INTEGRATING VALUE-ADDED STATEMENTS IN CORPORATE GOVERNANCE: THEORY AND EMPIRICAL FINDINGS FROM GERMANY

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OPEN ACCESS

How to cite this paper: Baltzer, B., & Ulrich, P. (2025). Integrating value-added statements in corporate governance: Theory and empirical findings from Germany. *Corporate Governance and Sustainability Review, 9*(3), 105–115. https://doi.org/10.22495/cgsrv9i3p8

ISSN Online: 2519-898X
ISSN Print: 2519-8971

Received: 29.05.2024
Revised: 07.11.2024; 09.01.2025; 14.07.2025
Accepted: 17.07.2025

JEL Classification: G30, G39, M00
DOI: 10.22495/cgsrv9i3p8

Abstract

The value-added statement (VAS) is a distinctive financial reporting tool designed to reflect the distribution of economic value across multiple stakeholders, including employees, suppliers, and communities, beyond just shareholders. This study explores the application and presentation of VAS within the corporate governance reports of nine large, publicly listed German companies. These firms were selected based on their adherence to the German Corporate Governance Code (GCGC) principles, which prioritize transparency and stakeholder engagement. Analyzing the most recent reports for the fiscal years 2022–2023, we observe that VAS adoption is notably limited, with presentation formats ranging from text-only descriptions to detailed tables and visualizations. The lack of standardized VAS formats may present a barrier to wider adoption, yet the tool holds substantial potential to enhance corporate transparency by aligning financial outcomes with stakeholder interests. Our findings suggest that if standardized, VAS could play an important role in bridging financial reporting with broader accountability objectives, especially as corporate governance increasingly emphasizes stakeholder-inclusive disclosures. This study highlights the need for clear guidelines to support VAS integration, which could foster greater trust and transparency within corporate governance frameworks.

Keywords: Value-Added Statement, Corporate Governance Reporting, Stakeholders, Connectivity

Authors' individual contribution: Conceptualization — B.B. and P.U.; Methodology — B.B.; Formal Analysis — B.B.; Writing — Original Draft B.B. and P.U.; Writing — Review & Editing — P.U.; Visualization — B.B.; Project Administration — P.U.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

The German corporate governance system is founded on several key principles that emphasize a dualistic structure, with distinct management and supervisory boards, and a "comply-or-explain" rule similar to that of the UK. This framework, while designed to support transparency and accountability, faces distinct challenges. Historically, German banks have played a substantial role in corporate governance due to their significant equity holdings and presence on supervisory boards. This involvement, however, can lead to conflicts of interest and may inhibit managerial independence and innovation (Wolff, 2004). Additionally, the Codetermination Act, which provides for employee representation on supervisory boards, promotes employee engagement and industrial stability but can also create friction between employee representatives and shareholders, potentially slowing decision-making processes (European Corporate Governance Institute [ECGI], 2019).

The German Corporate Governance Code (GCGC), with its "comply-or-explain" mechanism, aims to align corporate practices with recommended standards. However, this approach can lead to inconsistencies in governance as some companies may adopt minimal compliance or provide inadequate explanations for non-adherence, which diminishes the code's effectiveness (Wolff, 2004; ECGI, 2019). Furthermore, while the GCGC strives to enhance transparency, its actual implementation raises concerns about the extent to which companies truly embody these principles, ultimately impacting the trust and credibility of governance practices (ECGI, 2022). Internationally, Germany's stakeholder-oriented governance model occasionally faces criticism from investors who favor a shareholder-centric approach, leading to challenges in appealing to foreign investors and adapting to globally dominant practices (ECGI, 2019).

The GCGC serves as one of the principal guides for corporate governance in Germany, applicable primarily to publicly traded corporations, yet widely recognized as a benchmark for sound governance. Initially published in 2002 following the Enron scandal, the code is updated regularly by an expert commission to reflect evolving governance needs, with the most recent update released in 2022. While the GCGC is considered soft law, it is referenced in the German Stock Corporation Act and the German Commercial Code, requiring affected companies to declare compliance annually in their management reports.

The GCGC regulations cover management and supervisory board duties and are categorized as principles (which must be followed due to legal alignment), recommendations (subject to the comply-or-explain rule), and non-binding suggestions. Its preamble outlines the dual obligation of management and supervisory boards to uphold the company's best interests by considering both shareholders and other stakeholders such as employees, suppliers, and communities. This stakeholder perspective underscores value creation not only for shareholders but for a broader group, reinforcing value added as a central concept in corporate governance.

This study focuses on the challenge of quantifying value added from a multi-stakeholder perspective in corporate reports. While metrics like economic value added (EVA) offer insights into value creation, they primarily emphasize shareholder interests and often overlook the distribution of value to other stakeholders, including employees, suppliers, and the community. This research investigates the role of the value-added statement (VAS) in corporate governance reporting as a tool for representing value distribution across diverse stakeholders. It addresses key research questions:

RQ1: What is the potential of VAS to provide a multi-stakeholder perspective?

RQ2: What is the current extent of VAS adoption among large German companies?

RQ3: How might VAS connect shareholder and stakeholder interests to foster a more integrated view of corporate value?

This exploration aims to position VAS as a unifying framework that aligns financial metrics with the growing need for inclusive, stakeholder-focused governance.

