

## Influential Factors and Key Actors Shaping Sustainability Assurance Opinions: A Case Study of a Big-4 Firm

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### Abstract

The rise in sustainability reporting has increased the demand for sustainability assurance, especially in the light of new legislation, requiring more companies to undergo third-party assurance. This thesis provides insights into the practical work of a sustainability assessor in the sustainability assurance process and how sustainability assurance opinions are formed as well as how materiality is constructed. To provide these insights, we have conducted a single case study in a Big-4 firm located in Sweden. We have used theories and methodologies from Pentland (1993) to construct our theoretical framework in a similar matter as Catasús & Carrington (2007). Our findings show that production and transfer of comfort affect the formation of sustainability assurance opinion and that the sacred signature is the most important element in the production and transfer of comfort for external stakeholders. Our findings also show that FAR's sustainability specialist group functions as a social control mechanism through FAR as an institution that contributes to creating industry standards within the sustainability assurance industry.

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**Keywords:** Sustainability assurance, CSRD, Comfort, Task-oriented language, Materiality construction, Formation of sustainability assurance opinion

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## **1.Introduction**

Urgent global sustainability challenges and international climate goals, such as the UN's Sustainable Development Goals and the EU's climate objectives, require immediate action for a sustainable future. The main contributor to climate change is human economic activity, particularly the emission of greenhouse gasses by businesses (Kolk, 2008). Despite corporate leaders recognizing the need for sustainability strategies, research studies often fail to consistently reflect the sustainability efforts of these companies (Dyllick & Muff, 2016).

Social and environmental accounting was introduced in 1953 and began to develop more intensively during 1970 when there was a focus on analyzing models to foster social accounting disclosures (Matthews, 1997). In the subsequent decades, there was a focus on the rationale behind disclosing environmental and social information, this led to sustainability reporting, where the absence of common standards created variability and raised challenges for materiality assessments and diminishing comparability among firms (Matthews, 1997). Even to this day, there is significant variability in sustainability reporting (Argento et al., 2023) with inadequate materiality assessment among other variabilities (Fernandez-Feijoo et al., 2014). Another reason, except for the absence of a common standard, is that corporate management or assurance providers influence the sustainability reporting process and the sustainability assurance opinions through “managerial and professional capture” (Smith, 2011). Selectively presenting information that portrays the corporation positively and is geared toward enhancing shareholder value which potentially leads to the exclusion of negative social and environmental impacts (Smith, 2011; Öhman et al., 2023). The impending implementation of the Corporate Sustainability Reporting Directive, shortened as CSRD, in 2024 aims to address these issues, introducing mandatory third-party assurance and the double materiality principle (European Commission, 2023). CSRD further complicates the sustainability landscape, requiring the identification of affected stakeholders beyond shareholders and acknowledging a broader scope than financial auditing (Öhman et al., 2023). The independent third-party assurance providers consist of accounting firms and non-accounting firms, with the former leading the industry and the development of the sustainability assurance industry can be explained by push and pull factors (Farooq et al., 2023). Thus, sustainability assurance has evolved from a simple check box exercise to a comprehensive process due to the impending implementation of CSRD. This evolution emphasizes the need for an adaptive approach to materiality construction (Canning et al., 2019). Materiality needs an interactive, collaborative approach that instills confidence and social cohesion in the decision-making process (Canning et al., 2019). The challenges of reducing uncertainty in the formation of sustainability assurance opinions and distinguishing

between objective and subjective procedures in materiality construction call for further exploration within the sustainability assurance process.

Our objective is to investigate the sustainability assurance process, given that the existing research on this matter is ambiguous. With upcoming legislation on the horizon, there will be a substantial broadening of the sustainability assurance scope, which will affect how the formation of a sustainability assurance opinion is made as well as how materiality is constructed. Which leads us to the following research question:

*What factors and which actors influence the development of sustainability assurance opinions at a Big-4 firm located in Sweden?*

Our study was accomplished through the execution of a single-case study, conducting semi-structured interviews with one of the Big-4 firms in Sweden. We will use the theories and methodologies introduced in Pentland's paper as an analytical lens while constructing our theoretical framework in a similar matter to Catasús & Carrington.

The theoretical framework includes theories that best align with the collected data for analyzing the sustainability assurance ritual. It includes social-interaction theories such as social control, impression management, implicit statements, purification, and the sacred signature, providing a basis for analyzing the production and transfer of comfort.

We contribute to current research by using our theoretical framework to analyze the production and transfer of comfort within the sustainability assurance ritual, more specifically the formation of sustainability assurance opinion and the materiality construction within it.

## **2.Theory and literary review**

### **2.1 Previous Research**

Social environmental accounting was introduced in 1953 by Bowen as "SE accounting" and can be defined as "the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large" (Mathews, 1997). Furthermore, it can include qualitative and quantitative data where the disclosures may or may not be in financial terms and of a voluntary nature regarding matters of a non-traditional nature such as products, community service, and employees (Mathews, 1997). SE accounting thus embraces a broader stakeholder group than traditional financial accounting, with increasing responsibilities and different perspectives on a firm's role.

Social and environmental accounting literature was introduced and developed further in the 1970s where a foundation had been built at the end of the decade focusing on analyzing models to foster social accounting disclosures (Mathews, 1997). These analyzed models,

among others, were made up of the type of empirical studies to be conducted within SE accounting, where the firm was the object of investigation, and had closed binary-type questions built on an unstable theoretical foundational base (Mathews, 1997). Looking at the corporate sphere in SE accounting, Ernst & Ernst compiled earnings reports from 1972 to 1978 of Fortune 500 companies where a total of 90% had produced some sort of environmental and social-related statements with an average size shorter than one page (Mathews, 1997). Some of the empirical studies from the 1970s also tried to establish a correlation or causality between increasing revenue by disclosing social responsibility information (Mathews, 1997). Bowman and Haire published in 1975 one of the first studies within this domain that found "that the highest return on equity was associated with a medium level of social responsibility disclosures," while Abbott and Monsen "found no meaningful effect... when they compared a social involvement disclosure rating with total returns to investors" when analyzing 450 of the companies belonging to the Fortune 500 in their paper published in 1979 (Mathews, 1997). Transitioning to the next decade, Belkaoui investigated in 1980 the reactions of professionals within banking and accounting to reports with explicit environmental and social statement disclosure through an experiment and found that the former professional group expressed "more favorably to this stimuli" (Mathews, 1997). This can probably be tied to reduced information asymmetry since accountants follow regulatory frameworks while bankers, among others, value enterprises. Regulatory frameworks within financial accounting at this time period were not extensive and non-existent within SE accounting except for the UK Government Green Paper that could serve as support (Mathews, 1997). The following decades' empirical studies focused on, among other things, the rationale from the firm's perspective to disclose environmental and social information in relation to the legitimacy theory applied to organizations (Mathews, 1997). Following the journey of how social and environmental accounting has evolved leads us to sustainability reporting.

Before the advent of CSRD and other regulatory frameworks within sustainability reporting, there was significant variability in sustainability reporting practices. The diverse procedures, scopes, and objectives used by various types of firms in their sustainability reporting efforts have created a disparity in how materiality assessment within sustainability assurance is perceived and understood from the perspective of reporting companies (Argento et al., 2023). The financial statements from all firms within various industries all have almost the identical final product regarding the posts in the cash flow statement, the income statement, and the balance sheet where one easily could compare different firms to each other and themselves. Imagine if there were no common standards with what firms had to report and how

it should be performed, the financial markets today would look a lot more different, and social trust in capital markets would probably be significantly lower. This is the current state for sustainability reporting where the end goal is that sustainability reporting and reporting of the financial statements should be as easily interpreted by external stakeholders.

In financial auditing materiality assessment, every post exceeding this absolute threshold is deemed material and investigated further until the matter is solved and the auditor can state with reasonable certainty that there is no risk of material misstatement (IAASB, 2023). Sustainability reporting introduces challenges, notably in incorporating qualitative data, prompting the question of how the materiality assessment threshold will be determined and whether the process will be consistent on an industry field level. Fernandez-Feijoo et al (2014) mention that some factors such as company size and the industry can influence the assurance level of the published sustainability report.

The double materiality assessment requires firms to identify other affected parties beyond shareholders, as opposed to the narrower focus on investors in financial auditing (PwC, 2023). Moreover, it demands that sustainability assurers acknowledge external stakeholders representing a broader scope than in financial auditing. However, identifying these diverse stakeholder groups can be challenging, given their different interests and the lack of well-defined parameters, making materiality assessment even more complex (Öhman et al., 2023). The actions of firms in assessing materiality reverberate into sustainability assurers assessments leading to a limited consensus among sustainability assurers regarding the relevance of aspects in the sustainability assurance process (Öhman et al., 2023). Not being able to hold every firm accountable to the same standards, the possibility of excluding certain stakeholders, and the low correlation between assessment procedures in the industry further reduce the comparability of firms and between them.

Inadequate materiality assessments can have adverse consequences, as they may lead companies to emphasize positive aspects while concealing negative ones. As a result, they may exploit sustainability reports to validate their actions, potentially misleading stakeholders (Öhman et al., 2023). Greenwashing has been a persistent issue in the history of sustainability reporting, primarily due to the absence of mandatory applicable standards before the implementation of CSRD. In relation to this, a study conducted in the UK shows that the published sustainability report that report readers and stakeholders take part in after the sustainability assurance has been performed is affected by managerial and professional capture (Smith, 2011). Capture is the practice where corporate management or assurance providers exert influence over the sustainability reporting process, selectively presenting information that

portrays the corporation positively and is geared toward enhancing shareholder value which potentially leads to the intentional exclusion of negative social and environmental impacts (Smith, 2011). Furthermore, due to no obligatory regulatory framework for sustainability assurance reporting and the current way of using a “pick and mix basis” regarding this, stakeholders or report readers have challenges in comprehending and feel uncertain about how the assurance provider approached the engagement, the aspects they reviewed, and the significance of their conclusions (Smith, 2011). The reason for professional capture according to Power is that professional capture occurs as professionals attempt to establish and safeguard their commercial interests and market positions by using their positions to assume influential social roles resulting in the institutionalization of these professional procedures as societal rules and norms (Smith, 2011). Considering the upcoming implementation of CSRD, it would be interesting to examine the phenomenon of professional capture at the sustainability assurance industry field level.

The expectation gap between companies and the public has been amplified by the prevalence of sustainability assurance (Argento et al., 2023). Starting in the fiscal year 2024, firms impacted by CSRD will be required to undergo independent third-party assurance, aiming to reduce this expectation gap and mitigate the prevalence of greenwashing. This gap between institutions enforcing auditing standards, auditors, and users of audit reports is crucial when analyzing the implementation of new legislation, signifying that stakeholders often hold higher expectations than auditors can deliver within existing laws and standards (Liggio, 1974). Auditors attribute this gap to job description ambiguities and training issues, while stakeholders advocate for aligning the audit process with societal expectations (Liggio, 1974). Additionally, companies can enhance their brand image and legitimacy in sustainability by undergoing independent third-party assurance, reducing information asymmetry, and signaling credibility (Argento et al., 2023). The sustainability assurance process can be used to control information reliability which should reduce information asymmetry for external stakeholders and society. Sounds like a win-win deal for the firms, stakeholders, and society when looking at the macro level, but how about the sustainability assurance process on the micro level?

