SUSTAINABILITY REPORTING IN FIJI LISTED COMPANIES: A VOLUNTARY DISCLOSURE PERSPECTIVE USING LEGITIMACY THEORY

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Abstract

The study examined the extent of sustainability reporting practices (voluntary disclosures — VD) of Fiji listed corporations. Using a theoretical framework informed by legitimacy theory, the authors predict the extent of both narrative and non-narrative VD. The study applied a content analysis method and examined archival data such as scholarly articles and 2019 annual reports data of listed companies. The means of triangulation was further augmented by backing the results of the study with prior literature on sustainability reporting. The findings highlight that narrative VD was evident in most annual reports. Non-narrative VD was adequate with a primary focus on corporate social responsibilities. From an overall perspective, VD was found to be very limited. The study contributes to providing insights into the paucity of literature in developing nations' context on sustainability reporting practices.

Keywords: Sustainability, Voluntary Disclosure, Narrative, Non-Narrative, Legitimacy Theory

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1. INTRODUCTION

Business organizations are the major contributor to the current environmental problems, such as pollution, global warming, climate change, improper waste management practices, and depletion of natural resources (Bebbington & Larrinaga, 2014). It is not justified on the sustainable ground for profit-making organizations to exploit the environment and its resources for short-term financial benefits. However, their unacceptable actions have resulted in increased pressure from the governmental, non-governmental organisations, and other institutions for them to adapt to sustainable environmental practices to shift their ultimate objective, which is to maximize profit to also incorporate the numerous stakeholders' interest (Bebbington & Larrinaga, 2014). Hopwood (2009) adds that such pressure from the various stakeholders to corporations to be more environmentally friendly has caused many organizations to voluntary practice sustainability reporting and disclosing information on environmental-related aspects arising from their business operations in their annual reports.

Organizations adapt to sustainable reporting practices to build stakeholders' trust, a technique to enhance their reputation, legitimize their activities, and reduce the risks of doing business. Some of the approaches, which have helped organizations to enhance sustainable reporting, include reviewing the environmental systems and processes, hiring employees that adhere to critical thinking practices, and evaluating capital investment decisions (Gray, Adams, & Owen, 2014).

The stakeholders' demand for sustainable development (SD) from organizations warrants analyzing the extent and adequacy of disclosure by organizations on sustainability information in their annual reports. The United Nations World Commission on Environment and Development (WCED, 1987) defines and emphasizes SD as:

"[…] a development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Development involves a progressive transformation of economy and society but physical sustainability cannot be secured unless development policies pay attention to such consideration as changes in access to resources and the distribution of costs and benefits. Even the narrow notion of physical sustainability implies a concern for social equity between generations, a concern that must logically be extended to equity within each generation" (p. 43).

Furthermore, Doane (2005) emphasized that organizations need to be more socially responsible and adopt corporate social reporting (CSR) as an alternative to financial reporting. Adaptation of CSR initiative depicts an organization's responsibility to be accountable to all its stakeholders in all its business activities (Doane, 2005). This initiative ensures that organizations, who are socially responsible, will evaluate the consequences of their activities on the environment and communities while making decisions. The long-term competitive advantage of corporations lies with sustainability, CSR, and with knowledgeable employees on sustainability issues. Many corporations are operating in multiple countries that own billions of dollars of assets whose decisions have a huge impact on the environment and the surroundings in which we live. Thus, companies should be actively involved in mitigating sustainability problems, which are now a global concern.

The objective of this study is to examine the extent of sustainability reporting practices (voluntary disclosure — VD) of Fiji listed companies. Many similar research studies were conducted in developed nations to evaluate the relationship between environmental disclosures and the actual performance of organizations (Wilmshurst & Frost, 2000; Deegan & Gordon, 1996; Deegan & Rankin, 1996; Patten, 1992; Sharma & Davey, 2013). However, there is a lack of research in developing nations like Fiji due to the non-availability of environmental performance data a decade ago. Furthermore, de Villiers and van Staden (2006) have emphasized the necessity of sustainability reporting in developing nations given the presence of multinational companies from developed nations operating in these nations. The study is of high importance in Fiji given the current climatic conditions and environmental issues and especially that business organizations are the main culprit to the current sustainability issues.

In this context, the study attempts to find, *What are the extent of narrative and non-narrative voluntary disclosures contained in the annual reports of Fiji listed companies?* The study is motivated to answer the aforementioned question in light of the current sustainability issues mainly contributed by organizations. It will further provide insights to what extent Fiji listed companies have adopted sustainability practices resulting from social pressures. There exist limited empirical evidence and paucity of literature in developing nations' context.

The study expects to contribute to the limited literature by providing insights on sustainability reporting practices and voluntary disclosures in developing nations. In Section 2, this paper considers the related literature and theoretical framework of the study. The research methodology and methods are discussed in Section 3, followed by the results in Section 4 and discussion in Section 5. The paper ends with concluding remarks and the limitations of the study in Section 6.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1. Sustainability for social and environmental reporting

The concept of sustainability "requires organizations to consider the interrelated impacts of their activities on the economy, the environment and society" (United Nations World Commission on Environment, 1987, as cited in Langfield-Smith, Hilton, & Thorne, 2015, p. 753). Sustainability is vital and critical for businesses to consider the impact of their activities on the environment, economy, and society. This involves generating revenue in ways that cause minimal damage to the economy, environment, and community in which we live, work and operate.

The Global Reporting Initiative (GRI, 2013) states that "sustainability reporting is a process that assists organizations in setting goals, measuring performance and managing change towards a sustainable global economy — one that combines long term profitability with social responsibility and environmental care" (p. 85). The communication of an organization's social, environmental, and economic, and governance performance can be attained through sustainability reporting (de Villiers & Sharma, 2018).

