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The Global Sustainability Reporting Landscape and the Role of Public Accountants in Providing Assurance: Enhancing the Credibility and Integrity of Sustainability Reports, and Creating Corporate Value

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ABSTRACT

The global dialogue on a sustainable economy has gained momentum due to a growing recognition among various stakeholders—such as investors, consumers, and policymakers—of the importance of integrating environmental, social, and governance (ESG) factors into economic and business practices. This growing awareness, along with commitments from world leaders, has made it essential for companies across various industries and governments to report their sustainability efforts through sustainability reporting to enhance their value in the eyes of stakeholders and investors. This study aims to describe and analyze the global development of sustainability reporting and examine the role of public accountants or external auditors in providing assurance services that enhance the credibility and integrity of these reports. The research employs a descriptive analysis literature review, gathering published global survey reports and previous studies from 2020 to 2024 in international journals and selecting them based on relevance, scope, and data quality. The findings indicate a significant global increase in sustainability reporting, reflecting companies' growing recognition of its importance not only for supporting environmental conservation but also for creating value for stakeholders and investors. Additionally, analyses from surveys and prior research demonstrate that the inclusion of assurance services in sustainability reports is positively correlated with the market value of company shares, thereby enhancing corporate value. Assurances provided by public accountants or external auditors further contribute to the credibility and integrity of sustainability reports, ultimately strengthening trust among stakeholders.

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1. INTRODUCTION

The main responsibility of company management is to maximize profits for shareholders by complying with legal and ethical rules. Friedman's statement became one of the references used and developed in business practices globally. Friedman's theory emphasizes that the main focus of a company is on financial gain. The concept of shareholder theory has a positive impact on human civilization through the development of the global business industry, including massive wealth creation for shareholders, technological development, and poverty reduction [1].

While the application of shareholder theory has positive effects, it also poses long-term risks that can be detrimental to both humanity and the environment, particularly concerning climate change. Climate change denotes a significant and lasting alteration in global climate patterns that contributes to the rise in Earth's temperatures, posing serious threats to our planet [2].

The adverse effects of climate change have become a critical issue that has garnered considerable attention from the global community. Overall, the conversation has increasingly focused on sustainability, culminating in the adoption of the Sustainable Development Goals (SDGs) at the UN General Assembly on September 25, 2015. This dialogue continues to evolve and expand today.

Important milestones in global sustainability discussions include the 1992 UN Conference in Rio de Janeiro, which highlighted significant environmental challenges around the world, and the 2015 UNFCCC COP21 meeting in Paris, which resulted in the "Paris Agreement." This legally binding international treaty seeks to limit the increase in global temperatures to below 2°C [3].

The principle of sustainability encompasses the idea of maintaining a balance among social factors, environmental health, and economic profit, referred to as the Triple Bottom Line (TBL) concept introduced by John Elkington in 1997. To achieve this balance in economic success, environmental quality, and social equity as outlined by the TBL principle, a business must engage in measurable planning and implementation that is transparently reported to stakeholders. [4].

The global discussion on a sustainable economy has gained momentum as stakeholders recognize the significance of sustainable practices, particularly in environmental, social, and governance (ESG) areas. Heightened awareness, driven by commitments from world leaders, has led to increased demand for companies to disclose their sustainability initiatives through reporting. Businesses are now expected to transparently share their environmental and social impacts, as well as governance practices, to showcase their commitment to sustainability and enhance their value in the eyes of stakeholders and investors.

Various standards and frameworks have been established to help organizations effectively implement and structure their sustainability reporting. Key frameworks include the Global Reporting Initiative (GRI), which provides comprehensive reporting guidelines; the Sustainability Accounting Standards Board (SASB), focusing on industry-specific sustainability issues; the Taskforce on Climate-Related Financial Disclosures (TCFD), which addresses financial risks from climate change; and the Carbon Disclosure Project (CDP), promoting environmental impact reporting. Together, these frameworks aim to standardize sustainability reporting, enabling stakeholders to better understand and compare companies' efforts.

In November 2021, the Conference of the Parties (COP) convened, where the IFRS Foundation announced the creation of the International Sustainability Standards Board (ISSB) to establish global standards for high-quality sustainability disclosures. On June 26, 2023, the ISSB released two key standards: IFRS S1, which helps companies disclose sustainability-related risks and opportunities over various time frames, and IFRS S2, which specifically addresses climate-related disclosures. IFRS S2 is intended to complement IFRS S1 by providing a detailed focus on climate issues within the broader framework of sustainability reporting [5].

