

**Sustainability of Accounting Firms in Egypt:  
Pillars, Stakeholder Implications, and  
Activation Requirements**

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### Abstract

Accounting firms play a vital role in promoting sustainability by enhancing transparency in financial and non-financial reporting, which is essential for informed decision-making and building trust with stakeholders. To fulfill their role, they should attain sustainability, with its three pillars; social, environmental and governance. By embracing these pillars, accounting firms can influence the behavior of businesses and clients toward more responsible and sustainable practices. The objective of this working paper is to analyze the sustainability of accounting firms in Egypt by identifying its key pillars, analyzing its implications for stakeholders, and highlighting the main requirements for its effective implementation. To achieve this objective, the concept of sustainability in general and sustainability of accounting firms and its pillars are analyzed, the implications of sustainability of accounting firms for the different stakeholders are discussed and the requirements for its activation are highlighted. This working paper is of great interest to regulators, clients of accounting firms and researchers.

### 1. Introduction

The accounting profession plays a vital role in enhancing social welfare. Sustainability of accounting firms is crucial to fulfil their value-added role, because there is a strong connection between the internal sustainability policies of accounting firms and the sustainability services they offer to their clients and accounting professionals need to acquire sustainability knowledge and skills to be able to offer their consulting and assurance services related to financial and non financial issue (Duff and Guo, 2011). For accounting firms to fulfill their role, they should adopt the culture of professional performance sustainability through the development and implementation of programs designed to upgrade their social, environmental and governance performance. Sustainability of accounting firms will be attained by focusing on their components, which are social, environmental and governance pillars.

Attaining sustainability of accounting firms through their components will in turn result in supporting their professional reputation in the professional market, which represents the most important intangible asset presented in the accounting firm's statement of financial position. Sustainable and socially responsible accounting firms are expected to be in a better position in the market. Their professional



services are perceived of a higher quality, in comparison to other accounting firms (Chen at al., 2023). Meanwhile, accounting firms provide positive signals to the market through their disclosures of social and environmental responsibility. They may use such disclosures to build trust with their stakeholders (Duff and Guo, 2010). Finally, accounting firms may disclose their sustainability and social responsibility activities to maintain their legitimacy and attract a large number of graduates and experienced professionals (Duff, 2016).

**The objective of this working paper** is to analyze the sustainability of accounting firms in Egypt by identifying its key pillars, analyzing its implications for stakeholders, and highlighting the main requirements for its effective implementation.

**This working paper has its importance** which stem from focusing on one of the most important topics, which is the sustainability of accounting firms. In developing countries, the sustainability of accounting firms, how to implement it and disclose it remain underexplored and didn't receive the appropriate attention from the regulators', professionals' and researchers' point of view. Egypt, as a developing country, needs more attention from regulators and academics concerning the sustainability of its institutions in general and its accounting firms in particular. In addition, although several research papers focused on the importance of sustainability and its implications are being conducted, however, most of these papers focused on the sustainability of economic entities, without presenting the required attention to the importance of sustainability of accounting firms.

**To achieve the objective of this working paper**, its remainder will be organized as follows: Section 2 discusses the concept of sustainability of accounting firms based on the relevant theories and prior studies. Section 3 focuses on the implications of sustainability of accounting firms on stakeholders. Section 4 highlights the activation requirements of sustainability of accounting firms. Section 5 summarizes the working paper and recommends future research avenues.

## 2. Sustainability of Accounting Firms: Concept and Pillars

Sustainability is defined as “meeting the needs of a firm’s direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities etc.), without compromising its ability to meet the needs of future stakeholders as well” (Dyllick and Hockerts, 2002, p. 131). Corporate social responsibility (CSR) is closely related to sustainability, as companies use CSR strategies to achieve their sustainability. Aguinis (2011, p. 855) defined CSR as “context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social, and environmental performance”.

**Concerning the pillars or components of sustainability**, we can notice that sustainability has three main pillars, which are environmental, social and economic sustainability (Dyllick and Hockerts, 2002), which are also known as environmental, social and governance (ESG) (<https://www.enel.com>) or triple bottom line (Elkington, 1997; Elhaddi, 2015). These dimensions are used to evaluate the effect and sustainability of a company’s activities.

**The environmental pillar** (Planet) is the ability to safeguard and maintain the natural environment over the long term by implementing suitable practices and policies, ensuring that current needs are met without reducing the resources available for future generations. This can be attained by reducing greenhouse gas emissions, increasing the use of energy generated from renewable resources, implementing policies to conserve biodiversity and raising the community awareness related to environmental sustainability (<https://www.enel.com>).