De Villiers and Sharma (2018, p. 6) stated the GRI is a global organization for standardization "that helps businesses, government, and other organizations understand and communicate their impacts" on various issues, such as climate change issues, corruption, and human rights issues. GRI Sustainability Reporting Guidelines help to provide principles on reporting and disclosure standards so that businesses and other organizations can prepare sustainability reports for a wide range of stakeholders who will depend on the report for their decision-making (de Villiers & Sharma, 2018). The GRI of 2013 shows economic, environmental, and social as a category of standard disclosures. The social category is further split into practices of labour, decency of work, human rights, product responsibility, and responsibility of the society (de Villiers & Sharma, 2018).

Gray (2010) stated that the introduction of sustainable development has put pressure on policymakers, individuals, industries, and organizations to address environmental and social issues. This has caused increased attention for research in the accounting literature (Gray, 2010). Deegan (2002) stated that one of the reasons why companies disclose sustainability issues is legitimacy reasons. A sustainable organization operates without negatively affecting society or the environment (Smith & Sharicz, 2011). Botes, Low, and Chapman (2014) concluded that huge interest in the area of sustainability has caused reporting of sustainability as a top priority which businesses use to communicate to various stakeholders their contributions to sustainability issues.

Furthermore, this has led businesses to adopt sustainable reporting practices, which lead them to practice and prepare "reports that measure and communicate the economic, environmental and social impacts of organizations activities" (Langfield-Smith et al., 2015, p. 754). Sustainability reports are also known as triple bottom line reporting, corporate social responsibility reports, and social or environmental reports. Most businesses use sustainability frameworks such as GRI Frameworks and the International Integrated Frameworks to monitor and report sustainability (Langfield-Smith et al., 2015). There are many benefits of sustainable performance reporting, such as improved reputations, more sales, reduce risks, innovative products, and greater market share. However, KPMG International 2013 (as cited in Langfield-Smith et al., 2015) stated that sustainable reports are highly criticized due to firms' painting a rosy picture by providing favourable sustainable reports without actual sustainable practice for the betterment. Thus, does not contribute to sustainable performance unless and until firms are following it and contributing to a sustainable environment, economy, and community. However, with strict GRI guidelines, firms are not able to easily deceive the stakeholders. Moreover, businesses can use environmental management accounting systems to provide useful information to the organization in terms of practising and contributing to sustainability.

Dresner (2002) stated that "under the strongest form of sustainability, human life as we know it would almost certainly be impossible" (p. 87). This is very much true if we do not strive for economic growth then the damage sustained to the environment will be very negligible. Gray (2010) criticized that more extensive capitalism is the main reason for the destruction of the ecology and capitalism through the existence of corporations is such that destruction of social justice and ecology is bound to happen and no one can stop it.

2.2. Voluntary disclosure reporting

Voluntary disclosure simply means any other information revealed by the company in its annual reports apart from the accounting standards, government regulation, and laws, which are mandatory information that has to be disclosed in the company's annual reports (Zaini, Samkin, Sharma, & Davey, 2018). The Financial Accounting Standard Board (FASB) defines voluntary disclosure as "information primarily outside of the financial statements that are not explicitly required by accounting rules or standards" (FASB, 2000, as cited in Sharma & Davey, 2013, p. 2). In the latest rules provided by FASB, the board has reinvigorated corporations to make voluntary disclosures. Providing excess and relevant information to stakeholders may fulfil information needs and reduce the asymmetry of information amongst the management and the stakeholders (Sharma & Davey, 2013).

Deegan (2002) stated that numerous pieces of literature are applied using the legitimacy theory and mainly the traditional content analysis is used to collect and analyze data on social and environmental disclosures. Leung and Gray (2016) stated that a field study (engaging with corporations) may provide a clear picture if disclosures matter and their motives for such disclosures.

Mahmood, Ahmad, Ali, and Ejaz (2017) researched the relationship of corporate environmental disclosures with performance in the context of a developing nation like Pakistan. The study also observed understanding the environmental disclosure patterns between good and bad performing companies. The data were collected from the annual reports of 78 companies listed on the Pakistan Stock Exchange. Two years of annual reports were analyzed using empirical analysis. The researchers found that disclosure related to performance level increased in good performing companies because of the voluntary disclosure theory. Whereas bad performing companies still maintained the increased disclosures, however, this was a result of legitimacy theory. It is said that the purpose of voluntary disclosures made by the bad performing companies was to legitimize themselves in the eyes of the public and look good despite doing nothing to conserve the environment. It is said that the companies who disclose the most are the worst polluters. Thus, investors and various stakeholders need to be very cautious when making investment decisions. Gray (2010) said that renowned literature has identified that most businesses who report sustainability and sustainable activities undertaken by the business, in reality, have very little or nothing to do with sustainability.

To further contribute, prior studies have used words to measure the levels of voluntary disclosures (Deegan & Gordon, 1996; Sharma & Davey, 2013). Using quantitative content analysis shows the level of voluntary disclosures and thus, it signifies how important these disclosures are (Deegan & Rankin, 1997; Sharma & Davey, 2013). Measurement of words or narrative disclosures is an effective measure of disclosure levels (Beattie & Jones, 1994; Preston & Post, 1975, as cited in Sharma & Davey, 2013). However, it fails to include non-narrative disclosures (qualitative content analysis), such as graphs, charts, and pictures, which are also depicted as very effective methods of communication to various stakeholders (Beattie & Jones, 1994; Preston & Post, 1975, as cited in Sharma & Davey, 2013). Gray (2010) also stated that there are many experiments done to show the sustainability of the organizations through non-financial quantification of information. Sharma and Davey (2013) stated that voluntary disclosure helps in releasing financial and non-financial information to stakeholders so they can make informed economic decisions, reduce asymmetry of information and reduce investor uncertainty. Voluntary disclosure is common in environmental and social reporting and is used as a tool by companies to legitimize their activities (Sharma & Davey, 2013).