To promote sustainability, Indonesia has implemented policies aimed at controlling environmental pollution, as outlined in Law Number 32 of 2009 on Environmental Protection and Management. The Financial Services Authority (OJK) has introduced several regulations to foster a sustainable financial system, including POJK 51/POJK.03/2017 for sustainable finance in financial institutions, POJK Number 60/POJK.04/2017 for issuing green bonds, and SEOJK Number 16/SEOJK.04/2021, which details the format and content of annual reports for issuers and public companies.

Based on the survey report [6], by 2022, it is estimated that around 97% of companies worldwide will have engaged in sustainability reporting, covering a wide range of topics, including greenhouse gas emissions, other environmental sustainability issues, social aspects, and governance.

Despite the worldwide enthusiasm and commitment to sustainability reporting, stakeholders have raised concerns regarding the reliability and transparency of the sustainability reports submitted by companies. According to the Global Investor Survey conducted by [7], 94% of investors believe that companies' sustainability performance reports often include unsubstantiated claims. Such claims are indicative of greenwashing, a practice where companies misrepresent their sustainability efforts or downplay their negative environmental impacts [8].

Alongside concerns about greenwashing, stakeholders have become increasingly worried about the reliability of sustainability reports due to the multitude of standards and frameworks that guide the preparation of these reports, each serving different purposes. This fragmentation of standards, chosen differently by companies, results in less comparable sustainability reports [9]. Below is an overview of the standards and frameworks utilized by companies globally, as well as specifically in Indonesia, for preparing sustainability reports:

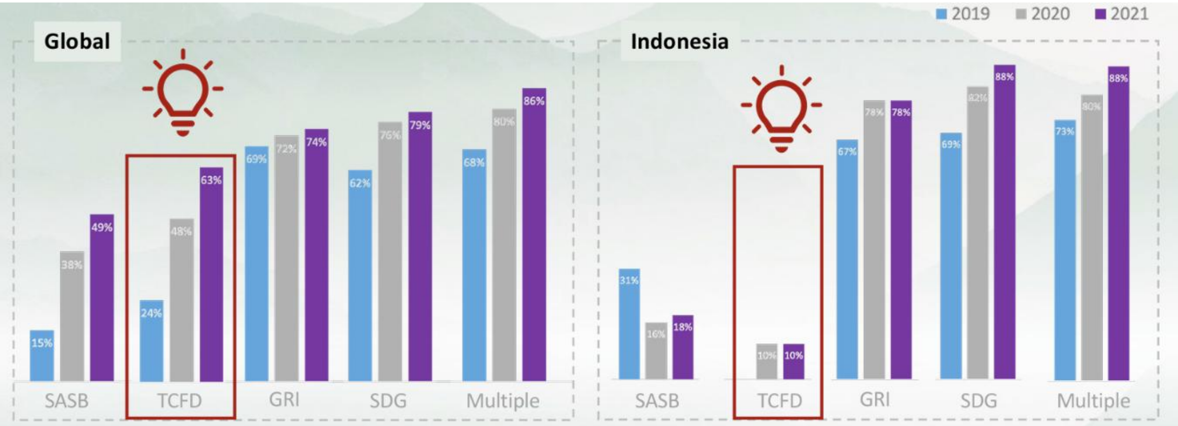

Figure 1. Landscape of Standards and Framework Usage
Source: [9]

With a variety of conditions, risks, and challenges, to the sustainable report submitted by the Company, stakeholders need assurances related to the reliability of the information presented in the sustainable report, among others: assurance of the relevance of the report, comparability, faithful representation, consistency, and timely presentation. These things are needed so that stakeholders or report users can make the right decisions.

The provision of assurance services on sustainable reports is intended to increase the credibility and integrity of the report and to increase stakeholder confidence in making decisions. The decision to perform assurance is not a costless consideration, especially with the voluntary nature of assurance. This causes several determinants that may be the driving force to use assurance on sustainability reports [10].

One of the external auditors who can provide assurance services is the Public Accountant through the Public Accounting Firm. A Public Accountant is a professional who has met the requirements and recognition to provide assurance and non-assurance services to the public, stakeholders, and the Company.