Sustainability assurance involves a triad comprising the provider, issuer, and intended users (IAASB, 2005). The providers of sustainability assurance can be categorized into two groups: accounting issuers and non-accounting issuers, the former is represented by the Big-4 accounting firms, while the latter encompasses a diverse range of organizations, including both large and small entities such as consultants and engineering firms (Farooq et al., 2023). A debate exists regarding which of the two categories excels in providing assurance. Advocates for

accountants contend that their larger size grants them a competitive edge in maintaining their interdependence (Perego & Kolk, 2012). Additionally, they have built global networks and a solid reputation, granting them an edge over non-accounting professionals (Martínez-Ferrero et al., 2018). On the other hand, proponents of non-accounting firms argue that these entities already operate on a global scale and that accounting scandals, such as the financial crisis for Lehman Brothers and PwC, have diminished the reputation of the profession. The board of directors serves as the issuer, responsible for publishing reports. However, it's important to note that, at present, report publication is not a legal must in every jurisdiction. In those where it is required, they seek to validate their reports to ensure verifiability (Park & Brorson, 2005) as a precautionary measure against potential reputational and legal repercussions associated with inaccurate reporting (Darnall et al., 2009). Sustainability assurers have been proactive in promoting third-party assurance to managers by positioning it as an activity that adds value which has led to an increased demand from the companies (O'Dwyer, 2011). While sustainability reports are primarily meant for stakeholders, there seems to be limited involvement of stakeholders in the assurance process (Bepari & Mollik, 2016). Empirical research demonstrates that external assurance serves to augment the perceived credibility of sustainability reports from the stakeholder perspective (Farooq et al., 2023; Hodge et al., 2009). The extent of an organization's exposure to media scrutiny can also exert an influence on its decision to engage in reporting assurance (Gillet-Monjarret et al., 2017).

The evolution of third-party sustainability assurance can be explained by push and pull factors (Farooq et al., 2023). A push factor for third-party sustainability assurance stems from the board of directors seeking credible signaling effects in their sustainability reports, this prompts assurer providers to deliver assurance services, aiming to reduce their cost of capital and enhance market value (Farooq et al., 2023). Conversely, one pull factor arises from the relatively high cost of third-party assurance (Farooq et al., 2023). Another push factor is that sustainability assurance providers compete to establish a market presence, driven by financial market saturation and a quest for growth in less regulated markets (Farooq et al., 2023).

FAR is an industry organization within accounting, auditing, and advisory services which consists of approximately 16,000 individuals, distributed among members and affiliated member firms (FAR, 2023). FAR participates in and influences the development of laws and regulations for the industry, thereby establishing standards in the field that provide reliable information for the business sector and society (FAR, 2023). To ensure the accuracy of the sustainability report, third-party sustainability assurance relies on standards as a guiding framework for interpretation and validation. The prevailing standards commonly used are



AA1000AS and ISAE3000 (Venter & van Eck, 2021). While the former concentrates on the execution of assurance procedures, the latter emphasizes the quality of reporting processes (Rao, 2023). Critiques have been brought up against these standards, and the demand for dependable and transparent sustainability reporting has increased substantially (Hartman, 2023). Consequently, there exists a distinct requirement for universally trusted sustainability reporting and assurance standards that facilitate consistent and comparable reporting, underpinned by robust assurance practices (Hartman, 2023). In response to this, the International Auditing and Assurance Standards Board (IAASB) has introduced the proposed ISSA 5000, a worldwide standard for sustainability assurance resulting in elevating the quality and reliability of sustainability reporting (Hartman, 2023).

Assurers may encounter challenges in ensuring data accuracy when utilizing the ISSA 5000, given its complex interpretation. Sustainability assurance has transitioned from a simple checkbox exercise, where companies merely stated the issuance of sustainability reports regardless of their content, to the impending CSRD which introduces extensive requirements, covering a large number of data points and the company's disclosures based on their assessment of the subjects relevant to the double materiality principle. To comprehend the application of these standards, an understanding of the practical work of assurance providers, as well as the underlying meanings and perceptions associated with such practices.

Deciding what is deemed material enough or not to warrant further investigation in the sustainability assurance process from the perspective of a discretionary assurance service, i.e. not required by regulation, was investigated in an in-depth study conducted within one of the Big-4 firms (Canning et al., 2019). Sustainability assurance incorporates the methods when calculating the overall materiality in financial auditing to identify significant entries while also requiring identifying significant topics (Canning et al., 2019). However, as argued above due to the forthcoming double materiality requirement with CSRD and bearing multiple stakeholders in mind financial audit-style concepts need to be adapted to suit the sustainability assurance process. The process of constructing materiality in sustainability assurance requires more than mere incorporation of concepts from financial auditing (Canning et al., 2019). The study demonstrated the significance of an interactive, collaborative approach that instills confidence and social cohesion in the decision-making process related to materiality (Canning et al., 2019). This collaborative process extends not only within the assurance team but also between assurers and auditees, as well as across the financial audit and sustainability assurance teams (Canning et al., 2019). The study incorporates Power's social constructivist theory emphasizing the social processes in shaping knowledge and understanding.

Perceptions of meaningfulness for sustainability assurance auditors exist along various dimensions that may even contradict each other, they can be internal basic needs such as social cohesion, it can involve a sense of belonging to a group and striving for self-actualization (Gaudy & Malsch, 2023). They can also be external by serving others' needs (Gaudy & Malsch, 2023). Performing the job accurately is crucial, but it goes beyond mere regulatory compliance; it involves actively effecting change by aligning with the client's objectives and making the work of sustainability assurers meaningful (Gaudy & Malsch, 2023).

Previous studies have explored this challenging issue by analyzing the audit process. One paper involves interpreting the statements of 20 senior auditors regarding uncertainties in the audit process (Carrington & Catasús, 2007). The data collected from interviews with senior auditors was examined using a framework based on comfort theory, which incorporates statements related to comfort as a state, comfort as relief, and comfort as renewal, as introduced by Kolcaba and Kolcaba (Carrington & Catasús, 2007). The study concludes that the state of comfort required to navigate changes in the formation of audit opinion is influenced by the actors involved in the production and transfer of comfort, with a notable emphasis on producing comfort rather than proof (Carrington & Catasús, 2007).

How do sustainability assurers reduce their uncertainty in the formation of sustainability assurance opinions and be able to put their signature and professional career at stake when issuing a limited or reasonable assurance that the statements presented are free from material misstatements? What are regarded as objective and subjective procedures in the sustainability assurance process when constructing materiality, and is there a clear distinction?

## **2.2 Purpose and Research Question**

In stark contrast to perceptions about the audit process being an objective procedure, Carrington and Catasús explain that “The audit process is inherently subjective, and auditors must exercise professional judgment in making decisions about the nature, timing, and extent of audit procedures” (Carrington & Catasús, 2007). The same line of reasoning should be applicable for sustainability assurance with an even more pronounced effect, as subjectivity in decision-making should increase given the less extensive legislation within sustainability reporting and sustainability assurance compared to financial reporting and auditing. Moreover, the process of materiality construction within sustainability assurance in relation to CSRD and in general is of utmost importance to further investigate due to its effect on the published sustainability reports, external stakeholders, and society. In relation to this, there is also a need to analyze how concepts resembling those used in financial audits are used in shaping the construction of materiality in the sustainability assurance process (Canning et al., 2019). In corporate

sustainability reporting and assurance, 'capture' denotes the control exerted by management or assurance providers to shape information favorably, potentially omitting or briefly addressing significant negative social and environmental impacts covered in external media (Smith et al., 2011). The result is a diverse approach to sustainability reporting influencing the sustainability assurance process, but with CSRD, this should change. Furthermore, 'capture' in corporate sustainability reporting undermines credibility, legitimacy, and accountability, diminishing the quality of disclosed information and eroding trust between firms and stakeholders, potentially leading to negative environmental and societal impacts (Smith et al., 2011).

Previous research on the practical work of sustainability assurance is inconclusive, and Smith's paper recommends that future research should focus on the practical aspects of sustainability assurance within the broader social context (Smith et al., 2011). Further research regarding the processes surrounding materiality construction in sustainability assurance such as which key influencers affect it and how they do it would also be a delightful contribution to the sustainability assurance domain. Another argument that there is a need to investigate it further is due to the upcoming new legislation, which is expected to significantly expand the scope of sustainability assurance and sustainability reporting. Thus, our research question aims to answer the questions asked above:

*What factors and which actors influence the development of sustainability assurance opinions at a Big-4 firm?*

### **2.3 Contribution**

We contribute to earlier research by having conducted a single-case study showcasing the formation of sustainability assurance opinion and formation of materiality construction in the sustainability assurance process at one of the Big-4 firms located in Sweden. As highlighted earlier, there are gaps in existing research on sustainability reporting and sustainability assurance, particularly in understanding the concept of capture and its impact on materiality construction within the formation of sustainability assurance opinion. Our contribution gains significance with the impending implementation of CSRD which will reshape sustainability reporting and sustainability assurance directly within the EU and indirectly globally. Expanding on the existing sustainability assurance literature, we analyze the sustainability assurance process by applying a theoretical framework grounded in comfort theory. As mentioned above, companies have been known to adapt their sustainability reporting to maximize short-term shareholder value instead of including external stakeholders' long-term needs. Our contribution from this study is how social forces influence the sustainability assurance process at one of the Big-4 firms located in Sweden.

## 2.4 Method Theory

Addressing the formation of macro-constructions within the economic order, including aspects such as independence and trust, Pentland offers insights by adopting a micro-sociological perspective (Pentland, 1993). His examination explores the practical shaping of audit opinions through comfort theory, using a ritual perspective grounded in prior research on finance and accounting rituals, notably from Gambling. Pentland's work not only identifies the existence of these rituals but also explicates their purpose, contributing to a comprehensive understanding of their significance.

The practical aspects of the audit process, known as the "audit ritual," are thoroughly analyzed by Pentland, using a combination of diverse methods to capture the social and contextual dimensions of the formation of audit opinion. Drawing on interpretative theory, Pentland offers a nuanced perspective on the social dynamics inherent in the audit ritual. Moore and Myerhoff's insights are incorporated explaining that rituals serve as a response to the dichotomy between chaos and order where individuals seek to minimize uncertainty through these organized practices (Pentland, 1993). Pentland further builds on the work of Collins and Goffman, defining the individual characteristics that constitute a ritual as "any collective activity that has the effect of maintaining social order, no matter how commonplace or mundane it may seem". Extending this perspective, Luke and Collins provide examples of potential rituals, such as routine interactions, conversations, and greetings, which focus on emotions or ideas like authority, group affiliation, and property (Pentland, 1993). This suggests a diverse array of rituals contributing to the formation of audit opinions, some consciously acknowledged by auditors and others not.

The auditing ritual is analyzed by observing the behavior of individual auditors, exploring the complex social interactions between individuals, and analyzing audit opinions at both team and individual levels. Through the application of interpretive theory and methodologies outlined in Pentland's work, a theoretical framework takes form, enhancing our understanding of the formation of sustainability assurance opinion and the materiality construction within it. This becomes especially critical as the production of comfort in the sustainability assurance process faces heightened uncertainty due to new legislation with extensive requirements. It is noteworthy that the contrast between limited assurance in CSRD and the reasonable assurance used in ordinary auditing processes (FAR, 2022) should serve as a counteractive factor in the sustainability assurance process.