**The social pillar** (People) is focusing on the well being of people and community by promoting equity, access to education, healthcare and decent work. This can be attained by promoting policies that ensure diversity and inclusion, creating safer living environments, respecting human rights and offering high quality health services (<https://www.enel.com>).

**The economic pillar** (Profit) is focusing on implementing economic activities in a manner that supports and enhances long-term economic health. It involves balancing economic growth with efficient use of resources, promoting social fairness, and maintaining financial stability over time. This can be attained by maintaining corporate

responsibility, responsible management of resources and achieving financial stability (<https://www.enel.com>).

**To discuss the sustainability of accounting firms**, the researchers will start with the related theories. Relevant theories will include stakeholder theory, legitimacy theory and resource based view theory. Based on the **stakeholder theory** (Freeman, 1984), which posits that the firm's objective is to create value to its stakeholders and not to focus on profit maximization only to its shareholders, accounting firms will operate and aim at achieving sustainability to add value to its customers, employees, and other stakeholders. According to the **legitimacy theory** (Suchman, 1995), which assumes that the firm operates within the norms and expectations of the society to gain its legitimacy, accounting firms are expected to achieve sustainability to align with the societal norms and requirements. With respect to the **resource based theory** (Barney, 1991), which assumes that the firm has its unique resources and internal strengths that enable it to achieve its sustained competitive advantage, accounting firms will focus on practices and activities that enable it to be sustainable and competitive.

**Sustainability of accounting firms** can be realized when they effectively integrate its core components, environmental, social, and governance, into their strategic and operational frameworks.

**Concerning the environmental sustainability component**, it is worth noting that environmental sustainability is not limited to the firm's compliance with the rules and regulations. Accounting firms are expected to attain their environmental sustainability through digitizing operations to reduce paper usage, implementing waste recycling programs, and conserving energy. Also, accounting firms are expected to contribute to local and national projects. Furthermore, they can help in reducing greenhouse gas emissions by promoting clean energy through the use of solar and renewable energy and reducing business travel and carbon footprints.

**Regarding the social sustainability component**, it can be achieved through different ways. For instance, accounting firms can foster an inclusive and diverse workplace where all employees, regardless of their gender, age, religion, or background, are treated equally and fairly. Also, accounting firms should respect the rights of their employees and provide them a safe working environment.

Furthermore, accounting firms can provide social support to their staff by offering financial assistance for healthcare needs and recognizing the academic achievements of the staff's children.

**As for the governance sustainability component**, it can be attained through establishing strong internal governance mechanisms and encouraging the adherence to these mechanisms that promote the compliance with the regulatory requirements. These mechanisms include, for instance, the undergoing regular inspections by professional quality control units affiliated with regulatory authorities such as the Financial Regulatory Authority (FRA).

**Regarding the disclosures of the accounting firms' sustainability and CSR efforts**, Duff and Guo (2010) focused on the 20 leading accounting firms in the UK and found evidence that larger accounting firms tend to provide the most extensive and advanced CSR disclosures, using different communication channels to engage various stakeholder groups, such as clients, prospective employees, and particularly graduates. The most detailed and quantifiable disclosures were found in areas related to community involvement, with CSR communication serving as a key strategy for building trust with stakeholders. In the same context, Duff (2016) investigated the corporate social disclosures of accounting firms in the UK and found that disclosures are not limited to the annual reports but firms use a range of media to selectively communicate their corporate social responsibility.

Because accounting firms play a very important role in fulfilling public interest, it is expected that this role is the driver of the CSR disclosures. Promoting an active CSR dialogue enables a firm to build a stronger reputation, elevating its visibility and the perceived value of its services. This enhanced reputation positions the firm to command higher service fees, as reflected in increased earnings per partner. Environmental disclosures typically addressed topics such as business travel, paper consumption, carbon emissions and offsets, and waste recycling.

The Big Four firms provided more comprehensive information, often outlining specific management policies for these areas, while smaller firms tended to offer less detailed disclosures. In the same vein, Wardiman et al. (2023) examined the factors that affect the disclosures of carbon emissions of accounting firms in Indonesia.



Based on a sample of 117 firm-year observations selected from the Indonesian Stock Exchange during the period from 2017 – 2019, the authors found evidence that social pressure has a positive and significant effect on carbon emission disclosures.