The rest of this paper is structured as follows. Section 2 reviews the literature on the historical and theoretical background of VAS in corporate governance reporting. Section 3 presents a deeper understanding of VAS. Section 4 explains the research methodology, detailing the company selection and analytical approach. Section 5 details the empirical findings on VAS reporting practices, highlighting variations across companies. Section 6 discusses these findings in the context of transparency, stakeholder inclusivity, and VAS standardization. Section 7 concludes with recommendations, suggesting that standardization of VAS could enhance corporate transparency and accountability.

2. LITERATURE REVIEW

Value-added statements (VAS) are increasingly important in corporate governance, offering a structured way to report economic value distributed among various stakeholders. Historically, VAS emerged to show the allocation of a company's value generation to groups such as employees, shareholders, governments, and reinvestment (Haller & van Staden, 2014). Over time, VAS has evolved from a basic financial reporting tool to a sophisticated framework that reflects corporate commitment to transparency, accountability, and stakeholder engagement. Its theoretical foundation lies in stakeholder theory, which advocates that companies should create value for a broad range of stakeholders, not just shareholders (Freeman, 1984). This is consistent with integrated reporting principles that provide a holistic view of a company's impact and performance (International Integrated Reporting Council [IIRC], 2013). Recent research on non-financial reporting highlights how VAS and similar disclosures are growing in relevance, aligning with a larger movement towards sustainability and stakeholder-focused governance.

In Germany, studies suggest that VAS integration is growing among listed companies, supporting transparency and better alignment with governance standards (Haller & van Staden, 2014). Internationally, VAS is used within sustainability and corporate social responsibility (CSR) reporting, as observed in Latin America, where companies employ VAS to strengthen accountability for social and environmental impacts (Perera Aldama & Zicari, 2012). Research on corporate governance in China similarly finds that VAS enhances transparency and ethical practice by providing clear data on value distribution, supporting regulatory compliance (Sabbaghi, 2016). Moreover, VAS has practical applications in a variety of corporate contexts; it strengthens sustainability reporting by showing value distribution among stakeholders, mitigates corporate tax avoidance by demonstrating ethical compliance, and supports CSR initiatives by improving communication of social contributions (Kovermann & Velte, 2019; Lanis & Richardson, 2015).

Studies on non-financial reporting frameworks underscore the need for structured VAS frameworks, particularly given the demand for stakeholder disclosures that extend beyond financial performance (Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, 2022). Recent scholarship expands this perspective, examining how sustainability reporting influences organizational learning and change (Asogwa et al., 2022) and demonstrating that quality sustainability reporting aligns with the United Nations Sustainable Development Goals (UN SDGs), enhancing the overall quality of corporate disclosures (Elmassri et al., 2022). Further, a systematic review of sustainable governance practices among SMEs emphasizes the role of VAS in supporting sustainable corporate governance (Akomea-Frimpong et al., 2022). Noureldin and Basuony (2021) discuss how board diversity, particularly with female representation, impacts sustainability performance, underscoring the importance of transparency in reporting practices. Additionally, Rao et al. (2022) highlight that selecting robust sustainability assurance standards can positively influence firm value, suggesting that VAS may add value by connecting sustainability performance with financial metrics.

The International Financial Reporting Standards (IFRS) Foundation's new Sustainability Disclosure Standards further underscore the importance of structured stakeholder reporting (IFRS, n.d.). Industry reports similarly reflect this shift, as KPMG's 2022 survey of sustainability reporting notes that companies are experiencing heightened pressure to incorporate non-financial disclosures to meet evolving stakeholder expectations (KPMG, 2022). Deloitte and PwC emphasize that effective ESG disclosures, potentially supported by VAS, are critical in meeting investor demand and enhancing stakeholder trust (Miani et al., 2021; PwC, 2022). Ernst & Young (EY, n.d.) further indicates that VAS, when included in ESG reporting frameworks, can deepen understanding of value distribution practices, while McKinsey & Company and S&P Global recognize VAS as a strategic tool for aligning financial performance with sustainability goals (Pérez et al., 2022; S&P Global, 2021).

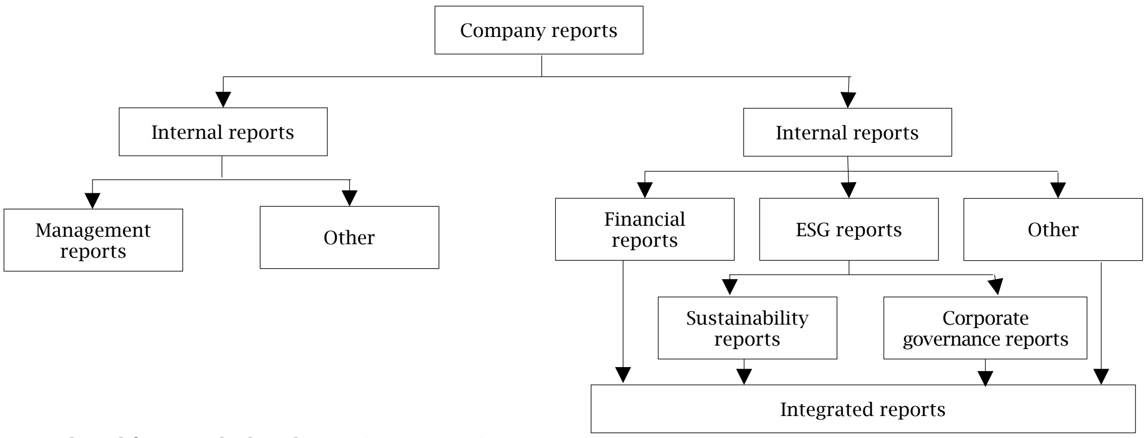
While the literature highlights the benefits of VAS in enhancing corporate transparency and accountability, challenges persist. A lack of standardized VAS reporting frameworks can lead to inconsistencies in presentation and interpretation, underscoring the need for standardized guidelines. Addressing this gap through research and regulatory action could strengthen the role of VAS in corporate governance, supporting comprehensive multi-stakeholder reporting and improving long-term corporate trust and value alignment.