Pentland underscores the need to investigate various rituals within the audit team, scrutinizing how they function collectively as a team, the outcomes of negotiations, and the

individual perceptions of themselves and their team's cultural and emotional resources. To paint a comprehensive picture, Collins explains the cumulative effects of interaction rituals over time, emphasizing that emotional energy is contingent on the negotiation outcomes between participating parties (Pentland, 1993). Therefore, a thorough examination of as many rituals as possible within the sustainability assurance team and other interacting parties is crucial for understanding how they contribute to team dynamics, negotiation outcomes, and the individual and collective perceptions of cultural and emotional resources.

Armstrong emphasizes the necessity of analyzing "the social production and distribution of cultural and emotional resources, such as trust" (Pentland, 1993). In alignment with Collin and Armstrong's perspective on the importance of interpreting social interaction, Moore and Myerhoff's layers of interpretation can provide a less abstract theoretical framework. Additionally, Collin's theory of interaction ritual chains, encompassing interaction rituals related to solidarity and group affiliation, requires extension with concepts like purification, social cohesion, social control, and impression management for a comprehensive analysis of the audit ritual on top of layers of interpretation (Pentland, 1993).

The formation of audit opinion relies partly on the concept of comfort exchanged as a commodity between auditors in an audit team, playing a crucial role in the social production of trust in financial markets (ibid.). The issue within auditing lies in numbers not conveying the entire story, potentially influenced by the self-interest of greedy managers rather than reflecting reality as argued above. Douglas categorizes such numbers as dangerous, unclean, and disorderly (Pentland, 1993). FAR has various regulations governing the approach to forming audit opinions and the audit process, addressing risks of material misstatement, satisfactory levels, and other black-and-white areas regarding how to treat the numbers (FAR, 2022). Despite the regulations, interviewees often spoke about the importance of comfort, with one stating, "You're not going to finish that job until the senior's comfortable, the manager's comfortable, and the partner's comfortable" (Pentland, 1993). The interviewees expressed themselves in feelings through task-oriented language (ibid.). The disconnect between the objective reality and the subjective feelings of auditors in getting comfortable with the numbers is integral to the audit ritual process, where inherently unclean client data is transformed through the purification process (ibid.). Furthermore, the partner in the assignment doesn't become comfortable by merely reviewing the working papers of others but through interaction with team members, labeled as task-oriented conversations in rituals, aligning with Collins' concept of a "marketplace for cultural and emotional resources"(ibid.). These cultural and emotional resources exchanged and created within auditing are encompassed by the term

comfort. Comfort was considered a transferable commodity, reinforcing the concept of trust as a social product proposed by Armstrong (Pentland, 1993). This transfer of comfort occurred across three layers: the engagement team, the firm, and the public, transforming the subjective emotional state of individual auditors into an objective institutionalized fact (ibid.). This transferability of comfort is likely applicable to the sustainability assurance process, especially given upcoming legislative changes. Additionally, comfort ascended the organizational hierarchy within the audit firm, with partners relying on the audit opinions of others (ibid.). Trust and good character within the team are crucial in auditing, as partners risk their professional reputation when endorsing financial statements (ibid.), a quality that should be equally essential in sustainability assurance.

Moore and Myerhoff propose five layers that can be applied to analyze secular rituals that can be connected to auditors' practices (Pentland, 1993). The first layer involves the explicit purpose: "To verify financial statements" (ibid.), highlighting auditors' primary role in aligning client-provided data with actual business performance. The subsequent layer focuses on explicit symbols and messages: "The signature in the annual report" (ibid.). When auditors put their signature on financial statements it signifies the auditor's commitment and sends a message to the public about the report's accuracy (ibid.). The third layer addresses implicit statements: "That the auditor is a competent professional" (ibid.). Authorization for audit work requires qualifications that emphasize the auditor's professionalism and proficiency. To become an authorized auditor in Sweden, a minimum of three years of auditing experience and a bachelor's degree is needed, with a test administered by Revisorinspektion; the pass rate typically ranges from 40-60% (Revisorsinspektionen, 2023). This rigorous process underscores the lengths auditors go to be perceived as competent professionals. There is an equivalence within sustainability assurance where one needs to be a member of FAR's sustainability expert team which entitles an auditor to co-sign the sustainability assurance (FAR, 2022). The fourth layer explores social relationships affected: "Within the audit team and with the client organization" (Pentland, 1993). Task-oriented language with colleagues ensures the accuracy of findings, while interactions with clients verify and confirm information (ibid.). The final layer delves into chaos versus order: "transforming the chaos of the 'raw numbers' into a sanctified, culturally accepted form" (ibid.). Auditors transform raw client data into published financial reports that are widely accepted and create transparency for stakeholders and society. These layers of interpretation need additional perspectives to capture the audit process, this line of reasoning should also apply to the sustainability assurance ritual.

#### **2.4.1 Rituals and Priests**

The audit ritual holds validity exclusively when conducted by professional auditors, with certain processes reserved for those with the requisite authority (Pentland, 1993), as highlighted by Gambling's comparison of rituals and priests: "for the magic to work, the rituals have to be seen to be validly performed" (ibid.). The distinction between those authorized to partake in the audit ritual is established early in the engagement between auditors and clients which widens as the closing of the books approaches (ibid.). The final step in the audit ritual involves signing off, where the partner puts their sacred signature on the reviewed financial statements, producing and transferring comfort to the participants, external stakeholders, and society (ibid.). However, this isn't the only signature that affects the formation of audit opinion; at every stage of the audit process, every reviewed item must bear a stamp or signature of some sort (ibid.). Each participant's signature and/or stamp regardless of the immateriality of the reviewed work produces and transfers comfort in the formation of audit opinion.

#### **2.4.2 Purification**

Douglas explains that purification is a common element in the audit ritual, regardless of whether the setting is secular or religious (Pentland, 1993). Rituals divide what is pure and not pure, clean and not clean, and the ritual of purification transforms an object into a new state perceived as symbolically clean (ibid.). This concept should apply to the sustainability assurance process as well, given its application to the audit process and being identified as "a central function of audit ritual" (ibid.). Moore and Myerhoff define purification as the dichotomy between chaos and order, representing the distinction between indeterminacy and form (ibid.). The important role of purification in secular rituals is further emphasized: "Ritual is a declaration of form against indeterminacy; therefore, indeterminacy is always present in the background of any analysis of ritual" (ibid.). In financial auditing, the indeterminacy of financial statements is the main challenge, and purification is expected to exert a significant influence on the audit ritual (ibid.). One could apply this reasoning within sustainability assurance, making the distinction between unreviewed statements and reviewed ones ready to be signed.

#### **2.4.3 Social control**

Kunda and Van Maanen, among others, have discovered that rituals and culture function as mechanisms of managerial control (Pentland, 1993), where "collective rituals can be seen as an especially dramatic attempt to bring some particular part of life firmly and definitely into orderly control" (ibid.). Understanding and examining the culture and rituals of a firm is a crucial step in the sustainability assurance ritual. This can be partly achieved by probing into

values and visions among participants, as well as within a firm. Luke highlights how rituals often serve as a tool to control another social group, and applying this perspective to the audit ritual allows observation of behavioral patterns enforcing compliance to norms and shaping expectations of work methods (ibid.). Social control is exercised through various means in the audit ritual, including the use of review notes, extended working hours during the closing of the books, limited breaks, and communal lunches, serving as control mechanisms (ibid.). At all levels, individuals review each other's work, aiming to minimize errors and corrections, while also preventing the practice of "power-ticking," where an auditor signs off on their work without proper review (ibid.). Examining the social control mechanisms involves exploring and explaining the daily obligatory and voluntary events within sustainability assurance.

#### **2.4.4 Social cohesion**

Collins explains that participating in a ritual creates and maintains a group identity where participants' values are shared, resulting in building group cohesion (Pentland, 1993). Pentland emphasizes that auditors form an extremely cohesive social group due to their daily high degree of collective ritual participation (ibid.). The reasoning can be duplicated and applied to sustainability assurance where one should investigate sustainability assurers' relationships among each other, within the teams, the firm, and the industry.

#### **2.4.5 Impression management**

Goffman explains how individuals routinely put on a front in daily life to establish a perception of predictability and regularity, preserving order in the social world (Pentland, 1993). Applying this perspective to the audit profession, there is a need to look and behave like an auditor to be perceived as one, resulting in the manifestation of the "audit professional" (ibid.). This line of reasoning should also be applied to those working with sustainability assurance, identifying the type of front sustainability assurers put on and how one is viewed from the outside to be classified as a professional sustainability assurer.

### **2.5 Theoretical Framework**

The theoretical framework guiding this thesis draws upon the theories and methods presented in Pentland's paper, particularly applied within the context of the sustainability assurance ritual. Building upon the approach taken by Catasús & Carrington, we use Pentland's paper as a foundational resource, selecting methods that are most relevant to the sustainability assurance ritual. Similar to Catasús & Carrington, who adapted a method framework from the nursing industry for application in the auditing ritual, we recognize the importance of choosing an applicable rather than overly complex theoretical framework. We recognize the limitations of



“theory adaptation” concerning that the theoretical framework is based on the collected data. Modifying the theoretical framework introduces the potential for increased subjectivity and data overfitting (Urcia, 2021). However, theory adaptation in this context enhances applicability when analyzing the production and transfer of comfort since it increases relevance and explanatory power (Urcia, 2021). In our analysis of the sustainability assurance ritual, we use the developed framework to analyze the production and transfer of comfort. In the forthcoming sections, we will analyze the production and transfer of comfort as a social commodity within four distinct social categories: the perspective of the sustainability assurer, the viewpoint of the sustainability assurance team, the dynamic interplay between the firm and the client, and the sustainability assurance industry field.

Within financial auditing trust and good character within the team are significant in the formation of audit opinion. When partners put their sacred signatures on financial statements, they are confronted with the risk of compromising their professional reputation. This underscores the importance of qualities such as trust and good character which should be considered equally essential in the context of sustainability assurance. As we analyze these social categories, we will explore how the dynamics of production and transfer of comfort in relation to trust and good character contribute to the sustainability assurance ritual.

The social category social control is used to analyze the production and transfer of comfort in relation to the sustainability assurance ritual. This involves understanding work processes, exploring norms, and investigating activities within the social context. Impression management and implicit statements serve as another social category to analyze the production and transfer of comfort. This highlights the necessary steps to be perceived as competent professionals within sustainability assurance. Authorization for sustainability assurance work is contingent partly on qualifications, emphasizing the sustainability assurer’s professionalism and proficiency. The social category of purification is also used to analyze the production and transfer of comfort. Here, we recognize purification as a common element in a secular setting such as the sustainability assurance ritual. Rituals, including purification, distinguish between what is considered pure and impure, clean and unclean. Drawing a parallel to sustainability assurers’ work, they transform raw client data into a signed and published sustainability report which symbolically creates transparency for stakeholders and the society.

As we peel the selected layers of interpretation and social categories our understanding of the sustainability assurance ritual within a social context will increase. It is important to note that within the theoretical framework, the analysis will separate these social categories and

layers of interpretation, but as pointed out by Goffman, they operate simultaneously in practice to create the ritual order (Pentland, 1993).

The theoretical framework (See appendix "Figure 1") integrates elements from Pentland. Our study will focus on the sustainability assurance ritual, using the developed theoretical framework to analyze the production and transfer of comfort by exploring the selected layers of interpretation and social categories offered by Pentland, namely social control, impression management, implicit statements, and purification. Purification in our theoretical framework involves the social category purification as well as the sacred signature which can only be performed by rituals and priests, i.e. sustainability assurers and authorized accountants. The merger of these two social categories describes the same processes as Moore & Myerhoff's fifth layer of interpretation chaos vs order. Lastly, we use the term "task-oriented language" throughout our thesis, a concept adopted from Pentland's paper. In our theoretical framework, task-oriented language refers to the language used within a conversation which includes discussions about work-related topics. The term task-oriented conversation is used when the entire conversation is made up of task-oriented language.