Deegan, Rankin, and Tobin (2002) stated: "where there is a limited concern, there will be limited disclosures" (p. 335). Sometimes, managers may think to provide disclosures in certain areas to legitimize their activities however, they may not achieve legitimacy but even worsen their threats by adding to the problem (de Villiers & van Staden, 2006). One of the main reasons for not revealing social and environmental information is the fear of releasing sensitive information which itself can become a legitimacy threat (Solomon & Lewis, 2002, as cited in de Villiers & van Staden, 2006).

2.3. Voluntary disclosures in the Fijian context

Some of the renowned researchers writing in the Fijian context on voluntary corporate disclosures include Lodhia (2000), Sharma and Davey (2013), and Khan, Chand, and Patel (2013).

Fiji as one of the emerging economies in the Pacific region is an important research study area. There has been much research carried out in developed nations, however, the findings of developed nations may not necessarily apply to those of under-developed nations such as Fiji which has the potential to grow in areas of sustainability reporting (voluntary disclosures). The review found that societal values and norms were the main factors reported in the literature that led managers to provide information voluntarily (Lodhia, 2000; Sharma & Davey, 2013; Zaini et al., 2018, p. 21). Businesses voluntarily disclose information to boost their reputation and image so that there is a strong positive relationship with the company and its wider stakeholders (Sharma, Low, & Davey, 2013; Zaini et al., 2018). Although the level of voluntary disclosure is not that high, the influences of the business environment and Fiji being an open economy have led to changes in management decisions (Lodhia, 2000; Sharma & Davey, 2013; Sharma et al., 2013; Zaini et al., 2018).

Furthermore, Sharma et al. (2013) undertook a longitudinal study and the findings of the research were the number of words relating to voluntary disclosure increased from the years 2008 to 2010 by an average of 1800 words. The researchers found that capital market authorities and professional accounting institutions played a significant role in increasing the voluntary disclosure levels in corporate annual reports. The roles included setting up corporate governance principles and reporting and awards given for best annual reports for companies by the stock market. This has created competition in companies as they will try to prepare their annual reports to their best so they can win awards, for example, the South Pacific Stock Exchange (SPX) Annual Report Awards which started in 2017. Such awards or appreciations act as motivational factors for companies to build a positive image and reputation in society. For bad environmental performing companies, it is a chance to legitimize their activities and look good in the eyes of the stakeholders. Also, to vie for the awards, it is necessary and mandatory for the company to follow all the financial reporting standards and legislative requirements when preparing the reports. Zaini et al. (2018) stated that "this obligation sets out mandatory practices for them to follow, which leads to additional information regarding non-compliance practices" (p. 22).

Moreover, a contrasting view to a previous study conducted by Sharma and Davey (2013), more recent research by Sharma et al. (2013) stated that the practice of voluntary disclosure in Fiji has increased significantly as per legitimacy theory, and as a result of company expansion, the owners of the company have increased indicating that companies are disclosing more voluntary information in their annual reports "to attract potential investors" (Zaini et al., 2018, p. 22). In addition to the above study, one of the factors that hinder the improvements made to practices of voluntary disclosures in Fiji is the concentrated ownership structure of companies (Khan et al., 2013; Zaini et al., 2018). Zaini et al. (2018) stated that "although companies in Fiji are prone to providing positive information to gain and maintain the company's activities, the implementation of a code of corporate governance in 2008 has led to a growing improvement in voluntary disclosure practices by Fijian companies" (p. 22).

Most Fijian companies are operating in a monopoly type of business environment and are not concerned with meeting social contracts and there is hardly any incentive to increase voluntary disclosure of information, thus, legitimacy theory is not supported as per Sharma and Davey (2013). Companies only disclose and prepare information that they are required to. Companies in developing nations are not pressurized; therefore, there is no need to legitimize their activities by providing further voluntary disclosures. The size of corporations also plays an important factor in the disclosure levels. Furthermore, Sharma et al. (2013) examined the level of non-mandatory levels of voluntary disclosures in all listed companies in Fiji based on a range of factors including "environment, company background, corporate strategies, corporate governance, organization structure, performance, shareholders, market disclosures, social disclosures, customers, human resources, health and safety, ethics and graphical representations" (p. 28). The researchers also tested the relationship of various variables using regression analysis. The researchers found that there were some levels of non-mandatory disclosure levels in listed companies that aided to gain legitimacy (Sharma et al., 2013). Sharma et al. (2013) also found out that the 10 corporate governance principles imposed by the Capital Market Development Authority of Fiji tend to be the major driver for voluntary disclosures in corporate annual reports of listed companies in Fiji with large variations between companies. Some listed companies have some level of voluntary disclosures, while others have little to no voluntary disclosures.

Finally, a study conducted by Nandan (1992) (as cited in Lodhia, 2000) found that Fijian accounting practitioners were hesitant to include environmental and social issues in the conventional accounting practices (see also Sharma and Davey, 2013). In another research which was carried out by way of interview, it was found that accounting practitioners made very little progress in such issues (Lodhia, 2003). Lodhia (2000) stated that developing countries were behind developed nations in environmental and social reporting and the information disclosed by the companies was not comparable (see also Sharma and Davey, 2013).

2.4. Theoretical framework

Dowling and Pfeffer (1975) defined legitimacy theory, which is derived from the concept of organizational legitimacy, as:

"[...] a condition or statues which exist when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy" (p. 122).

The theory assumes that corporations will do whatever they deem necessary to preserve their image of legitimate business with legitimate aims (de Villiers & van Staden, 2006). "Information is a major element that can be employed by the organization to manage (or manipulate) the stakeholder to gain their support and approval or to distract their opposition and disapproval" (Gray, Owen, & Adams, 1996, p. 45).