3. IN-DEPTH UNDERSTANDING OF VALUE-ADDED STATEMENTS

3.1. Value-added statements in the company reporting system

Companies are involved in various types of reporting, both to recipients inside and/or outside the company. Figure 1 provides an overview of the most important types of company reports.

Figure 1. Types of company reports



Source: Adopted from Freidank and Hinze (2014, p. 454).

The provided graphic illustrates the various types of company reports, categorizing them into internal and external reports. At the top level, "company reports" are divided into two main branches: "internal reports" and "external reports". Internal reports are primarily used within the company for internal management purposes. Under internal reports, the primary category highlighted is "management reports", with another category simply labeled "other" for unspecified internal reports. External reports are designed for audiences outside the company, such as investors, regulators, and the public. External reports are further divided into three main categories: "Financial Reports", "ESG (environmental, social, and governance) reports", and "other" reports. Under the ESG reports category, two specific types of reports are detailed: "sustainability reports" and "corporate governance reports". Both these types of reports can contribute to the creation of "integrated reports". Integrated reports aim to combine financial, sustainability, and governance information into a comprehensive document, providing a holistic view of the company's performance and strategy. The ESG reports category emphasizes the importance of reporting on ESG issues, reflecting a company's broader impact beyond financial performance.

Overall, Figure 1 above underscores the interconnectedness of various reporting types and the movement towards integrated reporting, which seeks to present a unified and comprehensive view of the company's overall performance and strategic direction.

VAS do not fall exclusively into one of those categories, but can be used both in internal reports as well as in external reports (Haller & Stolowy 1998). In Germany, VAS have been used both in management reporting as well as in financial reporting since the 1930s. The 1970s and 1980s were the heyday for VAS in social reporting, which is today considered a part of sustainability reporting. Indeed, the use of VAS in sustainability reporting has gained new attention recently (Haller et al., 2016)[1]. Moreover, VAS have also been discussed from

[1] Besides, VAS are also used in macroeconomic national reports.

the perspective of integrated reporting (Haller & van Staden, 2014). Despite the importance of value added for corporate governance reporting as explained above, we have not seen a discussion of VAS from the perspective of corporate governance reporting, with the notable exception of Lingnau and Kreklow (2011).

3.2. Ensuring connectivity of value-added statements

As external recipients will typically read the reports published by a company in parallel, connectivity between those reports is an important requirement. Wagenhofer (2024) discusses the (missing) connectivity between sustainability reports and financial reports and explains that connectivity needs both consistency and coherence of assumptions and data.

The requirement of connectivity with financial reports also has to be fulfilled if VAS are to be used in corporate governance reports. In the case of VAS, however, connectivity can easily be reached as VAS are developed out of the profit & loss statements of financial reporting. Table 1 compares the positions of a (highly simplified) profit and loss statement with the positions of a (also simplified) VAS.

Table 1. Comparison of the profit and loss statement and the value-added statement

Positions of profit and loss statement (by nature)		
Revenues		1
-	Material expenses	2
-	Personnel expenses	3
-	Depreciation and amortization	4
+	Other operating income	5
-	Other operating expenses	6
=	**Operating profit**	
+	Financial income	7
-	Interest expenses	8
-	Income tax expenses	9
=	**Profit**	

Positions of VAS		
Revenues		1
+	Financial income	7
+	Other operating income	5
-	Material expenses	2
-	Depreciation and amortization	4
-	Other operating expenses	6
=	**Value added**	
-	Personnel expenses	3
-	Interest expenses	8
-	Income tax expenses	9
=	**Profit**	

VAS are generated by rearranging the positions of the profit and loss statement to create new meaning (which will be explained in the next chapter). It needs to be noted, however, that this is only true if the profit & loss statement is prepared by nature[2]. Indeed, International Accounting Standard (IAS) 1.14 explicitly mentions the VAS as an example for reports that may be published next to IFRS financial reports.

3.3. Structure and meaning of value-added statements

As explained above, the concept of value added is in line with a stakeholder perspective. Following the well-known categorization by Freeman et al. (2007), the primary stakeholders of companies are[3]:

- Customers;
- Suppliers;
- Employees;
- Financiers, i.e., equity owners and debt lenders;
- Communities.

VAS make use exactly of those types of stakeholders. However, for the purpose of VAS, these stakeholder groups are further divided into two categories:

- Creation of value added: customers and suppliers;
- Distribution of value added: employees, debt lenders, communities, and equity owners.

Thus, in VAS, value added is presented from two different angles: creation and distribution.

Value added is mainly created by selling products (and services) to the company's customers, which generates revenues. In order to manufacture and market the products, inputs from suppliers are needed, mainly in the form of materials that are consumed and in the form of assets that are used. So, while revenues (plus other types of income) constitute the gross value added, deducting material expenses, and depreciation and amortization leads to the (net) value added. So, value added represents the additional value on top of the goods purchased from suppliers that meet the customers' willingness to pay.