### **3.Method**

#### **3.1 Research Design**

This thesis uses a qualitative research methodology to address the research question. The chosen firm, referred to as "BlueWater" henceforth, is part of the Big-4. The empirical findings presented in this thesis are derived from interviews conducted at this firm. To capture as a comprehensive perspective as possible, the interviewees had various positions within different departments and spanning through all hierarchical levels. The decision to choose a qualitative methodology is grounded in its compatibility with our research question. Qualitative research methods are well suited for exploring the historical, social, and organizational context of accounting (Lee & Humphrey, 2006). We contend that a qualitative approach offers a more profound understanding than a quantitative one, particularly when analyzing the formation of sustainability assurance opinion and materiality construction within the sustainability assurance ritual bearing in mind the impending implementation of CSRD.

Given that our research question seeks to investigate the processes of sustainability assurance and the processes used by sustainability assurers the formation of sustainability assurance opinion. This complexity stems from the interaction of multiple factors and requires an understanding of how various elements are interconnected. Instead of adhering to the testing of pre-established hypotheses, a qualitative research method is deemed more appropriate, this

approach allows for a more nuanced exploration of the intricate dynamics involved in sustainability assurance, enabling us to capture the linked complexities and gain insights into the holistic perspective of the subject matter (Flick, 2018).

The chosen format for this study is a single case study. Concerns are frequently raised regarding the necessity for more than a single case study to draw broader conclusions applicable in diverse contexts since a single case study focuses on a solitary example which hinders the capacity to compare results with similar cases, as the specific context is exclusively examined within the study (Ruddin, 2006). This limitation extends to difficulties in exploring variations in the results, collectively making it challenging to draw generalizations, which is an essential aspect of research (Ruddin, 2006). Nevertheless, to address the challenges associated with relying on a single case study it is beneficial to aim for a case that is as representative and as generalizable as possible for the entire population. This approach facilitates the generalization of findings to a broader context. Moreover, as highlighted in prior research, accounting firms hold a competitive advantage in the sustainability assurance market, attributed to their established reputation and extensive networks.

To retrieve valuable insights from a single case study, we strategically selected one of the Big-4 firms to enhance the contribution of our research. Despite conducting a single-case study, this strategic choice enables us to make a meaningful contribution to the understanding of the formation of sustainability assurance opinion and materiality construction within the sustainability assurance ritual due to the firm chosen having a competitive advantage against other assurers.

### **3.2 Interviews**

For a considerable time, interviews have served as a conventional tool for collecting data and represent the prevalent method in qualitative research. However, interviews as a data-gathering tool have faced criticism within the realm of qualitative research for perceived shortcomings in scientific rigor compared to quantitative methods. To counteract potential biases and subjectivity in our interviews, we have undertaken preparatory work.

A study on qualitative interviewing emphasizes the significance of crafting questions that participants can readily comprehend while accounting for cultural and linguistic norms (Roulston, 2010). We have applied this guidance by conducting a review of relevant literature to establish a foundation for understanding sustainability assurance and relevant concepts. Additionally, we adjusted the interview guide according to the interviewees' expertise in CSRD and sustainability assurance, as well as their hierarchical position within the organization to obtain as valuable data as possible.

Lincoln and Guba (1985) have proposed criteria for evaluating interview quality, including the transferability of findings to other contexts and individuals. To enhance transferability, we have implemented a two-person interview approach, ensuring that at least one interviewer remains fully engaged in active listening during each session. This approach is consistent with other findings (Lavee & Itzhakov, 2023), which underscore the advantages of effective listening, such as reduced speaker defensiveness and increased cognitive flexibility. We are committed to displaying our genuine interest in understanding, learning, and gaining insights, in line with recommendations from both Roulston (2010) and Lavee and Itzhakov (2021), to maximize the value of our interview data.

We conducted a total of eight interviews. Initially, the number of interviews was not predetermined, as we aimed to assess the quality and content of our interviews first. If necessary, we planned to adjust the quantity based on our evaluation of progress. As we observed that the diversity in responses and content reached a plateau after approximately six interviews, we jointly decided that eight interviews would be adequate. We targeted a minimum of 7 interviews, following the guidelines provided in the workshops, seminars, and lectures during this course.

### **3.2.1 Administrative details for the interviews**

We ensured to initiate our single case study on BlueWater back in March 2023. During our meeting with our contact person, who has the position of sustainability and assurance manager, regarding the topic of this thesis, we inquired about individuals at BlueWater deemed suitable for interviews. Our contact person then provided email addresses for these individuals and informed them at BlueWater that we would be reaching out to them. Once we had all the email addresses, we contacted them independently to schedule interviews and inquire about their preferences for conducting them online or in person, accommodating their preferences accordingly. (See appendix "Table 1" for information regarding this)

Our sampling process is based on convenience sampling, and our chosen sampling method has some drawbacks such as selection bias and sampling errors, which can lead to inaccurate or misleading results (Saunders et al., 2012). Additionally, an inherent limitation in this study is the one-on-one nature of the interviews, potentially leading to the omission of certain elements that might have surfaced in group interviews. However, for this thesis and considering the practical approach, it functions effectively, and therefore this is the approach we decided to adopt.

The administrative part of the interviews went seamlessly, largely due to our early preparation and established contact with BlueWater. Additionally, our contact person was eager

to ensure that we interviewed individuals most relevant to our topic. However, we encountered technical difficulties in one interview due to problematic internet connectivity for the participant. Despite this, it functioned well overall.

It's worth noting that everyone is different, and some individuals were more engaged and provided more detailed responses than others. Furthermore, since some of the interviewees were from different departments and had varying expertise in the relevant area, we observed differences in their response styles. This was something we noted during the interviews, but it did not have a significant impact on the results since everyone could provide valuable insights. We noticed significant improvements in the interview process as we conducted more interviews. In our first experience conducting such interviews, we recognized the learning curve effects, witnessing enhanced interview quality as we became more familiar with the process and engaged with individuals in different roles.

### **3.2.2 Interview guidelines**

To collect our data, we conducted semi-structured interviews following the guidelines provided (See Appendix for Interview Guide). The use of semi-structured interviews proved to be effective as we did not know in advance the extent of knowledge the interviewed person had on specific subjects. Simultaneously, this interview format allowed for in-depth exploration and asking follow-up questions on particularly interesting areas. Given that most of our interviewees were from Sustainability Assurance, the focus of the interview often centered around specific topics within this area. However, this required flexibility in formulating follow-up questions for those we interviewed who were not part of the sustainability assurance department.

Despite the advantages of semi-structured interviews, concerns have been raised regarding how the interviewers' theoretical knowledge, interests, and political perspectives can influence not only the formulation of questions but also pre-determine them (Diefenbach, 2009). During the interview, we were aware of this aspect and attempted to minimize any adverse effects. Our approach involved asking open-ended questions and adjusting the depth of inquiry according to the natural progression of the interview. We explored specific questions in greater detail when the interviewee naturally mentioned those areas. All interviews were conducted by both of us present to ensure minimizing the effect of letting their political view influence the collection of data by checking each other. We took proactive measures to minimize the effect of our personal interests influencing the formulation of questions.

Since we used a semi-structured interview method, it became natural for us to consistently update our interview guide as more interviews were conducted. This was due to

our observation that certain questions were irrelevant or difficult to answer. Additionally, specific follow-up questions were gradually integrated as part of the overall interview guide process due to interviewees brought up similar topics independently on their own. The interviews we conducted took place both online and in person. As mentioned earlier, we inquired about this during the email correspondence to accommodate the preferences of the interviewees. We believed that it was the right approach and that we could collect more valuable data. Considering their willingness to participate in interviews it was reasonable for us to show flexibility regarding whether they preferred the interview to be conducted online or in person which also could increase their psychological safety (Dekker & Edmondson, 2022).

Before the start of the interview, we clarified that their personal data would be handled appropriately, promising that the citations used could not be linked to them and the actual name of the company would not be disclosed. Before moving forward, participants were requested to sign a consent form. Additionally, we sought their permission to record the audio during the interview, emphasizing their ability to request the retraction of any statement if desired. We chose to record the interviews to be able to listen to them again and to identify interesting responses that we might have potentially missed during the interview. However, this can be criticized as a study mentions that the level of detail obtained from the interview, whether it is recorded or not, remains the same (Rutakumwa et al., 2020). On the other hand, this can be challenging for the interviewer because a substantial amount of information is being shared, and trying to capture everything can be stressful. The same study also mentions that the reliability of the information provided during the interview increases if audio is recorded since the interviewer no longer selects what is relevant or irrelevant when taking notes (Rutakumwa et al., 2020). Nevertheless, recording interviews carries a risk, as the interviewee might deliberately omit certain information to prevent potential accusations based on statements they are unwilling to support (Rutakumwa et al., 2020). While this might seem exaggerated, it is indeed a real and tangible risk.

All interviews were conducted in Swedish because all the interviewees had Swedish as their native language, which also applies to us, so it felt natural. Since Swedish is their native language, they can express themselves more precisely, increasing transparency in the information we receive. They don't need to think about how to articulate themselves in another language. However, there is a downside to this: we have to translate it into English. This can pose problems as there is a risk of inaccuracies in translation, potentially distorting the message. To address this, we have been aware of the risk, and when translating manually, we sat together and cross-checked to minimize the risk of errors that may arise in the translation process.

### **3.3 Data Analysis**

We started by analyzing the transcripts from all the interviews as described by O'Dwyer (2004). Additionally, we took notes during and after the interviews for further insights. Once all the materials were collected, we processed the raw data through a three-stage procedure, which will be explained below. In the first stage, we organized the data based on the various topics discussed, such as their training experiences and perceptions of limited and reasonable assurance. During this initial phase, we identified and removed non-relevant data for our study. This included elements like casual greetings at the beginning of the conversation, such as "how are you," which were considered to have no significant value. The main goal of this first round was to filter nonrelevant data and categorize it while bearing in mind the biases on our part to ensure an impartial extraction of information. In the second stage, we identified the central themes from the data through an iterative process, we associated these themes with the models introduced in Pentland's paper. This was carried out independently to ensure both autonomy and credibility. Both of us used an individual Excel spreadsheet that outlined all these social categories and layers of interpretation, such as social control, explicit symbols and messages, etc. When individually going through the data, we marked in our spreadsheet which of the data could be categorized into the social categories and layers of interpretation mentioned in the method section. These core themes were then placed into matrices with specific quotes from the interviewees to the relevant social category. After this, we used a more collective approach where we compared our results to see which ones were selected the most and discussed which of the ones were most important for understanding the sustainability assurance process bearing in mind the prior literature of sustainability assurance. In the final phase, we engaged in a collaborative process of reasoning to draw conclusions. Both of us carefully examined literature, interview transcripts, and various sources to piece together an understanding of the sustainability assurance process and the factors influencing the formation of sustainability assurance opinion and materiality construction. Our conclusions went through multiple revisions as we constantly went back and forth between our thoughts from the transcripts and the literature, ultimately reaching a consensus on the findings. The results of this collaborative effort are outlined in the following section.