Legitimacy is all about disclosure and the way this particular theory is used indicates that corporations will continue to do voluntary disclosure as long as they are not going to be faced with legitimacy threats (Deegan, 2000; de Villiers & van Staden, 2006; Sharma & Davey, 2013). Oliver (1991) stated that "when an organization's performance and survival are only moderately dependent upon the good opinion of the public (for example, arms manufacturers), avoidance tactics such as ceremonial conformity, symbolic gestures of compliance and restricted access to information on company's practices (that is, concealment), maybe the extent of an organization's responsiveness" (p. 164). This states that there might be companies in some specific industries that disclose less information otherwise they will face scrutiny (de Villiers & van Staden, 2006; Sharma & Davey, 2013).

Companies will voluntarily disclose less information if they think they will face greater public scrutiny, for example, in specific industries such as mining, gravel extraction, and tourism-related projects along coastlines causing degradation. Disclosing information voluntarily is an effort by companies to legitimize their operations and firms cannot operate if they are perceived to be not conforming to the norms laid down by society. To enhance legitimacy and continuation, organizations must perform on what stakeholders value, both socially and on financial grounds (Azam & Nandan, 2021). The theory posits that organizations seek to ensure that they operate within the bounds and norms of their respective societies (Brown & Deegan, 1998, Guthrie & Parker, 1989, Wilmshurst & Frost, 2000, O'Donovan, 2002, O'Dwyer, 2002, as cited in Sharma & Davey, 2013, p. 6). Societal norms and boundaries change over time, thus organizations need to be responsive to this. The justification for the use of this theory is that the research questions can be best answered using this theory for the study. As per the literature review, this theory has been widely used to justify why entities disclose more information than they are required to do. Legitimacy is all about conforming to the needs and societal expectations.

3. RESEARCH METHODOLOGY

This research employs a qualitative approach to identify the extent of narrative and non-narrative voluntary disclosures contained in the annual reports of Fiji listed companies. To answer the research questions, qualitative research is best since the corporate annual reports will be analyzed using content analysis. However, qualitative research does not generalize to a larger population, but it is useful in terms of getting in-depth information, which increases the validity of the research. Qualitative research allows us to understand, identify, and explain behaviour, beliefs, or actions but the variables are not expressed in numerical terms.

Researchers have mostly used narrative disclosures in content analysis. This means that prior studies have used words to measure the levels of voluntary disclosures (Deegan & Gordon, 1996; Sharma & Davey, 2013). Using quantitative content analysis shows the level of voluntary disclosures and thus, it signifies how important these disclosures are (Deegan & Rankin, 1997; Sharma & Davey, 2013). Measurement of words or narrative disclosures is an effective measure of disclosure levels (Beattie & Jones, 1994, Preston & Post, 1975, as cited in Sharma & Davey, 2013). However, it fails to include non-narrative disclosures (qualitative content analysis), such as graphs, charts, and pictures, which are also seen as very effective methods of communication to various stakeholders (Beattie & Jones, 1994, Preston & Post, 1975, as cited in Sharma & Davey, 2013). Thus, this study applied both quantitative and qualitative content analysis as an empirical tool for the data collection on voluntary disclosures (Deegan & Rankin, 1997; Deegan & Gordon, 1996; Sharma & Davey, 2013).

Hall (2013) stated that it is important for researchers to select an appropriate research paradigm because it justifies the research methods used. The basis for this research was to address gaps in the literature and contribute to the existing literature on sustainability reporting in Fiji. To study the extent of voluntary disclosure towards sustainability reporting in Fiji, a subjectivist interpretive approach is applied.

Bryman (2012) stated that research design acts as a framework or structure to collect and analyze data. The research design that is relevant to this study is a mixture of exploratory research and explanatory research design. Based on the existing literature on sustainability reporting (voluntary disclosure) in corporate annual reports, it was found that numerous studies had been conducted in developed nations, however, in Pacific Island countries, such as Fiji, research in these areas are still at the infancy stage and more research is required in these areas. Deegan (2002) supports de Villiers and van Staden (2006) in their research, including other researchers, as highlighted in the literature review.

The reason for choosing exploratory research design is to investigate the extent of sustainability reporting practices in Fiji by listed corporations. The choice of explanatory research design is because the finding of the study is explained using legitimacy theory. As highlighted by various literature, research on sustainability reporting in developing countries like Fiji is still limited or at an infant stage and more research on this area is needed. Thus, the research will address the gaps in the literature and contribute as much as possible to the existing literature on sustainability reporting in Fiji.

To conduct content analysis, data were collected and analyzed from all the 20 companies listed on the South Pacific Stock Exchange (SPX). The most recent corporate annual reports were used which was for the year 2019. Lodhia (2000) stated that since public companies are listed on the South Pacific Stock Exchange, reasonable information is publicly available for use and external decision-making. Sharma and Davey (2013) stated that corporate annual reports of listed companies are considered credible since an independent external auditor audits them. To conduct the content analysis of the corporate annual reports, there were four defined factors or categories that were looked at and indexed.

The four factors were as follows:

1) corporate social responsibility (CSR) engagement;

2) non-narrative voluntary disclosures (for example, graphs, and pictures);

3) narrative disclosures (written voluntary disclosures);

4) overall information on voluntary disclosure.

The above categories or factors were pre-defined by the researchers as most of these important factors were highlighted by various researchers as found in the detailed literature review (Sharma & Davey, 2013). Hence, those companies' annual reports that had each of the above factors were given a score of 1 which is "Yes" which means that the annual report of that company had the factor or category of information disclosed in their annual reports. Moreover, companies that did not have each of the above factors or categories of information were given a score of 0 which is "No". Each of the factors or categories of information was then totalled and reported on aggregate (the percentage was calculated based on 20 companies) for all the listed companies with the aid of pie charts, tables, and diagrams. In the last factor or factor number 4, there were five scores to be allocated. The scores were as follows, a score of 0 for companies that did not have any information on voluntary disclosures, 1 depicted very limited disclosure, 2 depicted limited disclosures, 3 depicted satisfactory levels of disclosures, and the last score, score number 4 depicted good levels of disclosures. For category or factor number 4, the scores were given after analyzing the first three factors of each of the company's annual reports. The number of pages devoted to VD was also considered when giving a score in category number 4 for each of the companies.