The second angle answers the question to whom the (net) value added belongs. Here, the logic is that employees contribute to value creation, so the personnel expenses are part of value distribution. By providing funds to the company, debt lenders also contribute to value creation, so the company's interest expenses can also be considered a part of value distribution. Communities (and other territorial units such as regions or the federal state) enable the company to do its business by providing, for example, public infrastructure and the legal system. Therefore, income (and similar) tax expenses can be considered value distribution as well. Last but not least, it is the equity owners who also provide funds and ultimately carry the risk of company failure. As the profit belongs to the equity owners, profit can be seen as the last component of value distribution. Typically, not all profit is paid out to the equity owners as dividends, but some share of the profit is kept within the company as retained earnings. Therefore, profit can be split into those two parts. Table 2 summarizes the explanations just given concerning the creation and distribution of value added.

[2] Linking VAS to profit and loss statements by function is not completely possible.
[3] As secondary stakeholders, Freeman et al. (2007) list competitors, customer advocate groups, special-interest groups, media, and government.

Table 2. Creation and distribution of value added

Angle		*Positions of VAS*	*Stakeholder group*
Creation of value added		Revenues	Customers
	+	Financial income	
	+	Other operating income	
	=	**Gross value added**	
	-	Material expenses	Suppliers
	-	Depreciation and Amortization	
	-	Other operating expenses	
	=	**(Net) Value added**	
Distribution of value added	-	Personnel expenses	Employees
	-	Interest expenses	Debt lenders
	-	Income tax expenses	Communities (and other territorial units)
	=	**Profit**	Equity owners
		thereof dividend payments	
		thereof retained earnings	

4. RESEARCH METHODOLOGY

4.1. Data collection

This study employs a qualitative content analysis to examine the extent and format of VAS within corporate governance reporting among German publicly listed companies. The data set includes annual, sustainability, and integrated reports from the 100 largest companies listed on the Frankfurt Stock Exchange, based on market capitalization. Reports covering the fiscal years 2022 and 2023 were retrieved from each company's investor relations webpage in March 2024, ensuring relevance to the most recent corporate reporting practices and alignment with the 2022 updates to the German Corporate Governance Code (GCGC). In total, 157 documents were analyzed, providing a broad overview of VAS presentation across large German firms.

4.2. Analysis approach

The analysis proceeded in two stages to identify and assess the use and format of VAS in corporate governance disclosures. The first stage involved identifying the presence of VAS within each report by conducting targeted keyword searches, including terms such as "Value Added Statement", "value creation", and "stakeholder distribution". In the second stage, we classified the VAS presentation format for those companies that included this information, distinguishing between text-only descriptions, tabular formats, and graphical representations (e.g., charts and diagrams). Additionally, the content of each VAS was analyzed to determine whether it covered the key dimensions of value creation and value distribution, helping to assess the overall scope and depth of VAS reporting among the sample companies.

4.3. Justification for qualitative content analysis

A qualitative content analysis was chosen for its effectiveness in examining complex and text-rich data. This method allows for a detailed interpretation of the ways companies present VAS information, particularly how they communicate the distribution of value to various stakeholders. By focusing on the contextual meaning behind VAS presentation choices, qualitative content analysis enables a comprehensive understanding of VAS as a tool in corporate governance reporting, highlighting how it might reflect or enhance transparency and multi-stakeholder accountability.

4.4. Alternative methods

Several alternative methodologies could have been applied to study the integration of VAS in corporate reporting. Quantitative content analysis would allow for statistical measurement of VAS adoption frequency and presentation format across a larger sample, providing insights into general trends but potentially lacking the depth needed to interpret the subtleties in reporting practices. Another option would be a comparative case study approach, analyzing a smaller set of companies in-depth to highlight specific motivations, practices, and best approaches for VAS adoption. Although such case studies could yield detailed insights, they may limit the broader applicability of findings. A survey-based approach targeting corporate governance officers or financial managers could gather valuable insights into the perceived benefits and challenges of using VAS and capture forward-looking intentions regarding its adoption. However, while surveys could provide critical stakeholder perspectives, they would be limited in examining the actual content and presentation of existing VAS reports. Finally, a mixed-methods approach combining quantitative content analysis, qualitative content analysis, and surveys could provide a comprehensive view of both the prevalence and rationale behind VAS usage, though it would require significantly greater resources and a more complex implementation process.

4.5. Method limitations

While qualitative content analysis is well-suited to exploring VAS presentation and contextual differences across companies, it is inherently limited by its reliance on researcher interpretation, which may introduce bias. Furthermore, by focusing on the largest publicly listed companies in Germany, the sample may not capture the reporting practices of smaller firms or privately held entities, thus potentially limiting the generalizability of findings. Despite these limitations, qualitative content analysis aligns with the study's goal of exploring VAS integration within corporate governance frameworks, offering insights into how VAS can serve as a bridge between financial performance and stakeholder-focused value reporting in the German corporate environment.

