was 1.82, which is the lowest for this category. The two other most frequently indicated type of information that companies should report related to human rights were work place adequacy and human trafficking and child labor.

As with environment, labor, and society related sustainability issues, frequencies and related percentages for each rank assigned to frequently mentioned human rights related issue were derived. Table 9 presents the number of participants who ranked human rights related information as No. 1 or No. 2 in terms of importance. The percentages indicate the percent of those who listed a specific issue who assigned either rank 1 or rank 2.

Human Rights Related Sustainability Issue	Number (percent) of those indicating the issue who assigning rank No. 1 – most important	Number (percent) who ranked issue No. 2	Rank 1 or 2 in percent
Discrimination Prevention	72 (45%)	52 (32%)	77%
Safety Reviews	67 (50%)	39 (29%)	79%
Work Place Adequacy	7 (13%)	23 (41%)	54%
Human Trafficking/child Labor	10 (20%)	20 (40%)	60%

### Reporting of the Most Important Product Responsibility Related Sustainability Information

Study participants were first asked to indicate what type of information should be reported with respect to product responsibility related sustainability and to then rank them in order of importance. Table 10 presents the most frequently indicated information, as well as the mean and associated standard deviation for each.

Product Responsibility Related Sustainability Issue	Number of Usable Responses	Percent of all Participants Indicating and Ranking this Issue	Mean Rankings 1 = most important	Standard Deviations
Product Recalls	164	84%	1.97	1.10
Product related Injuries	149	76%	1.75	1.09
Monitoring and Testing	72	37%	2.46	1.16
Product Information and Labeling	65	33%	2.42	0.93
Marketing and Communication	43	22%	2.56	1.38

As with the environment, labor, society, and human rights related sustainability means, a lower numeric mean indicates a higher perceived importance of reporting on a particular product responsibility related sustainability issue. Thus, the study participants most frequently indicated that companies need to report information about product recalls; the mean rating was 1.97. The second most frequently mentioned reportable issue dealt with product related injuries; the mean score was the lowest (1.75) among the product responsibility category. Some participants indicated that organizations should report about their product testing, labeling, and marketing strategies.

As with environment, labor, society, and human rights related sustainability issues, frequencies and related percentages for each rank assigned to frequently mentioned product responsibility related issue were derived. Table 11 presents the number of participants who ranked

specific product related information as No. 1 or No. 2 in terms of importance. The percentages indicate the percent of those who listed a specific issue who assigned either rank 1 or rank 2.

Product Responsibility Related Sustainability Issue	Number (percent) of those indicating the issue who assigning rank No. 1 – most important	Number (percent) who ranked issue No. 2	Rank 1 or 2 in percent
Product recalls	65 (40%)	61 (37%)	77%
Product related injuries	72 (48%)	53 (36%)	84%
Monitoring and testing	18 (25%)	21 (29%)	54%
Product information and labeling	12 (18%)	20 (31%)	49%
Marketing and communication	10 (23%)	10 (23%)	46%

### Significant Associations

Correlation tests found significant correlation between students' perceptions that sustainability reporting is beneficial for investors and (1) the need for mandatory reporting and (2) that the information should be audited. Gender, academic standing, and career goals were not significantly correlated to student perceptions.

### DISCUSSION AND CONCLUSION

Overall, accounting majors participating in this study agreed with the statement that investors benefit from sustainability reporting, that reporting should be mandated for public companies, and that the information should be audited. Based on the mean ratings, strongest agreement was for the statement that companies should report sustainability failures in addition to successes. This shows awareness of the importance of reporting both types of results, which is incongruent with the current reporting practices of some entities.

In response to open-ended questions, study participants most frequently indicated and ranked "harmful emissions – air" as the most important environment related reporting priority, "employee benefits" as the most important labor related reporting priority, "community involvement and charitable work" as the most important community related reporting priority, "prevention of discrimination" as the most important human rights related reporting priority and "product recall information" as the most important product responsibility related priority.

Findings from this study suggest that current accounting majors, who represent the future accounting professionals, perceive reporting of specific types of sustainability related information of high importance, which may influence their future involvement and support for sustainability and sustainability reporting.

## Limitations

The primary limitations of this study relate to the sample, which was selected from a limited population, i.e., accounting majors enrolled at one university. However, accounting majors who participated in this study tend to have a diverse, global background, which somewhat mitigates the limitation and enhances the validity to the results. Thus, their responses reflect important insights regarding globally important reporting issues. As sustainability and sustainability reporting continues to gain importance, the study should be repeated with a larger sample drawn from a broader population.

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