There are many advantages and disadvantages of using archival data (content) analysis for collecting data. Some of the main advantages are resource savings and it is considered to be unobtrusive. Resource savings such as time and money as data is readily available. Unobtrusive means that there is no disturbance made to the field or people involved. However, there are some major disadvantages of using archival data for analysis purposes and these are the appropriateness of data and the quality of data. However, annual reports are considered the major form of communication tool between the firm and the stakeholders. They are considered highly credible since the reports are audited by an external auditor and it gives assurance of annual reports being faithfully represented without major material bias (Lodhia, 2002; Sharma & Davey, 2013; Sharma et al., 2013).

4. RESULT ANALYSIS AND FINDINGS

4.1. Overview

Table 1 provides the name and abbreviations of all the companies listed on the SPX market for which their recent corporate annual reports were analyzed using content analysis. Table 1 also shows the list of companies analyzed for this study in no particular order.

Table 1. Companies listed on the SPX Market as of 31st December 2019

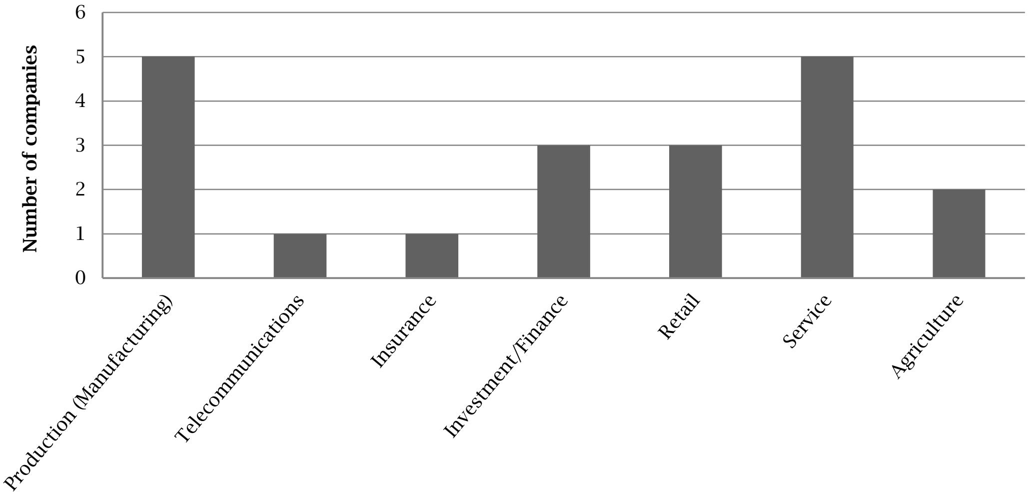
Number	*Company name*	*Code*	*Sector composition*
1	Atlantic & Pacific Packaging Company Ltd	APP	Production
2	Amalgamated Telecom Holdings Ltd	ATH	Telecommunication
3	Communications (Fiji) Ltd	CFL	Service
4	Free Bird Institute Ltd	FBL	Service
5	Future Forest (Fiji) Ltd	FFF	Production
6	FijiCare Insurance Ltd	FIL	Insurance
7	FMF Food Ltd	FMF	Production
8	Fiji Television Ltd	FTV	Service
9	Kontiki Finance Ltd	KFL	Investment / Finance
10	Kinetic Growth Fund Ltd	KGF	Investment / Finance
11	Paradise Beverages (Fiji) Ltd	PBF	Production
12	Pleass Global Ltd	PBP	Production
13	Port Denarau Marina Ltd	PDM	Service
14	Pacific Green Industries (Fiji) Ltd	PGI	Agriculture
15	RB Patel Group Ltd	RBG	Retail
16	The Rice Company of Fiji Ltd	RCF	Agriculture
17	Toyota Tsusho (South Sea) Ltd	TTS	Retail
18	VB Holdings Ltd	VBH	Service
19	Vision Investment Ltd	VIL	Retail
20	Fijian Holdings Limited	FHL	Investment / Finance

Source: South Pacific Stock Exchange (2019)[1].

[1] https://www.spx.com.fj/

The listed companies operate in various sectors such as production (manufacturing), retailing, telecommunications, insurance, agriculture, investment (finance), and service sectors comprising of television, communications, education, and port marina services. Figure 1 illustrates the number of companies operating in each sector in 2019. The figure was generated manually using information from the corporate annual reports and information from SPX. It depicts that the service sector and the production sector jointly account for 50% of the companies listed on the stock market.

Figure 1. Listed companies by sector for the year 2019



Source: South Pacific Stock Exchange (2019).

4.2. Corporate social responsibility (narrative and non-narrative disclosures)

CSR has become an important part of companies' operations. This is when corporations give back to society in whatever way possible, whether it is in cash or kind. This is one of the major forms of legitimizing corporate operations in society and not only focusing on maximizing profit and shareholder wealth but also contributing to society and communities. Such information disclosed with regards to CSR activities is evidenced by pictures as was shown in the annual report of many corporations under study. It demonstrates the actual disclosures on which companies have acted upon. Again, these good actual disclosures are purely for legitimacy reasons. That is, despite the negative impacts the company's operations may have on the environment and the society, by showing such disclosures and undertaking CSR activities, corporate look good in the eyes of society, which provides the social mandate for their operations.

It was found in the study that some of the companies have disclosed pictures of their CSR activities in their annual reports while some companies have provided CSR disclosures in narrative form (written) only, while some have disclosed both written CSR engagements and pictures provided in the annual report evidencing the fact that they are not only saying but also actually doing it. One such example is Port Denarau Marina Limited (PDM, 2019):

"Community Engagement — We take being part of the community very seriously and we take pride in having supported a number of community projects during the year" (pp. 8, 16).

