

Assurance of Food Loss and Waste Disclosure. Adoption of a Risk-based Approach to Evaluate the Materiality and Quality of Information

Álvarez-Albert, Luís, Ferrero-Ferrero, Idoya and Rivera-Lirio, Juana María

Universitat Jaume I, Department of Finance and Accounting, Castelló de la Plana, 12071, Spain

Abstract

Sustainability Reports (SR) are essential to encourage transparency by showing in a balanced manner, information regarding environmental and social performance of organizations. This is essential to all stakeholder in its decision-making process (García-Sánchez, 2021). Nevertheless, since the content of these reports may be quantitative and qualitative, as well as prospective and retrospective, this information is complex, sometimes subjective, and difficult to compare between years and firms (CSRD, 2022). Based on the signalling theory, the information contained in SR can be used as a signal by the organization to its stakeholders about the level of sustainability performance, however, the reliability of this information is in doubt and, an assurance process is an understandable signal about the reliability and quality of the report (Hummel et al., 2019; Spence, 1973). An assurance engagement helps to reduce information asymmetries and increase the transparency and objectivity of the report, thus improving the credibility perceptions of stakeholders (Junior et al., 2014; Yan et al., 2014). The assurance provider should have basic requirements as professional judgement, scepticism, independence, ethic, expertise and skills and training on sustainability, due diligence and auditing issues. However, there are different standards and levels for an assurance engagement that influences its quality (ISAE 3000, AA1000AS, ISO26000, SA8000, among others). Most current engagements are performed in a limited level (IFAC, 2022), where the risk of expressing an inappropriate conclusion is higher than a reasonable engagement. For this reason, the quality of assurance processes and its outcomes is questioned due to the lack of generally accepted regulation and methods. In parallel, since organizations need to address and manage sustainability risks, this information must be subject to a high-quality assurance process due to its complexity and relevance. As Maroun (2020) stated, “the current assurance model is narrow in audit risk model (...)”. For this purpose, adopting a risk-based approach making use of available science-based assessment tools is crucial to enhance assurance quality. In this study, we focus on the Food Loss and Waste (FLW) information from the agri-food system due to its high social and environmental impacts. According to Eurostat (2022), it is estimated that around 10 percent of food in the EU available to consumers may be wasted whereas, 32.6 million people cannot afford

a quality meal every second day (Eurostat, 2021). For this purpose, stakeholders are demanding increasingly information regarding accurate data of FLW, circular economy strategies and actions to prevent it and reduce it, and its impacts in the food supply chain. In this sense, SR need to include this material information and the assurance process must verify if this information is not materially misstated or omitted, and if proportionated, evaluate the quality of this information. Having this into consideration, the objective of this study is to examine how FLW information is treated in the Assurance of SR from agri-food organizations, and study whereas the materiality and quality of this information is evaluated adopting a risk-based approach to enhance quality reporting.

Keywords: Sustainability Report, Assurance, Food Loss and Waste, Circular Economy, Risk Assessment

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