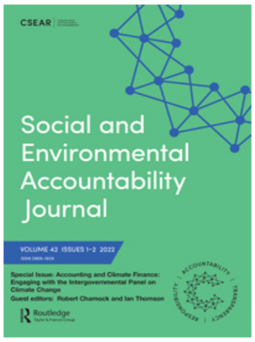
# A typology of sustainability assurance providers requiring further research

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Xinwu He

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Kylie Kingston
*School of Accountancy, Queensland University of Technology*
kl.kingston@hdr.qut.edu.au http://orcid.org/0000-0002-8859-758X


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# A Typology of Sustainability Assurance Providers Requiring Further Research

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Ruiz-Barbadillo, E., and J. Martínez-Ferrero. 2020. What impact do countries have on levels of sustainability assurance? A complementary-substitutive perspective. *Corporate Social Responsibility and Environmental Management* 27 (5): 2329–2341.

External assurance of sustainability reporting has recently become a majority practice for large and mid-cap companies worldwide (KPMG 2020). It aims at increasing 'the robustness, accuracy and trustworthiness of' disclosed sustainability information (Global Reporting Initiative 2013, 6). The assurance process involves activities designed by sustainability assurance providers (SAPs) 'to result in published conclusions on' the quality of the information, the report, and the reporting system or process (Global Reporting Initiative 2013, 13). Notably, research in the sustainability assurance field is in a muddle regarding the categorisation of SAPs. This article reviews four recent publications indicating the influence of SAPs on the sustainability assurance practice but categorising SAPs differently. It suggests a need for a more nuanced understanding of how to classify different SAPs according to their characteristics. The following piece discusses the key findings and research implications of the four publications.

Channuntapipat et al. (2020) classify SAPs into two major categories: (1) accounting SAPs and (2) non-accounting SAPs. They explore sustainability assurance practice as an arena of jurisdictional competition between the two types of SAPs. Based on empirical evidence collected from semi-structured interviews with 19 SAPs, this research reveals significant differences between the two SAPs categories in terms of the approaches to sustainability assurance. Accounting SAPs emphasise 'the assurance-related aspects' (Channuntapipat et al. 2020, 14) and draw on the terminology, ethical considerations, and approaches derived from the traditional financial audit. In contrast, non-accounting SAPs draw on 'a more eclectic knowledge base' (Channuntapipat et al. 2020, 14) by adopting a wide range of assurance standards and focusing more on subject matter expertise. The findings indicate that accounting and non-accounting SAPs intend to gain an 'intellectual jurisdiction' by differentiating their expertise in the area of sustainability assurance (Abbott 1988, 75). Notably, accounting SAPs successfully counterbalance non-accounting SAPs and have increased their sustainability assurance market share in recent years by promoting an image of 'all-round professionals and subject matter experts with unique knowledge of particular areas' (Channuntapipat et al. 2020, 14).

Drawing on 16 interviews with SAPs (either from a Big4 accounting firm, a non-Big4 accounting firm, or a non-accounting firm) in the UK, Channuntapipat (2021) examines whether sustainability assurance has a role beyond a verification mechanism for sustainability reporting. The evidence indicates that sustainability assurance can offer values other than increasing the credibility of disclosed data. Viewing from a service perspective (Knechel, Thomas, and Driskill 2020), sustainability assurance potentially aids the development of sustainability reporting and the implementation of sustainable actions. SAPs add value to the sustainability reporting process and corporate decision-making by challenging their clients, transferring knowledge, and providing suggestions and recommendations during the assurance process. Channuntapipat (2021, 784) suggests extending the purpose of sustainability assurance from merely a 'verification agenda' to an 'accountability and value-adding agenda' and reshaping the perception of SAPs from merely data verifiers to 'change agents' or 'transformational leaders' who can stimulate changes in sustainability reporting, business strategy, and sustainable actions.

Larrinaga et al. (2020) investigate how specific sustainability assurance practices became the norm in Italy and the United States (US), two national contexts with different situations regarding their respective levels of sustainability reporting assurance services. They adopt a descriptive-exploratory analysis and find that Italian assurance statements consistently include a narrow set of formal and procedural communications. In contrast, the US shows an unsettling situation with a lower percentage of assured sustainability reports, lower participation among the Big4 firms, a higher variation in sustainability assurance disclosure practices, but more room to disclose substantive issues and experiment with different assurance subpractices. The findings imply that the patterned assurance practice does not increase transparency. The restrictive sustainability assurance is driven by managerial interests rather than broader organisational transparency and stakeholder accountability. Moreover, Larrinaga et al. (2020) find that different types of SAP[1] are associated with the convergence of sustainability assurance practice into norms. Non-Big4 firms significantly influence the diffusion of sustainability assurance disclosure norms. Big4 firms play a circumstantial (but relevant) carrier role in defining 'assurance', as they tend to narrow down and standardise sustainability assurance after entering this new market.