### **4. Empirical Analysis**

In the following sections, we will present the empirical findings derived from the conducted interviews (check "Table 1" for interview-related specifics). The presentation is organized

based on the social context categories and interpretative layers suggested by Pentland (1993), including social control, impression management, implicit statements, and purification.

BlueWater is a multinational corporation, a member of the Big-4, and has a large market share in the sustainability assurance industry. To maintain confidentiality, no additional details about BlueWater will be disclosed. To get a better understanding the sustainability assurance process at BlueWater can be summarized as: The sustainability assurance process can look different depending on the client, but generally, it can be divided into four different steps. The first step involves examining if an assurance can be made or not, this involves meeting up with the client and going through their statements and underlying documentation to see if it can be reviewed or not.

If an assurance can be made, the next step involves planning the engagement where a team from the independent assessor is assembled. The team is led by an authorized sustainability assessor, who is a member of FAR's sustainability specialist group, and the team involves different sustainability specialists from different experience levels as well as other specialists needed to conduct the assurance. The team also consists of financial auditors who will conduct some of the easier sustainability assurance tasks. The number of specialists and the range of expertise from the specialists can differ depending on the client. Once the team is assembled, they conduct a risk analysis and have ongoing conversations with the client regarding the scope of the engagement. When the assessor and the client have reached an agreement regarding the scope of the engagement, the authorized sustainability assessor and another senior specialist start conducting interviews with both internal and external stakeholders to evaluate the client's materiality to identify any gaps, this is done by the authorized sustainability assessor and another senior since the materiality aspect is important for the further steps due to it actively limits or broadens the amount of tests necessary for the formation of sustainability assurance opinion.

Once the materiality assessment is decided, the next step involves substantive testing of the underlying data for each of the claims in the report with the standards being used. Depending on the content of that data, qualitative or quantitative testing will be made. The team's specialists conduct thorough testing based on their skills. For instance, a human rights specialist might examine whether the clients' suppliers operate in countries where there could be risks and then use their knowledge to evaluate that particular risk. If the underlying data is inaccurate or incomplete, they are addressed, and completions must be made for each of the claims to be valid. The last and final step is when all the steps are done and the actual issuing of the assurance statement can be made. This statement is presented to the audit committee or during the board meeting.



#### 4.1 Social Control

The interviewees spoke about several ways in how the organization enforces compliance to norms and shapes expectations of their daily work methods. When Interviewees A, B, and C were asked what a typical work week looks like, they all responded that they have internal meetings with their departments and that the meetings evolved around training to enhance their overall performance at the work they are conducting. Interviewee C mentioned that some of the training comes from their initiatives to excel in their profession, but most of the training is delegated from their superior. Interviewee D further explained at their department, when asked the same question:

*We also have regular check-ins with our performance managers, as they're called. These are designated individuals who coach and guide us in our work, hopefully allowing employees to see development opportunities and enabling them to drive their own growth and set goals for what they want to achieve.*

Since the question was asked for both the financial auditors and the sustainability assurors, we can see a pattern of a social control mechanism used by senior management through regular check-ins where performance managers meet with Bluewater's employees to, among others, ensure that they are up to date when it comes to new regulatory changes and knowledge. The organization also uses this social control mechanism to keep track of and guide employees in their day-to-day work. This is further amplified when interviewee C, who is in a senior position for the sustainability assurance team, was asked about the biggest challenges and concerns they thought were with the impending implementation of CSRD:

*It's a massive regulatory shift. We need more specialists because we will have more clients to audit. But we also need to ensure that the auditors receive training. I do a lot of that. I talk and communicate with the auditors, providing information about CSRD.*

To facilitate training and learning, the organization has adopted an internal program called ESG champions, where a person from the financial auditing department gets hand-picked to learn more about sustainability assurance and spread knowledge to other colleagues in their department. When Interviewee D was asked about the end goal for the ESG champions, the response was:

*These ESG Champions are spread all over the country, from Haparanda to Malmö. The idea with them is that they drive the local dialogue at their respective offices. They are also expected to increase their knowledge and expertise and participate in client deliveries. If you consider this network, we are quite spread out.*

The adoption of these ESG champions can also be seen as a social control mechanism as it facilitates learning from your colleagues as the champions are talking about ESG during the coffee breaks or similar, as mentioned in the interviews.

When the interviewees were asked about the actual process and how they work to minimize the occurrence of any incorrect statements in the sustainability report, interviewee C replied that they have an internal methodology for the actual process which is currently being updated and all the specialists for sustainability assurance are being trained in this new internal methodology. Interviewee F further argues that this internal methodology is not entirely driven by the CSRD, but more from the market since there seems to be a demand for it. Interviewee F also states the importance of all sustainability assurers working within the same system:

*We have a system, our audit system. And we have an audit framework for sustainability audits. What we essentially do is conduct all this auditing based on each claim. So, we look at the assertions the company makes. Then we compile what we have identified.*

Their audit system, with the audit framework for sustainability audits, can be viewed as a social control mechanism through technological infrastructure. Every participant in the sustainability assurance ritual needs to sort and categorize raw data into unreviewed claims that exceed the materiality threshold in the audit system. Regarding the method for minimizing any incorrect statements when reviewing the claims in the assurance procedure, Interviewee E, who has a junior position in sustainability assurance, replied:

*First and foremost, we address that within the team. We discuss everything. Everything we do is reviewed within the team, meaning we always check each other's work.*

The peer-review system within the organization functions as a social control mechanism, specifically serving as a precautionary measure against two critical aspects. Firstly, it reduces the likelihood of errors or misstatements by involving multiple individuals in overseeing the sustainability assurance. Secondly, it acts as a safeguard against biases, as diverse perspectives from individuals with varying levels of experience and positions contribute to a thorough double-checking of the work. Engaging in peer reviews within sustainability assurance creates a panopticon-like situation, where individuals are unaware of who is reviewing their work and to what extent. This approach, driven by the potential professional risks associated with "power-ticking" in sustainability assurance, effectively serves as a social control mechanism through social interplay.

Social control is also exercised between firms within the sustainability assurance industry among the Big-4 as explained by interviewee C:

*It's mostly Big Four, and we also discuss CSRD interpretations and such there. So sometimes we have threads through FAR. I mean, if you've had an interpretation and you think, This is how we interpret it, but now we want to discuss this with the others. So we raise it within FAR. So sometimes we're involved in really interesting email threads about interpretations and discussions.*

The FAR's sustainability specialist group meets at regular intervals and exchanges knowledge between Big-4 firms and other smaller sustainability assurance firms when facing issues with great uncertainty by engaging in task-oriented conversations regarding interpretation of legislation in relation to CSRD among other areas. FAR's sustainability specialist group can be seen as a social control mechanism for the sustainability assurance industry by enforcing standards through the institution FAR.

#### **4.2 Implicit Statements & Impression Management**

The fourth layer of interpretation, Implicit statements, applied to sustainability assurance is the idea that the person responsible for the sustainability assurance process has the professional competencies required to perform the job. In the world of sustainability assurance being a member of FAR's sustainability expert team is equivalent to being an authorized accountant which grants sustainability assurers the right to co-sign the sustainability assurance (FAR, 2022). When we talk about authorizing someone for sustainability assurance work, it's not just about a formal process. It's about ensuring that this individual has the right qualifications, emphasizing how professional and capable they are. We're also going to explore what these unspoken expectations mean by using the social category impression management to analyze what is regarded as necessary to be a competent sustainability assurer and how it affects the entire sustainability assurance process. A former senior auditor and current ESG strategist added to this subject that:

*There is specialized expertise at BlueWater, so if you feel uncertain about any particular issue, you can turn to the department. They possess specialized knowledge in various matters, so they can guide you through it. And we also have a dedicated sustainability department, we have assurance, which deals exclusively with this, so they also have a wealth of knowledge. You can reach out to them, so theoretically, you should feel confident in signing off on financial statements even if you are a person who doesn't have a hundred percent of the knowledge yourself. Because there is this type of expert knowledge, more centered, and of course, that you can turn to. (Interviewee B)*

The individuals participating in the sustainability assurance ritual bring a wealth of competence, each with diverse backgrounds, educations, and qualifications. Interviewee C is a

specialist in ESG who has experience with 15 listed entities across various sectors and is a member of FAR's sustainability specialist group granting them the authority to co-sign sustainability reporting statements. Interviewee E brings a valuable perspective with a background in economics and a master's degree from one of the most prestigious universities in Sweden. With several years of experience in controlling and a year at BlueWater, primarily focusing on sustainability reporting, they demonstrate a shift in expertise and commitment to this field. Interviewee F embodies competent professionalism by having over two decades of experience in sustainability reporting and assurance and is also a part of FAR's sustainability specialist group. In essence, these interviewees collectively embody the qualities expected from competent sustainability assurers, highlighting the importance of collaboration and commitment in this complex field. Furthermore, within the sustainability assurance department, there are views on competent professionals and how their superiors' competence increases the level of confidence within the sustainability assurance team.

*He (interviewee F) is one of Sweden's foremost experts on this and has been for many years. So the confidence for us, with him being part of the group that creates it, allows us to prepare extensively for what's to come (CSRD), even before the standard is issued. (Interviewee C)*

Additionally, we explore the expectations clients have for sustainability assurers, bearing in mind the interviewee's subjective perception. By exploring these insights, we gain a better understanding of how professionals in this field strategically manage their impressions to align with client expectations. A quote from interviewee D highlights the client's perspective on the qualities they value in a sustainability assurer:

*It's an exciting period we're in right now, I think. We're learning as this unfolds, and our clients are trying to interpret and implement the regulations. This means that we're involved with clients in various inquiries, and there's an expectation to be knowledgeable.... How do you assess the quality of sustainability reporting? That's where we're recruiting a more diverse set of skills, including engineers and specialists in environmental and human rights.*

Interviewee E highlights the importance of keeping auditors informed about sustainability assurance, emphasizing the ever-evolving nature of the profession. This commitment to staying updated and adapting to changes contributes to the perception of competence. Interviewee D sheds light on the variability in workload, with a focus on client work and initiatives like ESG Champions. Actively participating in awareness-raising and additional training aligns with the strategy of presenting oneself as knowledgeable and professional in response to the industry's changing demands. Interviewee A describes sustainability assurers participating in discussions during kickoff meetings, actively engaging

in public debates, and staying informed through news feeds. This strategic involvement aligns with the objective of projecting knowledge and staying current, reinforcing the overall impression of professional competence. Interviewee H reflects on the thrilling period of learning and collaboration with clients in navigating and implementing regulations. The expectation of knowledge and the recruitment of a diverse skill set underscore the importance of managing the impression of expertise, especially in sustainability assurance.

During the interviews, another topic that frequently came up was the dress code at BlueWater, especially within the sustainability assurance department, interviewee A describes how it varied based on whether individuals were at the office or meeting with clients:

*Regarding the dress code, we usually say this, or when I started here, I learned that you should dress a notch better than the client. So, for example, if the client is wearing a blazer, chinos, and a shirt, we might wear a suit. If the client is in a polo shirt and jeans, we might wear a blazer and chinos, and so on. If the client wears a tie, we should do the same. In the office, it's a bit more relaxed, but you should still maintain a business casual appearance at the very least. You don't need to wear a suit or blazer, but it's more about having dress pants or a tucked-in shirt. You should still look presentable; that's the general idea. There's a tradition that auditors should dress somewhat formally, and since we bill by the hour, our appearance probably matters to some extent. It's a kind of image one needs to maintain.*

Interviewee B also describes the dress code flexibility at BlueWater, pointing out a “somewhat laid- vibe in the office while keeping things formal when dealing with clients”. This balanced approach to the dress code aligns with the idea of shaping one's image to match the professional setting, adding to the overall sense of professionalism.