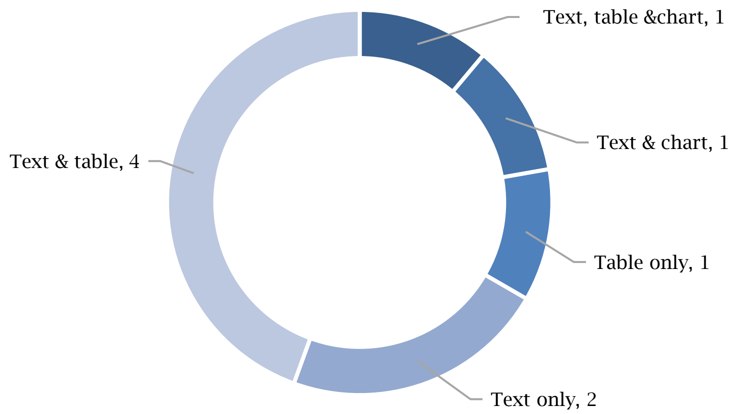
5. RESULTS

Only nine of the 100 companies present monetary information about their value added[4]. In two companies, only the added value of the current

[4] Those companies are (sorted alphabetically): Bayer, Bilfinger, BMW, Carl Zeiss Meditec, Evonik Industries, Henkel, K + S, Porsche and Ströer.

fiscal year is presented, while six companies also present the value added of the previous fiscal year for the purpose of comparison, and one company even presents the value added of the two previous fiscal years. As Figure 2 shows, different types of presentation are used, ranging from text only to text plus table plus chart.

Figure 2. Presentation of value-added information



Concerning the two angles of the VAS, most companies present a detailed breakdown of both the creation of value added as well as of the distribution of value added, as can be seen from Figures 3 and 4.

Figure 3. Information about the creation of value added

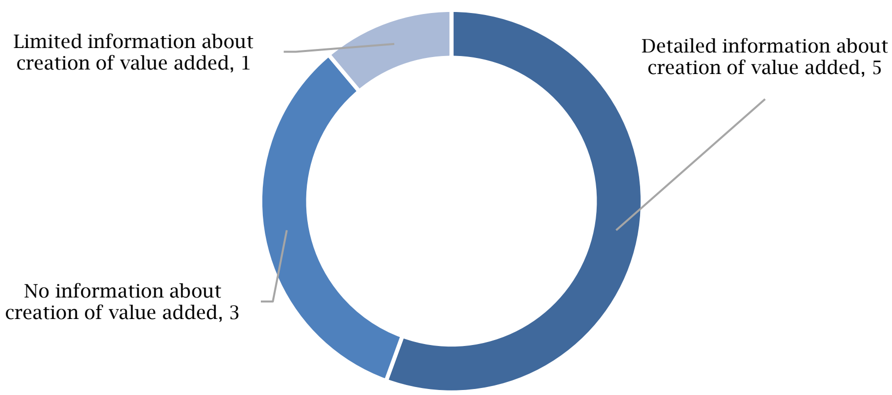
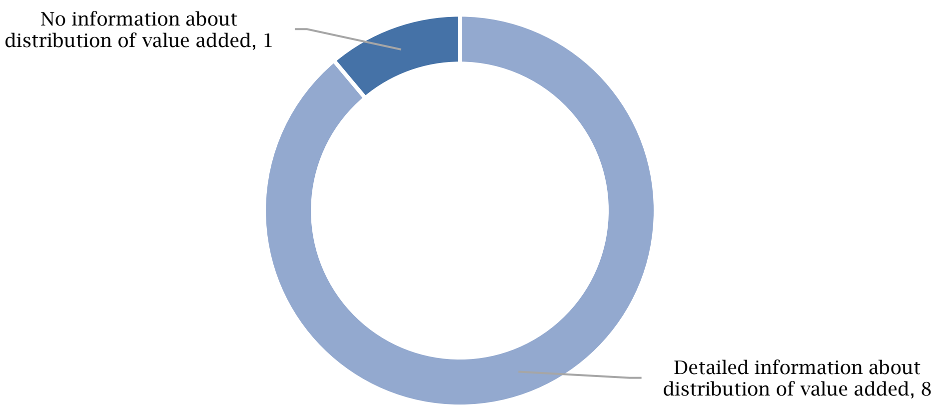


Figure 4. Information about the distribution of value added



As an example, Figure 5 shows the two angles of the VAS of Porsche AG.

Figure 5. Value-added statement of Porsche AG

Value added statement
of the Porsche AG Group for the period from January 1 to December 31, 2023

€ million	2023	2022[1]	2021
Source			
Sales revenue	40,530	37,637	33,138
Other income	1,256	1,702	893
Cost of materials	–23,015	–22,934	–19,363
Depreciation, amortization, and impairment losses	–3,528	–3,189	–3,214
Other upfront expenditures	–2,592	–1,169	–1,207
Value added	**12,652**	**12,047**	**10,247**

[1] The previous year has been updated (see the annotations regarding IFRS 17 → **Effects of new or amended IFRS**).