Based on a sample of 976 international firms from 21 countries for the period 2007–2016, Ruiz-Barbadillo and Martínez-Ferrero (2020) examines how stakeholder orientation and legal enforcement systems influence the level of sustainability assurance from a complementary and substitutive perspective. The level of assurance (either a limited/moderate or reasonable/high level) indicates the nature and extent of the work performed by SAPs and the level of confidence that report users should have in the sustainability report assured. Informed by institutional theory, Ruiz-Barbadillo and Martínez-Ferrero (2020) find that a reasonable/high level of assurance is typically provided for firms operating in countries with systems oriented towards protecting stakeholders and improving sustainability transparency (as a complementary mechanism) and lower level of public legal enforcement (as a substitute mechanism). Moreover, there is variability in the level of assurance according to the type of SAP[2], with SAPs not from the accounting profession more likely to provide a reasonable/high level of assurance. Ruiz-Barbadillo and Martínez-Ferrero (2020) note that the type of SAP is regarded as a control variable in this study since different SAPs possess different competence that influences the level of assurance.

Overall, the review of the four publications reveals that different types of SAP significantly influence the approaches to and the formulation of the sustainability assurance practice. However, the categorisation of SAPs remains inconclusive. In particular, previous literature typically differentiates accounting SAPs (often equivalent to Big4 firms) and non-accounting SAPs and ignores the characteristics of different subcategories. For example, non-accounting SAPs generally consist of engineering firms, consultancy firms, certification bodies, individual experts, and independent stakeholder panels, which are largely different in nature, expertise, competence, and approach to sustainability assurance. Similarly, Deloitte, Ernst and Young, KPMG, and PWC may perform differently in the sustainability assurance market (see, for example, Fernandez-Feijoo, Romero, and Ruiz 2016), though all commonly viewed as 'Big4 firms'. Further, 'non-Big4 accounting firm' is a subcategory that has long been overlooked. This situation points to the need for a more nuanced understanding of classifying different SAPs according to their characteristics. Therefore, this review suggests valuable opportunities for future research to provide a more detailed categorisation of SAPs and evidence of their influence on sustainability assurance practice. Case studies or in-depth interviews, involving different SAPs, corporate sustainability reporting managers, sustainability experts, and independent standards organisations, to explore sustainability assurance decisions (including assurance provider decisions), assurance approaches, and the evolving sustainability assurance market could benefit the nuanced understanding.

## Notes

1. Larrinaga et al. (2020, 76) identify three categories of SAPs: (1) Big4 firms including Deloitte, Ernst and Young, KPMG, and PWC; (2) Non-Big4 firms including individual accountants, certification bodies, specialists (consultants and engineering firms), reinsurance firms, and others (e.g. expert panels); and (3) not specified.
2. Ruiz-Barbadillo and Martínez-Ferrero (2020, 2335) classify SAPs into seven categories: (1) small accountant, (2) PWC, (3) KPMG, (4) Ernst and Young, (5) Deloitte, (6) engineering firms, and (7) consultancy firms.

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Xinwu He
*Queen's Management School, Queen's University Belfast, Northern Ireland, UK*
x.he@qub.ac.uk


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Sobkowiak M., Cuckston T., Thomson, I. (2020) **Framing sustainable development challenges: accounting for SDG-15 in the UK**. *Accounting, Auditing & Accountability Journal*, Vol. 33, No. 7, pp. 1671-1703.

The UN Sustainable Development Goals (SDGs) have become an integral part of the global political discourse in recent years. They reflect the 'wicked problems' of modern times – climate change, biodiversity loss, inequality, and poverty, among others (Bebbington and Larrinaga 2014). The SDGs aim to provide the direction for UN member states on how to address these complex challenges in the years to come. To that end, they suggest an explicit framework for national performance measurement, including specific indicators and targets. However, as sustainable development is found to be a fundamentally normative concept, any systemic transformation towards 'sustainable' practice involves a process of framing (Mino and Kudo 2020).

The requirement of framing, when dealing with complex sustainable development challenges, has been well recognised among sustainability science scholars. The concept of framing (as defined by Goffman 1974; Callon 1998) has also been used in accounting literature (e.g. Christensen and Skærbæk 2007). Writing at the nexus of accounting and sustainability, Sobkowiak, Cuckston, and Thomson (2020) mobilise the concept of framing in the context of annual biodiversity report development in the UK government, studying how a calculable space for biodiversity loss can be framed given the top-down indicators and targets imposed by the SDGs. The question is of great importance, as the ability of the government to frame a calculable space for biodiversity loss has implications for the formulation of relevant policies to address this challenge. Their findings reveal that in order to render biodiversity performance calculable, extensive framing work and socio-technical arrangements are needed in organisations. Unfortunately, as we also learn from the article, development of such capacity requires a considerable investment of resources and effort. While the UK government, through a Biodiversity Indicators Governance Structure, managed to create such calculability, the question remains – are other public and private organisations willing to make the investment?