This quote was disclosed in the chairman's report is an example of written disclosures on CSR engagement while the picture evidencing this statement was noticed in the annual report of 2019.

It was further found that only 65% of the companies listed on the SPX market disclose in their annual reports that are involved in CSR-related activities while 35% of the companies have not disclosed in their annual reports whether they are engaging in CSR activities or not. One important aspect that can be analyzed here is that if companies are engaging in CSR activities then they are bound to report it in their annual reports. Those who have not engaged in CSR activities will not disclose such information in their annual reports. It was found that one of the company's subsidiaries (ATH's subsidiary Vodafone ATH Fiji Foundation) is entirely devoted to providing CSR activities. This shows that the corporation is fully aware of its responsibilities not only towards its shareholders but also towards the wider stakeholders. This is evident in ATH's (2019) annual report:

"Vodafone ATH Fiji Foundation is the corporate heart of our philanthropy. Our family of companies is passionate about improving the lives of our people in our communities. One of our key objectives is to promote social development and sustainable living through leveraging the telecommunications and ICT technologies to better people's lives" (p. 27).

4.3. Non-narrative voluntary disclosures

As highlighted in the literature by researchers, most of the researchers have used narrative disclosures to measure the level of voluntary disclosures these are words and mostly written texts in the corporate annual reports. However, some researchers have stated that narrative is only one way to measure the levels of voluntary disclosure, the other way to measure is the inclusion of non-narrative disclosures which are equally important in conveying the message to the stakeholders. Non-narrative voluntary disclosures include the use of pictures, graphical representations, and diagrams, which further enhances the understandability of the users of reports. Non-narrative voluntary disclosure in the annual reports not only means conveying financial information but also non-financial information on sustainability issues such as the environment, society, and the economy. Sometimes, it is difficult to quantify a business's contribution to sustainability issues in financial terms, therefore; the use of pictures and graphs better informs the users of the business's activities in contributing to the mitigation of sustainability issues faced. For example, CSR pictures provided in the annual report of some listed companies depict their contribution to society and likewise other activities related to the environment and the economy such as clean-up campaigns and providing education and awareness to the community.

Moreover, the study found that 55% of the listed companies incorporate non-narrative disclosures in their annual reports. These include both financial and non-financial information on the company performance and as well as on sustainability issues concerning the environment, economy, and society. Furthermore, the study reveals that 45% of the listed companies do not have non-narrative disclosures in their annual reports. This means that 9 companies out of 20 do not have pictures, graphs, or diagrams to illustrate their information to the shareholders and wider stakeholders. This shows that these company's annual reports are heavily text-oriented or wordy in nature. The remaining 11 listed companies include pictures, graphs, and diagrams to disseminate financial and non-financial information concerning their company performance and information relating to sustainability issues with the most common form of non-narrative disclosures being pictures on CSR activities of the companies, which already been discussed under the topic of CSR.

Furthermore, as part of non-narrative disclosures, we have already looked at corporations disclosing information on their CSR activities, which is mostly in the form of pictures while other corporations have discussed in written texts in their corporate annual reports. Nevertheless, financial information on company performance and non-financial information on sustainability issues can also be presented in non-narrative formats by use of pictures, graphical representations, and diagrams. Such style is more appealing to the shareholders and at the same time enhancing the understandability of the users of reports, which is one of the enhancing qualitative characteristics of presenting information in the financial statements as captured in the 2018 Conceptual Framework. In this case, it is the corporate annual reports. One such company that has shown information in this way is RB Patel Group (RBG) Limited in their annual report.

RBG has provided its information on VD and financial information by using diagrams and pictures. The pictorial information presented by RBG in the 2019 annual report shows both the company's performance in financial terms and non-financial information on sustainability issues such as the environment, which are the voluntary disclosure information released by the company. The pictorial information provides the necessary information that is very relevant to the shareholders and this enhances the understandability of the users of the reports. Anyone who does not have accounting knowledge will be able to read and understand the information presented rather than only giving the financial reports which may be difficult for the users to understand and especially those who do not have basic accounting knowledge. When preparing the annual reports, all the users of reports must be taken into consideration with understandability being paramount. Thus, when presenting information in the annual reports, using a combination of tactics such as a mixture of words, diagrams and pictures can enhance the understandability of users.

Moreover, another example of non-narrative VD on sustainability issues was noticed in Pleass Global (PBP) Limited's annual report. PBP in their annual report has summarised information including both financial and non-financial information. The pictures also disclose information (VD) relating to their contribution to the environment and society. In their annual report, they have also devoted one full page to their contribution to the environment.

Furthermore, Port Denarau Marina (PDM) Limited has also shown non-narrative voluntary disclosures on sustainability issues in their annual report. Such information disclosed by corporations as in the case of PDM provides various stakeholders associated with the firm with more information especially, information on sustainability issues. By disclosing such information, shows that the firm is committed to conserving the environment for future generations making their operations sustainable while contributing to society through CSR activities. The pictorial information by PDM in the annual report shows that:

"[...] the Marina has pledged to Marina Industries Association to eliminate single-use plastic by 2025 at our marina through changed business practices and recycling. PDM is exploring alternatives to the current arrangement with waste recycling and rubbish bags. This aligns well with the government's plans to ban single-use plastics in Fiji by 2020" (PDM, 2019, p. 21).

Lastly, non-narrative disclosures provide users of reports with more information and also enhance a better understanding of those reports. Most of the non-narrative disclosures by corporations include pictures particularly concerning CSR activities, graphical representations, and diagrams. Some corporations have shown information on VD relating sustainability issues in a more attractive manner showing their contribution to the economy, environment, and society. Therefore, it can be said that corporations are not only providing more information to the users but are legitimizing their activities by giving back to society and helping in conserving the environment.