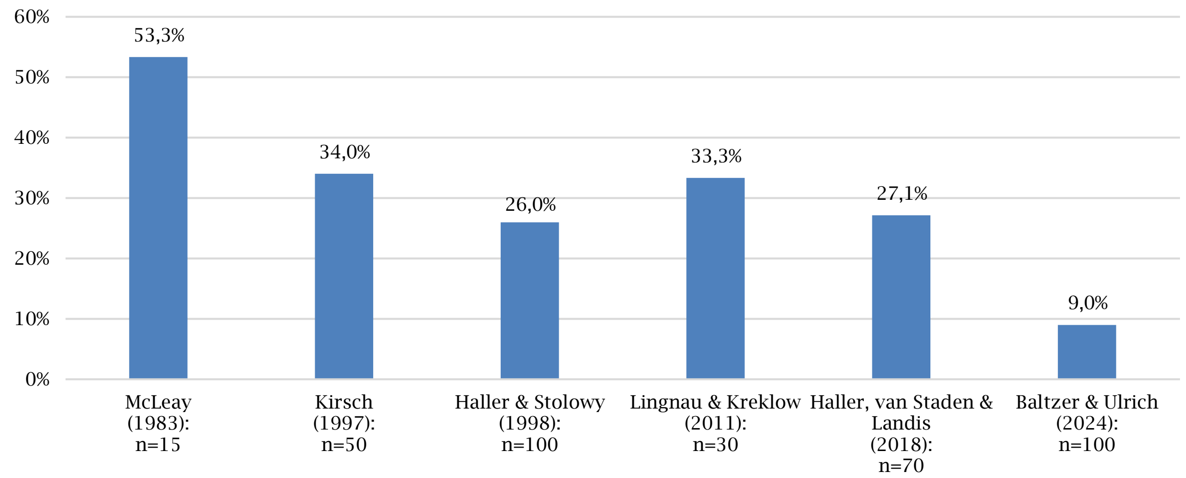
	2023		2022[1]		2021	
	€ million	%	€ million	%	€ million	%
Appropriation						
to shareholders (profit transfer)	916	7.2	3,986	33.1	1,862	18.2
to employees (wages, salaries, benefits)	5,149	40.7	4,961	41.2	4,478	43.7
to the state (taxes, duties)	2,037	16.1	1,962	16.3	1,605	15.7
Income tax	no data	no data	no data	no data	no data	no data
Other taxes	no data	no data	no data	no data	no data	no data
to creditors (interest expense)	309	2.4	157	1.3	126	1.2
to the company (reserves)	4,241	33.5	981	8.1	2,176	21.2
Value added	**12,652**	**100.0**	**12,047**	**100.0**	**10,247**	**100.0**

[1] The previous year has been updated (see the annotations regarding IFRS 17 → **Effects of new or amended IFRS**).

Note: Porsche is the one company that presents the values of the previous two fiscal years next to the current fiscal year.
Source: Porsche AG (2023, p. 439).

It has to be stated that the use of VAS for corporate governance reporting among large public companies in Germany is quite limited. It suggests itself that the use of VAS among smaller, private companies will not be higher. When comparing this result with the results of previous studies among German companies (see Figure 6), it also needs to be stated that there seems to be a clear downward tendency. It needs to be noted that the database of the studies is not completely comparable concerning the number and type of companies that were analyzed. As mentioned above, the publication of VAS was quite popular among German companies in the 1970s and 1980s, which explains the result by McLeay (1983) that more than every second company presented a VAS. While every third to every fourth company presented a VAS according to later studies, this number has declined to less than every tenth company in the current study.

Figure 6. Comparison of studies



From a conceptual point of view, companies are missing out on the possibility to provide relevant information to the external readers of their reports. Unlike much of the information that is typically presented in sustainability reports[5], VAS are fully connected to financial reports, as the information is generated by rearranging the positions of the profit and loss statement. One could argue, then, that there is little additional information to be gained from preparing a VAS, as the information is already available in the profit and loss statement. This is not true, however, because VAS take a completely different perspective on the company's performance. The profit and loss statement shows the profit as the bottom line and thus takes a shareholder perspective. The underlying message is that companies exist to generate shareholder value. Opposed to that, the VAS presents value added as the key performance metric and shows how this value added is distributed to the stakeholder groups of employees, debt lenders, communities, and shareholders. Value added can thus be interpreted as a way to quantify stakeholder value. The underlying message is that companies are a "joint venture" of stakeholder groups.

The results of this study reveal a limited yet varied adoption of VAS among large publicly listed German companies. Out of the sample analyzed, only a minority of firms included VAS in their reports, suggesting that while VAS is recognized, it has yet to be widely embraced as a standard component of corporate governance reporting. The companies that do implement VAS demonstrate considerable variation in presentation format, ranging from basic text descriptions to comprehensive tables and visualizations. This inconsistency highlights a lack of standardized guidelines for VAS reporting, which may hinder broader adoption, as companies might be uncertain about the expectations for VAS presentation in corporate governance disclosures. Moreover, while some companies provide detailed breakdowns of value creation and distribution across stakeholder groups, others only briefly reference VAS, potentially limiting its effectiveness as a tool for transparent stakeholder communication. This variability suggests that, without clearer regulatory guidance or industry standards, the potential of VAS to serve as a bridge between financial performance and stakeholder value may remain unrealized. The observed presentation differences also point to varying degrees of emphasis on stakeholder inclusivity, which aligns with differing company approaches to transparency and accountability in corporate governance. In this context, a standardized VAS framework could enhance comparability, helping stakeholders better assess and interpret how companies allocate economic value. Ultimately, these findings underscore the need for more cohesive practices to realize the full utility of VAS in supporting multi-stakeholder reporting and fostering greater trust in corporate governance frameworks.

6. DISCUSSION

Even though VAS ensure connectivity to financial reporting via the profit & loss statement, they are not an official part of financial reporting, and as a consequence, there is no regulation concerning how VAS should be presented. Indeed, there are different traditions to present a VAS across different countries (Haller & Stolowy, 1998; Haller et al., 2016). This means it would be possible to include additional data in the VAS.