### **4.3 Purification**

The interviewees discussed various aspects of the sustainability assurance process. The process described can be viewed as a purification ritual, where an unreviewed statement transforms into a reviewed version ready for signing. Interviewee F mentions that one of the important steps lies in the initial steps in the process if they have the resources to be able to be assured. This is further emphasized by interviewee B when asked how a sustainability assurance project will be conducted if the company that is being assured doesn't have a sustainability department in their organization:

*If there's no sustainability officer, no standardized processes, no process owner, no governance documents, and no data owner in the company taking responsibility and ensuring that we conduct checks to ensure the process is correct, it becomes even more challenging for the*

*auditor to feel confident that the information in the sustainability report is accurate. So, if I were an auditor for such a company, I wouldn't touch those companies.*

Interviewee B is hesitant to go through the provided sustainability-related data if a company lacks or has an underdeveloped sustainability department. This reluctance stems from the sustainability assurers, responsible for reviewing the data, who may face difficulties when the client lacks a department capable of presenting the necessary documentation.

Interviewee D discussed an engagement with a travel agency that needed to account for its value chain regarding carbon emissions which is a huge task since they offer travel and accommodation but they don't own it and can have a hard time collecting the data required. Due to CSRD, and sustainability assurance overall, only requiring limited assurance and not reasonable assurance one doesn't need to have as high of a confidence level as interviewee F discussed to feel confident during the whole process.

*Reasonable assurance, when talking about the financial part, is usually said to be at about a confidence level of 95%... It means that I have to do much more auditing. I have to go much deeper and much broader. While limited assurance... It's often loosely said to be somewhere between 50 and 95%... The difference is essentially the extent of the audit... (Regarding reasonable assurance) But you conduct a deeper and broader review while focusing more on analytical process reviews or spot checks to ensure that nothing comes to our.*

Even though the implementation of CSRD comes with higher requirements and transparency in sustainability reporting, the limited assurance serves as a counteractive factor in this, since you don't need to have as a high confidence level compared to reasonable assurance as in a financial audit.

Several interviewees noted that because CSRD has not been introduced to the market yet there are uncertainties about its final form and that there might be challenges initially. However, as the market adjusts to it over time, it is expected to move through over time. Interviewee D drew an interesting parallel between the impending implementation of CSRD and the implementation of IFRS16:

*You're thinking about IFRS 16 with the leasing that came... There was a lot of work, and practically every company has some form of lease contracts. It's usually cars and properties, but also copiers and everything imaginable that needed to be mapped and a lot of data to be entered, and a tremendous amount of effort and energy was invested initially.... Then there was a lot of work, and now five years later, IFRS 16 is very smooth... I can imagine it will be somewhat similar... (to CSRD)*

The output is how the industry tackles the forthcoming implementation of CSRD. Similar to how uncertainties surrounding IFRS16 were addressed through discussions within the financial audit committee within FAR, the process might be analogous for CSRD with discussions within FAR's sustainability specialist group. Over time, resolving uncertainties is expected to become more manageable at an industry field level, just as is the case with IFRS16.

Furthermore, Interviewee G talks about the sustainability assurance process, much like in an audit, each stage requires a stamp or signature for every reviewed item. To uphold this collective commitment, it's important to ensure all documentation is complete and reviewed at all stages throughout the sustainability assurance ritual. Client readiness is equally crucial, verified through their signature on the annual report and a management statement confirming their commitment and the accuracy of the information provided. The entire process undergoes a comprehensive review, guaranteeing quality assurance, effective risk management, and the completion of all sustainability assurance ensuring that the final sign-off can take place. This practice ensures a shared commitment to accountability, marking significant points throughout the process.

*If I were to sign something related to this, I would be very keen on it having been evaluated by specialists because they are the ones who understand it; I don't know much about it.*  
(Interviewee A)

Interviewee B, concurring with interviewee A, also discussed how they felt when signing off on sustainability reports that they hadn't personally reviewed. The authorized accountants partaking in the sustainability assurance ritual use task-oriented language with the sustainability assurance department instead of reviewing the claims themselves to increase their confidence. Furthermore, before the authorized accountant puts their sacred signature on the sustainability report, a sustainability assurance partner co-signs it. In connection with this, the sacred signature holds a symbolic meaning and is passed on from the sustainability assurer to the financial auditors involved in the sustainability assurance ritual.

## **5. Discussion**

In this section, we will analyze the empirical findings previously presented with the theoretical framework that was developed and as explained in section 2.5. Deciding when and how to apply rules involves additional roles, each with its own set of rules, posing a fundamental challenge to construct a completely rational explanation for the auditing process which would result in an infinite regress of decision-making (Pentland, 1993). As argued throughout our thesis, there is a need to investigate the production and transfer of comfort between participants, clients, and

other stakeholders in the sustainability assurance ritual to get a better understanding of the formation of sustainability assurance opinion and materiality construction.

### **5.1 The sustainability assurance ritual - Formation of sustainability assurance opinion**

Our findings show that sustainability assurers have performance managers that they regularly check-in with to set personal goals, review how they are performing, and discuss other matters. These regular check-ins can be seen as a social control mechanism and ensure that the sustainability assurer is constantly evolving within their field and that the performance manager gets a picture of how the sustainability assurer is working from their perspective. In these check-ins, task-oriented language is used to assess the sustainability assurer's performance without directly reviewing their actual work. Comfort is thus created and transferred between the parties since the performance manager utilizes gut feel to estimate the sustainability assurer's aspiration when setting goals as well as comparing feedback from external parties with that of the sustainability assurer. Since everyone partakes in these check-ins this phenomenon is transferred through the hierarchy levels of the sustainability assurance departments.

Our findings also show that all interviewees had to attend obligatory training and seminars as well as hold them to teach other sustainability assurers and departments. Interviewee C describes how she transfers tacit and formal knowledge regarding the sustainability assurance process through various seminars with different departments where attendees produce and transfer comfort to their surroundings by having attended these which is a result of corporate management deciding which obligatory seminars employees must attend. The emergence of ESG champions is also a practical example of this where tacit and formal knowledge is spread to their colleagues within corporate auditing by having attended these trainings and seminars which external parties haven't observed and taken part in directly. Comfort is thus produced and transferred between the ESG champion and corporate auditor partaking in the easier part of the sustainability assurance process through task-oriented conversations such as how the seminars were in terms of emotional language. The ESG champions initiative incorporated by senior management functions as a social control mechanism, influencing expectations and norms related to work practices within the organizational framework and contributing to the production and transfer of comfort between departments at Bluewater.

The proprietary audit technology system used at Bluewater, which all employees are educated on, is used throughout the sustainability assurance process. Archiving tasks that are deemed material, their respective materiality threshold with supporting evidence in the form of documents, and the matter of marking tasks that are done and ready to be peer-reviewed is a



form of technological infrastructure that creates comfort for directly performing these tasks and transferring comfort to those partaking in the sustainability assurance process as well when raw unsorted data is categorized in different subsections within this audit technology system.

After the tasks have been performed, they need to be reviewed. The peer-review system at Bluewater produces and transfers comfort through task-oriented conversations. An example of this would be team meetings that occur throughout the sustainability assurance process, usually on a weekly basis, where what has been done, what needs to be done by who and how is discussed and decided. The team leader is informed that a certain task has been performed and reviewed which produces and transfers comfort to the team leader and the team even though they haven't personally investigated or reviewed the claims of a task related to the materiality threshold and provided the supporting evidence. The peer-review system, involving two persons to have reviewed the claims, thus produces and transfers comfort within the hierarchy levels of the team, across departments, and beyond Bluewater.

Our findings show that the extent of the sustainability assurance differs substantially depending on the assurance degree, where the outcome of materiality construction differs significantly. In corporate auditing, reasonable assurance is a requirement when stating the audit opinion but in sustainability assurance it's not, the requirement is limited assurance. Applying and modifying the approach from corporate auditing when performing a sustainability assurance works within quantitative topics, but sustainability assurance involves various qualitative topics such as human rights that need to be assured as well. Comfort is thus produced and transferred, to a certain degree, by modifying and applying the procedures of corporate accounting in materiality construction within quantitative sustainability assurance topics resulting in decreasing uncertainty. The uncertainty of how to review qualitative data and the massive leap in sustainability reporting and assurance due to CSRD is somewhat offset by the lower degree of assurance. Comfort is produced and transferred within the sustainability assurance team due to the lower assurance threshold which is then transferred to other departments involved with the sustainability assurance department as interviewee A stated that "it feels really nice" regarding signing off on a sustainability report where there was limited assurance as compared to reasonable assurance. Moreover, varying amounts of comfort are produced between the sustainability assurer and the client depending on whether the client's sustainability department is underdeveloped or not. If the requirement was reasonable assurance this effect would be even more amplified as exemplified by interviewee B when talking about the reluctance to touch a company's greenhouse gas emissions data if their sustainability department was underdeveloped or non-existent. Even though the sustainability assurer won't

investigate how every piece of data was obtained by the client firm with a developed sustainability department, comfort is produced and transferred. Comfort is transferred since the development of the client firm's sustainability department affects the construction of materiality where a client with an underdeveloped sustainability department would probably have a lower materiality threshold due to the higher degree of uncertainty whereas the opposite case results in a higher materiality threshold. Our findings show that resistance in examining data in where a company's sustainability department is not well-established and embodies Douglas's concept of dividing what is considered pure and impure, indicating an unwillingness to participate in the purification transformation process due to the higher degree of uncertainty, lower sense of comfort and in essence the sustainability assurer's gut feel.

Decisions regarding what is and what is not material and how materiality thresholds are established also influence, and are influenced by, the social cohesion within audit teams whereby group identities and values determine how materiality is conceived and mobilized. Our findings also show that determining material thresholds, how materiality is constructed, and reviewing performed tasks in relation to this is performed within the sustainability assurance team on a client-project basis. Social cohesion and task-oriented language are used in internal discussions within the sustainability assurance team where everyone needs to be on board and on the same page regarding the materiality construction. Comfort is thus produced and transferred within the sustainability assurance team when discussing the construction of materiality where materiality thresholds in essence are constructed based on the team's and individual's sense of comfort and gut feel.