4.4. Narrative voluntary disclosures

Narrative voluntary disclosures are written information on sustainability issues in corporate annual reports. Most businesses use text or words to describe their activities related to sustainability issues rather than the use of non-narrative tools such as pictures, graphs, and diagrams as information dissemination techniques. The study found that 95% of the companies listed on the stock market have some form of narrative voluntary disclosures and 5% of the companies do not disclose any voluntary information in the annual reports. In absolute terms, 19 out of the 20 companies have some form of written disclosures on sustainability issues. It was analyzed and found out that most of the narrative disclosures have been captured as part of corporate social responsibility engagements, which are written and disclosed in the annual reports. Another major finding was that SPX mandatory listing requirements to disclose the 10 corporate governance principles stated by the Reserve Bank of Fiji has led to an increase in narrative voluntary disclosures by the corporations. Some companies, such as FMF, RCF, have shown initiatives on reducing the printing of documents in conserving the environment and carbon footprint and going for the email version of annual reports, however, the decision lies with the shareholders. This means that if the shareholders are concerned for the environment, then, they will opt for the paperless option otherwise continue with the hard copies. This is evident in the annual report of FMF Foods Limited, which states:

"Sending the notices and reports through electronic mode will reduce paper consumption to a great extent in addition to allowing online access to documents promptly and without loss in postal transit. Your Company is committed to contribute to a greener environment and we are sure that as a responsible shareholder, you too will support this initiative. We, therefore, seek your written consent to receive future Notice of Meetings and Annual Reports in electronic format" (FMF, 2019, p. 2).

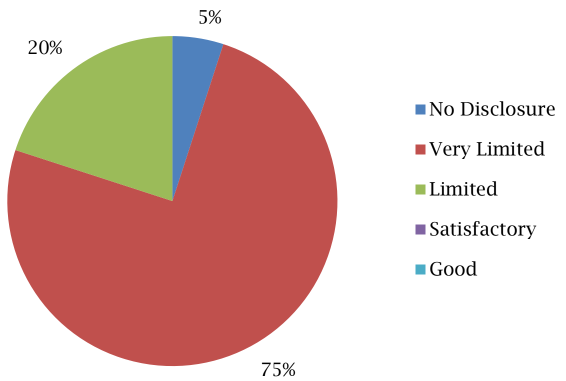
Another interesting aspect of narrative voluntary disclosures that we have seen was mainly from the ten corporate governance principles developed by the Capital Market Development Unit at the Reserve Bank of Fiji. From our analysis, 95% of the corporations had narrative disclosures, which were mostly on the corporate governance principles mandated by the SPX listing requirements. If this was not mandated then, we believe the percentage of narrative VDs might have fallen drastically. This is evident in the annual report of Future Forests (Fiji) Limited, which states:

"Future Forests (Fiji) Limited (FFF or the Company) acknowledges the requirements to report on the Company's Corporate Governance Code […] The Code articulates 10 core principles together with the best practice recommendations. This code is the basis for the Company's governance standards" (FFF, 2018, p. 7).

4.5. Overall information on voluntary disclosures

Voluntary disclosures are non-mandatory information provided by companies other than what standards require. They are extra information given to shareholders and potential investors other than what is required. This is information on sustainability issues. Mandatory information is that information, which is required to be disclosed in the general-purpose financial reports dictated by the accounting standards. Fiji has adopted the International Accounting Standards since 2007 and all the listed companies are required to follow them.

Figure 2. Voluntary disclosures in listed companies (overall)



Source: Authors' illustration — data derived from annual reports.

It could be analyzed from Figure 2 that Fiji is still far away from non-traditional techniques of financial reporting and disclosing information to various stakeholders. Based on the above pie-chart it could be said that 75% of the entities listed on the SPX have very limited disclosures and 20% of the companies have limited disclosures and 5% of the entities do not have any voluntary information other than what is required by standards. The only issue that can be said from an overall perspective is that stakeholders are not concerned about sustainability issues. If there were, then this would have pressured entities and managements to provide more voluntary information, which is very helpful in making an economic and rational decision and put entities on a wake-up call against sustainability issues so that entities play an active role in the mitigation process.

5. DISCUSSION OF FINDINGS

This study has researched the extent of voluntary disclosures in Fiji listed companies using legitimacy theory and a qualitative approach in answering the research questions. The study looked at both narrative and non-narrative voluntary disclosure information in detail, analyzing the 2019 corporate annual reports of all the listed companies in the South Pacific Stock Exchange (SPX). The results confirm that voluntary disclosure is still very limited and hardly disclosed by many companies.

Certain companies have more voluntarily disclosed information than others. There are reasons why some companies disclose more information. One such reason is for legitimacy purposes. Some companies have admitted the fact that they are disclosing extra information for legitimacy reasons so that society mandates their operations. Some large companies have many staff also disclose more information in their annual reports since they report to a greater number of stakeholders. Some companies might not disclose voluntary information probably due to the cost and resource issues (Sharma & Davey, 2013).

It also appears that certain companies do not bother reporting such information and this is consistent with Deegan et al. (2002) stating that "where there is a limited concern, there will be limited disclosures" (p. 335). This indicates that if stakeholders are not much concerned about disclosures, then management is not pressured to disclose as much information, especially when it comes to disclosing social and environmental information. But sometimes the management may misinterpret or misjudge certain stakeholders who would require information to make decisions and this can lead the corporation to face legitimacy threats. If these certain stakeholders pose a major threat to a company's legitimacy then the management will disclose information voluntarily as far as there is no legitimacy threat by this particular group.