Profit, as calculated in the profit and loss statement, is not a precise metric for shareholder value, as the "equity expenses" are not considered in the calculation of profit. This is why metrics like the EVA deduct equity expenses from the "accounting profit" to calculate the "economic profit"[6]. This has to be done in a separate calculation outside the official profit and loss statement. Although the companies have freedom in how to present a VAS, it would be possible to include this step at the bottom of a VAS, as can be seen from Table 3. This way, VAS even allow linking stakeholder value (understood as value added) to shareholder value (understood as economic profit).

Table 3. Linking stakeholder value and shareholder value in a value-added statement

	Positions of VAS
	Revenues
+	Financial income
+	Other operating income
=	**Gross value added**
-	Material expenses
-	Depreciation and Amortization
-	Other operating expenses
=	**(Net) Value added (≈ stakeholder value)**
-	Personnel expenses
-	Interest expenses
-	Income tax expenses
=	**(Accounting) profit**
-	*Equity expenses*
=	***Economic profit (≈ shareholder value)***

The integration of VAS into corporate governance reporting provides a unique opportunity to enhance transparency, accountability, and a comprehensive view of a company's performance. The empirical evidence from German listed companies highlights both the potential and the challenges associated with adopting VAS as a standard reporting tool.

The analysis of the 100 largest companies listed on the Frankfurt Stock Exchange reveals that only a small fraction (9 out of 100) provides monetary information about their value added. This limited adoption suggests a need for greater awareness and understanding of the benefits that VAS can offer. The varied presentation formats, ranging from text to detailed tables and charts, indicate a lack of standardization, which may contribute to the hesitancy in wider adoption.

The primary advantage of VAS lies in its ability to provide a multi-stakeholder perspective on value distribution. Unlike traditional financial metrics focused solely on shareholders, VAS illustrates how value is distributed among employees, debt lenders, communities, and shareholders. This aligns with the broader principles of corporate governance, which emphasize fairness and responsibility to all stakeholders (Freeman, 1984; Haller & van Staden, 2014).

1) Enhanced transparency: VAS can enhance the transparency of corporate governance reports by detailing the creation and distribution of value added. This can help stakeholders understand how

[5] As main reasons, Wagenhofer (2024) lists missing aggregation, missing accruals, no limitation to the company, double counting and anticipation of distant effects.

[6] This is the main idea of calculating economic profit. Depending on the metric used, more so-called conversions might be done.

the company generates and allocates its economic value, fostering trust and engagement (Haller et al., 2016).

2) Improved accountability: By clearly delineating how value is distributed among various stakeholder groups, VAS can improve corporate accountability. Companies can demonstrate their commitment to fair value distribution and social responsibility, which can enhance their reputation and stakeholder relations (Perera Aldama & Zicari, 2012).

3) Support for integrated reporting: VAS can serve as a bridge between financial reporting and sustainability reporting, supporting the development of integrated reports. This holistic view can provide a more complete picture of the company's performance and strategic direction, aligning with the goals of integrated reporting frameworks (IIRC, 2013).

Despite these advantages, several challenges and limitations hinder the widespread adoption of VAS:

1) Lack of standardization: The absence of standardized guidelines for preparing and presenting VAS leads to inconsistencies and can confuse stakeholders. Developing standardized frameworks and guidelines could help mitigate this issue and promote wider adoption (Haller & Stolowy, 1998).

2) Complexity and resource intensity: Preparing VAS can be resource-intensive and complex, especially for smaller companies. This may deter some companies from adopting VAS, particularly if they lack the necessary resources or expertise (Kovermann & Wendt, 2019).

3) Perceived redundancy: Some companies may perceive VAS as redundant, given that the information is derived from existing financial statements. Educating companies on the unique perspectives and insights that VAS can provide may help overcome this perception (Sabbaghi, 2016).

The empirical evidence shows a declining trend in the use of VAS among German companies compared to earlier decades. While more than half of the companies presented VAS in the 1970s and 1980s, this number has significantly decreased. This trend suggests a need for renewed focus on the benefits of VAS and efforts to reintroduce it as a valuable reporting tool.

Comparative studies with other countries where VAS is more prevalent could provide insights into best practices and successful implementation strategies. Additionally, incorporating feedback from companies that have adopted VAS can help identify practical challenges and solutions.

To fully leverage the potential of VAS in corporate governance reporting, several steps can be taken:

1) Standardization and guidelines: Developing standardized guidelines for preparing and presenting VAS can help ensure consistency and clarity. International bodies like the IIRC and national regulators can play a crucial role in this process (IIRC, 2013).

2) Education and awareness: Increasing awareness about the benefits of VAS and providing educational resources can encourage more companies to adopt this reporting tool. Workshops, seminars, and publications can help disseminate knowledge and best practices (Freeman, 1984).

3) Technological integration: Leveraging technology to streamline the preparation and presentation of VAS can reduce the complexity and resource intensity associated with it. Software solutions and digital platforms can automate parts of the process, making it more accessible to smaller companies (Kovermann & Velte, 2019).

4) Empirical research: Further empirical research is needed to explore the long-term impacts of VAS on corporate performance, stakeholder engagement, and transparency. Longitudinal studies and comparative analyses can provide deeper insights and support the development of effective implementation strategies (Perera Aldama & Zicari, 2012).