**Based on the discussion above,** it can be concluded that sustainability and CSR are closely linked, with CSR being a strategy to achieve sustainability through environmental, social, and economic efforts. For accounting firms, sustainability involves reducing environmental impact, promoting social well-being, and ensuring strong governance. Theories like stakeholder, legitimacy, and resource-based views support these practices. Larger accounting firms tend to disclose more CSR information, using it to build trust, enhance reputation, and gain competitive and financial advantages.

### 3. Implications of Sustainability of Accounting Firms

Prior research investigated the implications of accounting firms' CSR practices and sustainability from different perspectives. For instance, Low and Spong (2022) focused on the CSR practices at the micro level and how it affects employee engagement. The authors designed a questionnaire and relied on the responses of 269 employees working in public accounting firms in Malaysia. The authors focused on six categories of CSR practices, which are employment stability, health and safety, human rights, training and development, workforce diversity and work-life balance. The authors found that the six categories of CSR practices have a positive and significant effect on employee engagement.

In the same vein, Chen et al. (2023) investigated the CSR practices of accounting firms in China and found that both investors and clients respond positively to audit firms that engage in CSR activities. Socially responsible audit firms offer higher quality audit services than other firms. Clients of these firms are less likely to get aggressively clean audit opinions. CSR efforts that focus on community and employees have the biggest impact on improving audit quality.

Furthermore, Braga et al. (2024) investigated how technology can be effectively used as a strategy to enhance the growth and sustainability of accounting firms in the Brazilian market. Based on the responses of 12 accounting firms in Caratinga, Brazil to a developed questionnaire, the authors found that technology used by accounting firms has

resulted in increased operational efficiency, cost reduction, errors minimization and higher customer satisfaction resulting from higher speed, ease of communication and more accuracy. Also, adopting technological tools will allow accountants to focus on strategic analysis and higher value-added consultancy services.

**Based on the discussion above**, the researchers can conclude that the CSR practices and sustainability of accounting firms have positive implications. They may increase employee engagement, enhance professional services quality as perceived by their clients and may contribute towards increasing operational efficiency and customer satisfaction.

### 4. Requirements for Activating Sustainability of Accounting Firms

To activate sustainability in accounting firms in Egypt, several key requirements must be addressed. *First*, accounting firms need to adopt green accounting practices and undergo digital transformation to reduce the negative impacts of traditional paper-based accounting. This shift requires changing the mindset of accounting professionals and providing them with training in technological tools, as highlighted by Braga et al. (2024). A flexible organizational structure and policies that encourage innovation will help minimize resistance and support the adoption of new technologies.

*Second*, accounting firms in Egypt are expected to issue sustainability reports alongside their financial statements (as shown in Figure 1). These reports should clearly present the environmental, social, and governance-related activities undertaken by the firm. To support strong ethical governance, a code of business ethics must also be developed and enforced, ensuring staff adherence to professional standards and regulatory requirements.

*Third*, the support from regulatory bodies can't be neglected. The FRA should introduce a nonfinancial compensation program to reward accounting firms that voluntarily audit listed companies and issue sustainability reports. Such incentives will encourage a culture of sustainability and align the accounting profession with Egypt's national sustainability goals.

*Fourth*, internally, accounting firms in Egypt should establish programs that promote a culture of sustainability among their staff



through reward and penalty systems. These programs can foster transparency, accountability, and long-term strategic planning. Externally, firms should encourage sustainability among their clients by linking fee premiums to the accounting firm's demonstrated commitment to sustainable practices when offering audit and assurance services.

*Fifth*, establishing an independent sustainability supervisory committee in large accounting firms in Egypt can help in monitoring sustainability progress, ensuring the achievement of sustainability goals and the adherence to the international sustainability frameworks.

*Sixth*, encouraging specialized media to enhance transparency and sector-specific awareness and underscoring the role of the FRA in ensuring professional quality through oversight and standards. Together, they promote accountability and elevate professional practices.

*Finally*, academic institutions have a critical role to play. Scientific conferences, postgraduate courses in auditing, and academic publications should emphasize the importance of sustainability of accounting firms. These efforts will highlight the broader benefits of sustainability to all stakeholders, including the wider society.

**Based on the discussion above**, the researchers conclude that to activate sustainability in Egyptian accounting firms, key actions include adopting green accounting practices and embracing digital transformation, supported by staff training and innovation-friendly policies. Accounting firms should issue sustainability reports alongside their financial statements and enforce a code of business ethics to ensure compliance and accountability. Regulatory support, such as nonfinancial incentives from the FRA, can encourage sustainability reporting and alignment with national goals. Internally, fostering a sustainability culture through reward and penalty systems, and externally promoting it among clients through fee incentives, can further embed sustainable practices. Establishing independent sustainability supervisory committees in large firms will enhance monitoring and ensure alignment with global frameworks. Specialized media needs to be encouraged and the role of FRA in monitoring the professional quality should be emphasized. Academic institutions also play a vital role by integrating sustainability into conferences, courses, and research to highlight its value to the profession and society.