Certain companies disclose voluntary information purely for legitimacy reasons as found in the result analysis. Legitimacy theory has been applied to the study to state that management of entities disclose more and more information voluntarily on the basis that their entities legitimacy can be threatened due to the public concern for social and environmental issues. Many companies are operating in Fiji from a monopoly type of business structures and thus, they are not concerned with maintaining their social contract with society. This creates an environment as to why management should not disclose voluntary information since there might not be pressure on them. Thus, legitimacy theory does not apply to this situational context. Many companies in developing nations are not pressured by stakeholders to disclose more information. The reason could be a lack of awareness by potential stakeholders, hence another reason for the management not to disclose.

Voluntary disclosure of information means providing more information than what is required. The results confirm this as it shows 75% of the entities have very limited disclosures. It is known that annual reports are the main communication tools used by stakeholders and the smallness of entities and capital markets can justify why VD is still very uncommon. However, results show that 95% of the entities provide some sort of voluntary disclosure though it could be just a few words. Still, it can be said that Fiji is very far from the non-traditional forms of financial reporting.

Sharma and Davey (2013) did a trend analysis and it was found that the level of disclosures is slowly increasing. This can be evident from the results that most of the entities have the 10 corporate governance principles stated by the Reserve Bank of Fiji and part of the stock exchanges listing requirements. This has boosted the narrative voluntary disclosures. The results are evidence of this as 95% provide narrative disclosures in the annual reports. Some companies have transformed their annual reports with attractive covers, colourful graphs and pictures. Another motivation for such companies to do this is the introduction of the SPX Annual Report Awards which was initiated in 2017 and since then certain companies have been participating in that award. This motive compliments the legitimacy theory. Fiji headed the 2018 United Nations Climate Change Conference led by the Honourable Prime Minister of Fiji, this can be another reason or motivation for certain companies to disclose their engagement in sustainability issues through corporate social responsibility as evident in the result analysis. From the results, 65% of the entities engaged in CSR activities as disclosed in their annual reports, again clearly for legitimacy reasons to look good in the eyes of the society that they are giving back and not just making profits.

The study has further broadened our knowledge on sustainability issues with an emphasis on voluntary disclosure; it is an extension of the literature and provides a better understanding of the motives of VD. The 20 listed companies comprise different sectors however it can be said that the production and the service sectors dominate, however, there is no clear indication that one sector has more VDs than the other sector (Adhikari & Duru, 2006, as cited in Sharma & Davey, 2013).

Furthermore, many of the management of companies do not disclose more than what is required. If the 10 corporate governance principles were not required, then narrative disclosures made by many companies would be very less or probably to none. This calls for accounting policymakers to play a vital role as to what information should be subject to disclosure requirements. This study has looked at the two detailed versions of VD using corporate annual reports. The literature highlights the lack of literature in developing nations like Fiji. Results show that overall VD tends to be very limited. This means that very little information is disclosed on sustainability issues. The narrative disclosures are contained in most of the entity's annual reports, however; non-narrative information tends to be less. With the above motives for VD highlighted and for legitimacy reasons, this is the beginning, and more work, awareness is emphasized.

6. CONCLUSION

Voluntary disclosure in corporate annual reports has always been insignificantly reported in developing countries like Fiji. Voluntary disclosures are non-mandatory information contained in the annual reports of companies concerning the sustainability issues such as information about the economy, environment, and society. In answering the research questions, this study has found that overall VD in Fiji listed companies tend to be very limited while there has been some progress noted in some of the listed companies. This can be attributed to the fact of Fiji representing COP23 (https://cop23.com.fj/). It was found that some of the companies provide voluntary disclosure information to their stakeholders purely for legitimacy reasons and some entities have stated this in their annual reports like Fijian Holdings Limited. Looking at VD in detail then it was found that entities who engage in VD practices had mostly narrative disclosures which were written in their annual reports.

Narrative disclosures were done due to the SPX listing requirements on the 10 corporate governance principles stated by the Reserve Bank of Fiji. Non-narrative disclosures were common with more than half of the listed entities had some form of pictures and graphs on sustainability issues. The majority of non-narrative disclosures were on CSR activities. However, Fiji is still very far away from non-traditional or modern ways of reporting information to its stakeholders. There could be many reasons for this such as, lack of awareness on sustainability issues, resistance by managers, and as per literature on "limited concern". With regulations and stringent requirements through SPX, educated stakeholders pressurizing, and the role of the accounting profession, VD practices can increase in annual reports of companies and there are many benefits of reporting extra information with improved investment decisions.

Voluntary disclosure in annual reports is a legitimizing tool that entities can utilize to legitimize their operations. The adoption of International Accounting Standards has compelled reports to be prepared per standards requirements. However, with current sustainability issues, it is necessary to provide information on the economy, environment, and society so that effective decisions can be made. Stakeholders need to be made more aware of the current issues face and how companies can be used as a vehicle to mitigate the issues. SPX should engage with stakeholders in creating awareness which will pressure the management of companies to provide such information. The government can legislate for VDs like SPX listing requirements.

This will mandate corporate to provide VD information to their stakeholders. The accounting professional bodies can play a vital role in advocating, educating, and creating awareness through their members so that accountants are better prepared. If awareness is created in societies on sustainability issues faced this can help put pressure on corporations since resources are used belongs to the society in the case of Fiji as the majority of the land is indigenous owned. Finally, the study has used content analysis through corporate annual reports. However, there are other communication channels such as media and websites in which VD is communicated to the stakeholders. This can also be explored (O'Donovan, 2002). Moreover, considering legitimacy theory, increased VD does not mean that other social theories cannot explain other theories can be applied to this type of research. Fiji's capital market is very small with only 20 companies listed; further research can incorporate those non-listed companies to find the extent of VD in Fiji Companies. A research on the industry composition of VD can provide further insights on sustainability reporting in Fiji. This research study has considered corporate annual reports for 2019 only as basis to measure VD; however, companies may disclose VD information in other means such as media, corporate magazines and websites which needs to be explored.

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