7. CONCLUSION

The VAS represents a valuable tool for enhancing corporate governance reporting by providing a comprehensive view of how economic value is created and distributed among various stakeholders. This broader perspective is crucial in an era where corporate transparency and accountability are increasingly demanded by investors, regulators, and the public. VAS uniquely captures the interests of multiple stakeholders, including employees, customers, suppliers, and the community, rather than focusing solely on shareholders. Despite the challenges and limited current adoption among German-listed companies, the potential benefits of VAS in promoting transparency, accountability, and integrated reporting are significant. The empirical analysis presented in this study reveals that only a small fraction of the largest companies on the Frankfurt Stock Exchange currently use VAS. This underutilization suggests a missed opportunity to leverage VAS for enhanced governance practices.

To realize these benefits, efforts should be made to standardize VAS preparation, increase awareness and education, leverage technological solutions, and conduct further empirical research. Standardization would ensure consistency and comparability of VAS across different companies and sectors, making the information more useful for stakeholders. Educating companies about the advantages of VAS could overcome resistance and demonstrate its value in providing a transparent and comprehensive view of company performance. Moreover, leveraging technological solutions can streamline the preparation and presentation of VAS. Advanced software and digital tools can automate the data collection and reporting processes, reducing the resource burden on companies. This technological integration would make VAS more accessible to smaller companies that may lack the resources to implement it manually.

Conducting further empirical research is essential to explore the long-term impacts of VAS on corporate performance and stakeholder engagement. Such research can provide robust evidence on the benefits of VAS, encouraging more companies to adopt this reporting tool. Comparative studies across different countries and industries can also highlight best practices and successful implementation strategies, providing valuable insights for German companies. By addressing these challenges, companies can better integrate VAS into their corporate governance practices, ultimately fostering a more transparent, accountable, and stakeholder-inclusive business environment. The VAS not only enhances the credibility of corporate reports but also aligns with the global shift towards integrated reporting, which seeks to provide a holistic view of a company's performance, strategy, and governance.

The findings from this study highlight the importance of VAS in modern corporate governance and underscore the need for continued focus on developing and promoting this reporting tool. The limited adoption of VAS among German companies suggests a gap in current reporting practices that, if addressed, could significantly enhance corporate transparency and stakeholder trust. With concerted efforts from regulators, industry bodies, and companies, VAS can play a pivotal role in shaping the future of corporate governance reporting. Regulatory bodies can mandate or encourage the use of VAS through policy changes and guidelines, while industry bodies can develop standardized frameworks and best practices. Companies, on their part, need to recognize the strategic value of VAS in building trust and enhancing their reputation among stakeholders.

In conclusion, the VAS stands out as a transformative tool in corporate governance reporting. Its ability to present a holistic view of value creation and distribution makes it indispensable in today's complex business environment. By fostering greater transparency and accountability, VAS can help companies navigate the challenges of modern corporate governance, align with stakeholder expectations, and contribute to sustainable business practices. The potential of VAS to bridge the gap between financial performance and stakeholder value underscores its relevance in contemporary corporate governance frameworks. Therefore, stakeholders at all levels must collaborate to promote the adoption and effective implementation of VAS, ensuring that it becomes an integral part of corporate reporting standards globally.

Despite the comprehensive nature of the analysis and the valuable insights it provides, this study's reliance on a sample of only nine large companies presents notable limitations that must be acknowledged. Firstly, this small sample size inherently restricts the scope and generalizability of the findings. By focusing exclusively on a select group of the largest companies listed on the Frankfurt Stock Exchange, this study may not fully capture the diversity of perspectives, practices, and challenges that could emerge with a broader set of firms. The sampled companies are likely to possess more advanced reporting infrastructures and greater resources, which may not reflect the capabilities or priorities of smaller enterprises or privately held firms. As a result, the findings may offer only a partial view of VAS usage and reporting practices in the wider corporate landscape, potentially limiting their applicability to a broader range of organizations, such as small and medium-sized enterprises (SMEs) or firms that do not face the same reporting obligations or public scrutiny.

Furthermore, the study's reliance on publicly available annual and sustainability reports means that it could only analyze information that these companies chose to disclose. The use of VAS may vary considerably across firms depending on internal reporting policies, strategic priorities, and varying levels of commitment to transparency. As a consequence, undisclosed practices and data that could provide a more complete understanding of VAS adoption, presentation, and usage remain beyond the scope of this research. Given that larger firms may have a vested interest in more robust public disclosure to meet shareholder and regulatory expectations, the small sample may overstate the extent and quality of VAS reporting among German companies as a whole.

Additionally, this study primarily employed a qualitative approach, focusing on the presence and format of VAS in reports rather than quantitatively assessing its impact on company performance or stakeholder engagement. This qualitative orientation, combined with a limited sample, constrains the depth of analysis and precludes a thorough evaluation of VAS's broader effects on transparency, accountability, and value distribution within these organizations. A more extensive quantitative assessment involving a larger, more varied sample would allow for a more precise understanding of the tangible benefits and challenges associated with VAS implementation.

Finally, because this study examines only the most recent available fiscal years (2022–2023), it may not capture longer-term trends or changes in VAS usage. Longitudinal research that observes shifts in VAS practices over time would be essential to understanding the evolution of VAS in corporate governance reporting, especially as external pressures and stakeholder expectations continue to grow. Addressing these limitations in future research could yield a more nuanced, comprehensive understanding of the role and potential impact of VAS in corporate governance, thereby informing both policy and practice recommendations with greater depth and relevance.

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