Our findings show that the first social categories where comfort is produced and transferred within the sustainability assurance process are implicit statements and impression management. The intentional and subconscious strategies used by auditors to enact and submit to the image of the audit machine as discussed in Pentland's paper are also seen by professionals in sustainability assurance who present themselves in a way that shows predictability and consistency by maintaining a routinely enacted front. As our findings show a recurring theme emerges that the collective perception among interviewees that a sustainability assurer embodies shared values and qualifications: These qualities include knowledge, competence, openness, curiosity, and a people-oriented approach. Together, these traits shape the overall professional image of a sustainability assurer. Our findings also show that the practice of dressing somewhat formally, even in a more relaxed office environment, reinforces the notion that how you present yourself matters and contributes to a professional image in relation to colleagues and clients as a sustainability assurer. Comfort is produced when the sustainability

assurer partaking in the sustainability assurance process meets and exceeds other participants' expectations of the sustainability assurer. This can also be seen within the sustainability assurance department at Bluewater when interviewee C talks about interviewee F's expertise and that it creates confidence, i.e. comfort, for the team. Comfort is transferred when a third party who hasn't observed the direct production of comfort in relation to the case above partakes in the sustainability assurance process with less uncertainty. Our findings show a practical example of this when interviewee F meets with his clients for the first time to draw up initial strategies and subsequently within the team discuss the construction of materiality in relation to the sector-specific standards of the firm. Comfort is produced in the interaction between interviewee F and the clients partially due to interviewee F's knowledge within that industry, interviewee F's qualification as a sustainability assurer, and interviewee F's way of behavior and dress style. Comfort is then produced and transferred when interviewee F meets with his team to summarize the current events via task-oriented language so that the sustainability assurance process can continue. This argument regarding the production and transfer of comfort can be analyzed by applying our theoretical framework including social subcategories implicit statements and impression management. Interviewee F's meeting with the clients can be replicated within the sustainability assurance team's different hierarchical levels, between departments at Bluewater, and to external stakeholders since interviewee F, and other sustainability assurers who draw up the strategies after meeting with the clients. The strategies are constructed on behalf of stakeholders due to the double materiality requirements/voluntary used standards, where materiality construction affects the whole sustainability assuring process and the final product that stakeholders take part in, the published sustainability report.

Our findings concerning the sacred signature and who places their stamp on reviewed tasks in the sustainability assurance process align with Gambling's concept that only priests can conduct sacred rituals. In this context, it translates to the competent sustainability assurer's signature on the sustainability report. In the sustainability assurance process, all factors being equal, if someone outside FAR's sustainability specialist group were to sign off on the sustainability report, it wouldn't provide reassurance to the authorized accountant. Comfort is produced when the competent sustainability assurance partner co-signs off on the sustainability report. Comfort is transferred to every participant in the sustainability assurance processes and stakeholders when they see the sacred signature. All else equal, except the sacred signature on the sustainability report, comfort isn't produced and transferred to as a large extent even though the same amount of time and work has been put in, signifying the importance of the sacred signature in the sustainability assurance ritual. Our findings also show that the partner refrains

from signing off until both the client and management have put their sacred signature on the financial and sustainability statements, ensuring the accuracy of the provided information. Thus, the argument regarding the production and transfer of comfort in relation to the sacred signature within BlueWater's departments can be replicated to extend the scope to between BlueWater and the client since *ceteris paribus* in the sustainability assurance ritual if the client and management don't put their sacred signature on the financial and sustainability statements uncertainty increases. Signing these documents ensures "skin in the game" which reduces uncertainty regarding whether the sustainability assurance process has been performed correctly by all participants, producing and transferring comfort to all participants. Comfort is also produced and transferred when all reviewed and peer-reviewed tasks receive a stamp or signature from the sustainability assurer who executed the specific task and from the task-oriented conversations regarding this process. Thus, the sacred signature at the end is of most importance to stakeholders but the stamps and signatures throughout the sustainability assurance ritual are a crucial element in the production and transfer of comfort to reach the formation of sustainability assurance opinion.

All the social categories and layers of interpretation mentioned above assist in the production and transfer of comfort where they individually and collectively have an impact on the sustainability assurance ritual and scope in relation to participants and stakeholders. As argued above, for external stakeholders the sacred signature is the most important element in the production and transfer of comfort. However, for the signing of the sustainability reports to happen at all, the prior steps in the sustainability assurance ritual where comfort is produced and transferred are necessary. To analyze these steps in the production and transfer of comfort in the sustainability assurance ritual we use our theoretical framework including social categories and layers of interpretation: impression management, implicit statements, purification, and social control. Thus, the question of which is the most important contributor to the production and transfer of comfort and the interrelationship between these in the sustainability assurance ritual depends on the stakeholder and/or participant scope delineation. A common conclusion regardless of the scope delineation is that the social categories and layers of interpretation that can be used to analyze the production and transfer of comfort cannot do without each other in the sustainability assurance ritual as in line with Goffman's statement that they operate simultaneously in practice to create the ritual order (Pentland, 1993).

## **5.2 The sustainability assurance ritual - Materiality construction**

Our findings also show that materiality construction that cannot be determined or is filled with great uncertainty within the sustainability process at BlueWater is brought up at the FAR's

sustainability specialist group. At these meetings, discussions around how to address tasks characterized by uncertainty, both from Bluewater's standpoint and the perspectives of other prominent sustainability assurance firms, including those from the Big-4 and smaller entities. Additionally, there is a focus on interpreting and practically applying the upcoming implementation of new legislation, such as CSRD. Comfort is thus produced and transferred between sustainability assurance firms where FAR's sustainability specialist group acts as a medium platform. Members of the council from different firms merge formal and tacit knowledge when discussing and deciding the construction of materiality as well as using gut feel to decide if it's reasonable given prior experience. FAR as an institution then issues standards within sustainability assurance based on the discussion at FAR's sustainability specialist group among others. When FAR as an institution issues these standards, comfort is produced and transferred to the participating parties in the sustainability assurance ritual, including those who didn't directly participate in FAR's sustainability specialist group, as well as external parties such as management, clients, stakeholders, and society. A practical example of this would be the materiality construction of human rights where the materiality threshold is difficult to determine since it's based on qualitative data. The issue is brought up at FAR's sustainability specialist group where sustainability assurers from other firms weigh in on the issue and together determine a method through interpretation of legislation, prior experiences, and modifying methods from corporate auditing. By partaking in this discussion comfort is produced and transferred among the participants since the uncertainty of how to handle human rights materiality construction is reduced. The methods developed are formalized and codified within the sustainability assurance firms, who are members of FAR's sustainability specialist group. These methods are issued as standards by FAR as an institution to guide the practical work needed to be performed by sustainability assurers. By developing these methods through FAR's sustainability specialist group and issuing standards through FAR as an institution, comfort is produced and transferred to non-participating sustainability assurers due to the legitimacy of the council, legitimacy of the FAR as an institution, and the expectations of members having the most knowledge and being competent professionals. The social categories and layers of interpretation can also be used to analyze the production and transfer of comfort in relation to materiality construction resulting in industry sustainability assurance standards. FAR's sustainability specialist group functions as a social control mechanism used by FAR in the sustainability assurance industry since, on an aggregate level regarding materiality construction and other uncertain areas, the methods developed through it and the standards issued are implemented by the firms who have members within it as well as the whole

sustainability assurance industry due to FAR's position as an institution. Comfort is transferred to the junior sustainability assurer reviewing the matter of human rights at a client using the methods and standards developed and issued by FAR's sustainability specialist group and FAR since it reduces uncertainty regarding how to handle the matter. The junior sustainability assurer has been told by their colleagues and seniors to use the methods developed at FAR's sustainability specialist group and the issued standards by FAR which the client expects them to do since sustainability assurers from other firms do so. Finally, comfort is transferred to the external stakeholders when the sustainability report is published due to increasing transparency. Our findings also show that the implementation of IFRS-16 within corporate auditing used FAR as a medium platform and institution to reduce uncertainty. FAR's corporate auditing specialist group was used as a medium platform regarding how to handle the change in auditing standards where tasks filled with great uncertainty were discussed, decided, and finally issued as standards by FAR as an institution. The construction of materiality and the auditing approach regarding IFRS-16 was implemented into respective Big-4 firms and other accounting firms to then develop an industry standard issued by FAR, resulting in unproblematic financial reporting today. Sustainability assurance has a similar challenge with CSRD where the same type of method is used to solve similar problems such as materiality construction. Since CSRD is still under development, has yet to be implemented, and includes ca 50 000 firms the result is that there is great uncertainty regarding some of the legislation within CSRD such as the sector-specific standards. Where there is great uncertainty there is an even larger need for the production and transfer of comfort where FAR's sustainability specialist group and FAR as an institution alleviates this issue, resulting in creating industry standards regarding the materiality construction and formation of sustainability assurance opinion. This in turn affects the published sustainability report which external stakeholders and society take part of.

Comfort is produced at every hierarchy level within the sustainability assurance team and transferred throughout the sustainability assurance department at BlueWater (See appendix "Figure 2"). The production and transfer of comfort also occurs between firms within the sustainability assurance industry through means of FAR's sustainability expert council and FAR as an institution to then be produced and transferred back to the individual firms. Finally, comfort is produced and transferred from the sustainability assurance team to other departments within the firm to then on an aggregate level within the industry transfer to external stakeholders via the sacred signature on the published sustainability report.

## 6. Summary and Conclusions

### 6.1 Summary

The current uncertainty in understanding the sustainability assurance process and the published sustainability report, particularly when analyzing through interpretation theory and the anticipated implementation of CSRD, requires further research contributions to this field (Canning et al., 2019; Smith et al., 2011). Additionally, with the increasing number of firms impacted by CSRD and the growing consideration of the double materiality requirement, there is a need to explore how diverse stakeholder needs influence the content of sustainability reports, thereby shaping the sustainability assurance process (Smith et al., 2011). Therefore, our study aims to address the following question: *What factors and which actors influence the development of sustainability assurance opinions at a Big-4 firm?*

Through a case study conducted at Bluewater, which includes interviews and document analysis, we seek to analyze the sustainability assurance process from various viewpoints, involving both sustainability assurers and professionals at Bluewater. Unlike much of the existing literature that predominantly explores sustainability assurance and reporting through the perspective of sustainability assurers, clients and stakeholders on materiality construction, the effects on the published sustainability reports and meaning-making of sustainability assurers in relation to their work performed (Canning et al., 2019; Smith et al., 2011; Gaudy and Malsch, 2023) our study aims for an understanding of the sustainability assurance ritual within a social context in relation to the forthcoming implementation of CSRD.

Our findings contribute to earlier research by Canning by having conducted an empirical study showing how the production and transfer of comfort affects the formation of sustainability assurance opinion and formation of materiality construction of sustainability assurance at one of the Big-4 firms including discretionary and regulated assurance services. Our findings also contribute to earlier research by Smith by having conducted a qualitative interview-based study within the sustainability assurance process at a Big-4 firm in Sweden showing how some of the processes of professional capture take place through FAR's sustainability specialist group and FAR as an institution in the context of the sustainability assurance field industry.

Bluewater benefits from having skilled professionals, an internally developed technical infrastructure, and a reputation for being a leader in sustainability, which streamlines the sustainability assurance process. However, challenges persist, particularly in interpreting new legislation and addressing its practical aspects as was the case in auditing and implementation of IFRS16. It's evident that external stakeholders, including the EU through CSRD and FAR,

play crucial roles in shaping the sustainability assurance process at Bluewater and across the entire sustainability assurance industry.

Having conducted a qualitative interview-based study of the sustainability assurance process and its intersection with the theoretical implications of CSRD key findings emerged regarding the challenges inherent in the sustainability assurance ritual and materiality construction at the industry field level. In the production and transfer of comfort in the sustainability assurance ritual, key social categories such as social control, impression management, implicit statements, purification, and the sacred signature can be used to analyze the formation of sustainability assurance opinions. Furthermore, the approach to materiality construction, which affects the whole sustainability assurance ritual and the published sustainability reports, is developed, determined, and issued as standards through FAR's sustainability specialist group and FAR as an institution. FAR thus affects the *modus operandi* of the whole sustainability assurance industry field. Our contribution to the research field is by deepening the comprehension of the sustainability assurance ritual and the development of sustainability assurance opinions and materiality construction at the individual as well as collective sustainability assurance industry field, particularly within the framework of social-interaction theory. Our primary contribution to existing literature underscores the need for additional guidance in analyzing the sustainability assurance process, particularly considering the impending implementation of CSRD. This need extends to diverse theoretical frameworks and various contextual settings.