## **Sustainability Report of XYZ Accounting Firm**

### **1. Introduction and Overview**

XYZ Accounting Firm is a large professional services provider with over 10,000 employees, offering both auditing and a broad range of non-auditing services. Our non-auditing services include tax consultancy, advisory, and assurance services related to information systems and cybersecurity. Our accounting firm supports clients in financial transparency, regulatory compliance, strategic decision-making, and digital risk management, positioning itself as a comprehensive and trusted business partner.

#### **1.1. Our Values:**

- We work with accountability and responsibility
- We embrace technology
- We are committed to excellence
- We support diversity and inclusion

#### **1.2. Our Vision of Sustainability:**

At XYZ Accounting Firm, our vision of sustainability is to create long-term value for our clients, people, and society by integrating environmental care, social responsibility, and sound governance into our work. We aim to set the standard in our market by reducing carbon footprints, greenhouse gas emissions, promoting a safe, equitable, diverse and inclusive workplace and maintaining good governance. By doing so, we help our clients to build sustainable businesses in the future.

### **2. Environmental Sustainability**

To achieve environmental sustainability, XYZ Accounting Firm is involved on local and national projects that encourage the use of clean renewable energy. In addition, we prioritize virtual meetings to reduce carbon footprints related to travel. Also, we rely on digital tools to reduce paper usage and the negative impacts on the environment. By doing so, we are conserving our planet and contributing to sustainability.

### **3. Social Sustainability**

To achieve social sustainability, XYZ Accounting Firm invests in its staff by offering career development and continuous professional development programs. We strive to create an equitable workplace, where employees are having equal opportunities to grow, succeed and contribute. In addition, we promote for the culture of diversity and inclusion. By doing so, we are respecting our people and contributing to sustainability.

### **4. Governance Sustainability**

To achieve governance sustainability, we create a culture of accountability and encourage adherence to rules and regulations set by the Financial Regulatory Authority. In addition, we set strong internal controls and make frequent inspections to ensure that our activities are conducted in compliance with quality control standards. Our strong internal governance system helps in maintaining trust and mitigating risk. By doing so, we are ensuring that profits are achieved ethically and responsibly, while maintaining high quality standards and longterm sustainability.

**Figure (1)**  
**Sustainability Report of an Accounting Firm**

## 5. Summary and Suggested Future Research Avenues

The objective of this working paper is to analyze the sustainability of accounting firms in Egypt by identifying its key pillars, analyzing its implications for stakeholders, and highlighting the main requirements for its effective implementation. To achieve this objective, the sustainability and its pillars in general and that of the accounting firms are discussed, the implications of the sustainability of accounting firms from the stakeholders' point of view are analyzed and mechanisms to enforce it are recommended.

The authors concluded that accounting firms' sustainability can be attained through their components, which are the environmental, social and governance pillars. The environmental sustainability can be attained by using renewable resources and engaging in national projects, reducing greenhouse gas emissions and carbon footprints. The social sustainability can be achieved by maintaining a safe working environment, with equal treatment of employees and maintaining diverse and inclusive staff. The governance sustainability is achieved by maintaining strong internal governance system and creating transparent and ethical environment. The sustainability of accounting firms has its implications on the different stakeholders, where socially responsible firms are perceived as of a higher quality services provider and the disclosures of related activities tend to strengthen their reputation in the market and enhance the stakeholders' trust in the accounting profession.

**For future research**, several directions can be explored to build on this working paper. *First*, future researchers may assess the actual level of sustainability practices among accounting firms in Egypt, using quantitative or qualitative methods to evaluate their performance in environmental, social, and governance areas. *Second*, a comparative study may be conducted to analyze the sustainability approaches of accounting firms in Egypt versus those in other countries or regions to identify best practices. *Third*, future studies could examine the effectiveness of specific sustainability-related policies and incentive programs introduced by regulatory bodies, such as the Financial Regulatory Authority (FRA), in encouraging ESG compliance. *Fourth*, it would be interesting if future research explore the role of technological innovation, such as digital reporting tools and AI, in enhancing the sustainability of accounting firms in developing countries. *Finally*, investigating client perceptions and market

responses to sustainability disclosures by accounting firms would provide insights into the real-world impact of such practices on reputation, trust, and competitiveness.

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