## **6.2 Limitations**

In deciding on a single-case study, as detailed in the methodology section, we acknowledge the advantages and disadvantages of this decision. While a single-case study facilitates an analysis made in this context it does raise concerns about reliability and validity. We recognize that our insights into BlueWater's approach to sustainability assurance may have limited applicability, potentially only to companies of specific sizes and within certain sectors. Nevertheless, the impending implementation of CSRD, coupled with the increasing awareness of sustainability accounting issues, holds relevance across firms directly and indirectly.

Despite the potential limitations, we argue that our findings contribute to understanding the sustainability assurance ritual within the context of a Big-4 firm, particularly considering the size, knowledge, and development of BlueWater. Similar to the decision to conduct a single-company case study, the choice of interview-based research comes with both advantages and drawbacks. Our semi-structured interview approach offered flexibility for follow-up questions, enriching our exploration of various aspects. However, challenges such as response bias and



subjectivity in the interviewee's interpretations must be acknowledged. Qualitative data can be subjective, introducing the possibility of varied conclusions based on the analyst. To mitigate subjectivity we implemented a collaborative approach, ensuring consistent and independent interpretation between us. Anonymity presented a challenge in presenting our findings, given BlueWater's prominent position in sustainability assurance. While some potentially enriching findings were omitted to protect the company and accommodate interviewees' requests, the focus on sustainability assurance at BlueWater provided robust data.

Given the nature of a single-case study, a level of skepticism is warranted. We interacted only with representatives from the same organization, recognizing the risk of intentional or unintentional self-presentation biases. Our use of a semi-structured interview guide, document analysis, and interviews across various departments and hierarchy levels aimed to mitigate this risk. By using a consistent set of questions for each interviewee, we cross-referenced answers to identify and address any potential subjectivity in our findings. An unmistakable limitation to our study lies in the ongoing development of CSRD, as its full implementation is yet to be realized. Theoretical considerations regarding its impact on the sustainability assurance process are inevitably constrained by the absence of practical application. As a regulatory framework intended to reshape sustainability reporting and sustainability assurance, the CSRD's implications remain speculative until its actual implementation. Acknowledging this limitation underscores the dynamic nature of sustainability assurance, prompting a continuous exploration of sustainability assurance in the evolving regulatory landscape.

### **6.3 Further Research**

Exploring the horizon of future research in sustainability assurance, particularly given the ongoing development of CSRD and its impending implementation, offers a myriad of possibilities. Our journey through the sustainability assurance ritual has sparked contemplation on potential areas for further investigation. First and foremost, a comparative analysis across all major Big-4 firms or an examination of potential variations among them presents interesting perspectives. Additionally, exploring the sustainability assurance ritual within smaller sustainability assurance firms provides an interesting perspective, probing into comparability within the industry and potential impacts related to firm size. Another compelling angle for exploration involves analyzing the sustainability assurance ritual, considering the initial suggestions, in a non-EU country unaffected by CSRD directly. Lastly, an exploration into the sustainability assurance ritual post-implementation of CSRD for both PIE entities and SMEs stands as a promising area for future study.

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## 8. Appendix

Table 1. List of interviewees

<b>Interviewee</b>	<b>The position within the organization</b>	<b>Date</b>	<b>Length</b>	<b>Online/Physical</b>
Interviewee A	Internal ESG Strategist	26/10 - 2023	47 minutes	Online
Interviewee B	Audit Manager	26/10 - 2023	41 minutes	Online
Interviewee C	Manager, Assurance and Sustainability Services	30/10 - 2023	1 hour and 5 minutes	Online
Interviewee D	Senior Sustainability Lead	2/11 - 2023	45 minutes	Online
Interviewee E	Junior, Assurance and Sustainability Services	2/11 - 2023	40 minutes	Online
Interviewee F	Partner and Head of Assurance Services	7/11 - 2023	47 minutes	Online
Interviewee G	Audit Director	7/11 - 2023	45 minutes	Physical
Interviewee H	Senior Manager	8/11 - 2023	44 minutes	Online

Figure 1. Theoretical Framework

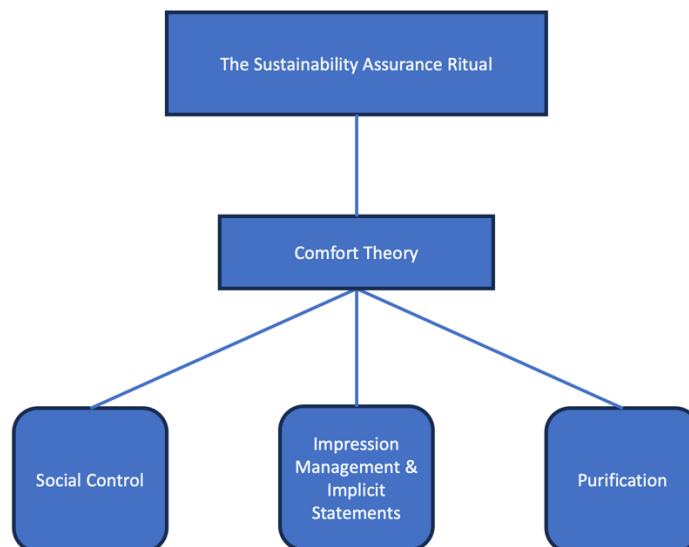
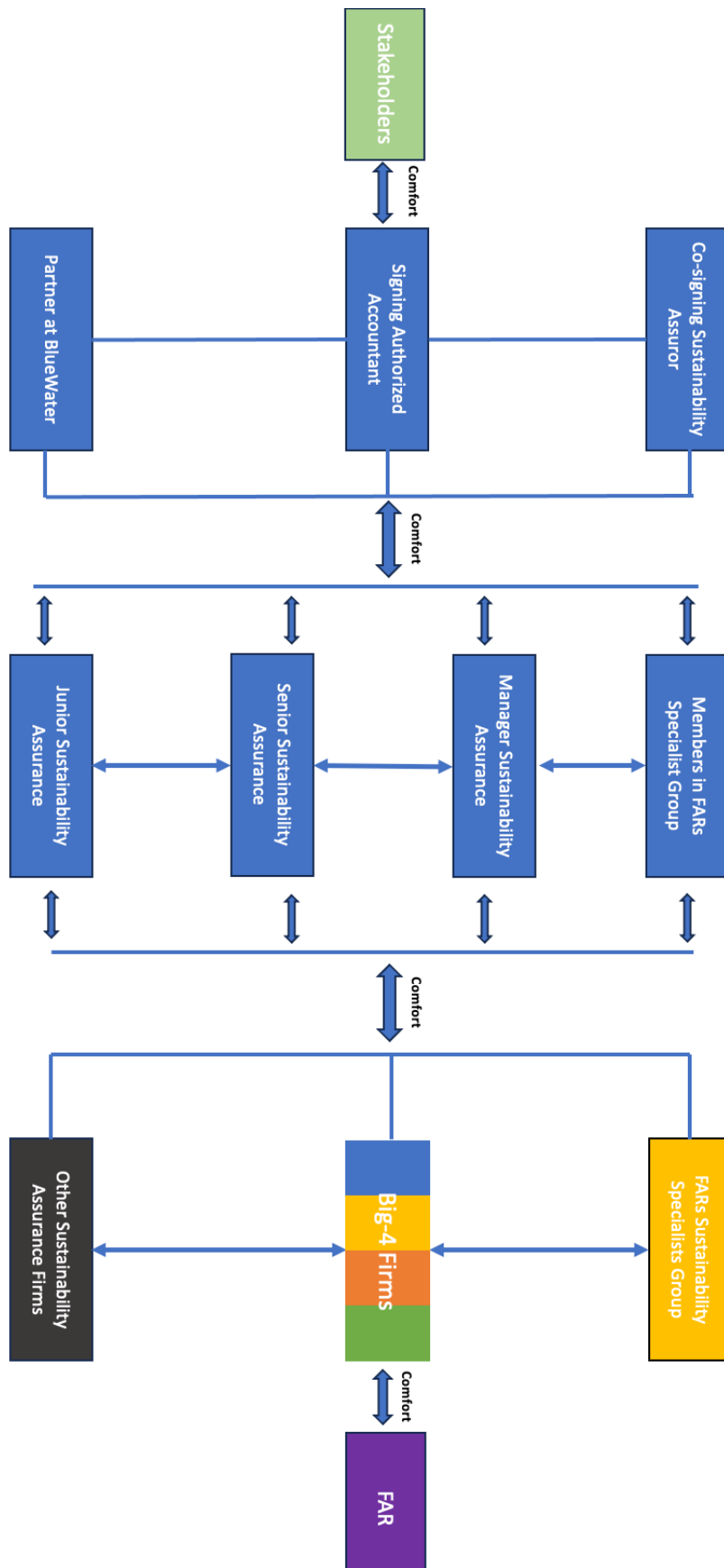


Figure 2. Production and transfer of Comfort



## Document 1. Interview Guide

### **Interview Guide:**

#### **Introduction**

- Could you please provide a brief overview of your background, education and your role at the auditing firm, including your experience in sustainability reporting?
- What motivated you to start working on sustainability, and how long have you been in this profession?
- Why did you choose BlueWater?
- What does a normal work day/week look like? (follow up question, any obligatory meetings, get together after work? Is there a dresscode?)

#### **Understanding the CSRD Framework**

- How familiar are you with the EU's CSRD framework, and when did you first encounter it?
- What are your initial thoughts on the CSRD framework and its potential impact on sustainability reporting and sustainability auditing?

#### **CSRD Directive and Sustainability auditing**

- How do you believe CSRD will influence the sustainability auditing process, both in terms of procedures and scope?
- BlueWaters recent research (Road to Readiness) indicates that only 25% of companies feel ready for independent ESG data auditing. What do you see as the main challenges and opportunities for auditing firms in adapting to the CSRD framework's requirements?

#### **Road To Readiness**

- BlueWaters report highlights that larger companies tend to be more ESG auditing ready. How does BlueWater tailor its services to accommodate the varying readiness levels of different clients, including those with diverse revenue sizes?
- What processes or criteria does your firm use to determine readiness and the ability to conclude an engagement, especially when it comes to ensuring that financial statements are free from material misstatement within the context of the new EU's CSRD framework? On an individual level and group level.
- What measures or considerations are involved in providing auditing and putting your signature on financial statements to ensure their accuracy, especially in the context of sustainability reporting?

#### **Scope and Materiality**

- How does the application of limited assurance in sustainability reporting audits, within the CSRD framework, differ from the traditional practice of reasonable assurance in financial audits, and what are the implications for the audit process and stakeholders?
- Do you foresee any challenges in determining the materiality of sustainability issues under the CSRD framework?

#### **Reporting Requirements and Credibility**

- In your opinion, how will the comparability of sustainability reports change with the introduction of CSRD standards?

#### **Impact on Auditing Firm**

- How do you anticipate the CSRD framework will impact your auditing firm's approach to sustainability auditing, including the skills and resources required?
- Are there specific challenges or concerns that your firm is preparing for in light of the CSRD framework's implementation?

#### **Additional Insights (2 st)**

- Is there any key aspect related to the CSRD framework's impact on sustainability auditing that we haven't covered in our discussion?

Thank you for participating in this interview. Your insights will contribute greatly to our understanding of how the CSRD framework is changing the landscape of sustainability auditing for larger auditing firms.