2. RESEARCH METHODS

This research employs a descriptive analysis literature review method, gathering published global survey reports and prior research from international journals between 2020 and 2024. The selected reports are chosen based on their relevance, scope, and the quality of their data and information sources. This approach seeks to offer an overview and analysis of global trends in sustainability reporting, along with examining the role of public accountants and external auditors in providing assurance services. These services are essential for enhancing the credibility and integrity of sustainability reports issued by companies worldwide.

3. DISCUSSION

3.1 Global Sustainability Reporting Landscape

Sustainability reporting is the process through which a company assesses, discloses, and publishes information regarding its performance in environmental, social, and governance (ESG) areas [11]. This reporting helps companies manage ESG-related risks and opportunities more responsibly. Additionally, sustainability reporting allows companies to improve their public image and reputation while reducing legal or operational risks [12].

A sustainability report serves as a tool for a company to demonstrate its accountability for the social and environmental effects of its business operations, as well as its long-term sustainability strategy. Sustainability reporting aims to raise awareness and foster stakeholder engagement in generating shared value for both the company and the environment [13].

The following overview of sustainability reporting for the period from 2019 to 2022 is derived from a survey report assessing the percentage of companies reporting and providing assurance services for sustainability information. This survey, conducted by [6], [14], included 1,400 listed companies from 22 jurisdictions, such as Australia, Indonesia, Brazil, Germany, China, France, Japan, South Africa, Mexico, Italy, South Korea, Turkey, Argentina, United States, Russia, Saudi Arabia, Singapore, Hong Kong, United Kingdom, Spain and India.

Table 1. Percentage of Sustainability Reporting per each aspect

No	Type of Sustainability Reporting Aspect/Topic	2019	2020	2021	2022
1	Greenhouse Gas Topic	92%	92%	97%	98%
2	Other Environment Topics	98%	98%	99%	99%
3	Social Topics	96%	96%	100%	100%
4	Governance Topic	95%	95%	100%	99%
5	All Topics	89%	89%	96%	97%

According to the data in the table above, IFAC indicates that companies disclose and report sustainability information in four distinct categories: greenhouse gases, as well as other environmental, social, and governance aspects. There is a significant increase in reporting across all aspects or topics of sustainability information in 2022 compared to previous years. In 2022 there is also a significant increase by companies that present and report on all topics of sustainability to reach 97%. Despite the increase in all aspects, companies tend to focus more on disclosing sustainability information related to greenhouse gas emissions. This can be seen from the percentage of companies that obtained assurances for the aspect/topic of greenhouse gas emissions which is higher than other aspects, reaching 98% in 2022. Many companies are increasingly incorporating sustainability information into their annual financial reports and integrated reports. However, in countries such as the United States, Canada, China, and South Korea, more than 70% of companies continue to use stand-alone sustainability reports. This highlights differing trends in how companies present information concerning environmental, social, and governance (ESG) topics.

From the survey report [6], there was a notable increase in the adoption of two important frameworks for sustainability reporting between 2021 and 2022. The use of the Sustainability Accounting Standards Board (SASB) standards grew by 7%, indicating that more companies started following these guidelines for reporting on sustainability-related issues. Similarly, the Task Force on Climate-related Financial Disclosures (TCFD) framework saw an even larger increase in adoption, rising by 13%. This trend indicates that more companies are embracing international standards to address risks and opportunities associated with climate change and other sustainability issues. Furthermore, the use of Global Reporting Initiative (GRI) standards and references to Sustainable Development Goals (SDGs) remains high among companies reporting on ESG matters. The adoption of GRI standards rose from 74% in 2021 to 77% in 2022, while mentions of the SDGs increased from 79% to 83% during the same period. This demonstrates companies' strong commitment to achieving global sustainability goals and aligning their reporting with international standards.

Based on a survey report conducted by [15], on the N100 (or 100 largest companies by revenue in each country) and the G250 (or 250 largest companies in the world by Fortune 500 ranking), informs that 60% of the N100 companies have reported sustainability information in their annual reports. This percentage shows that the attention to sustainability reporting among large companies in these countries has not changed significantly since 2017. In addition, by 2022, 68% of G250 companies will have reported sustainability information in their annual reports, but compared to 2020 there is a decrease of 8%. This shows that there are challenges in sustainability reporting among large global companies. In its survey, KPMG found that there are many different standards and frameworks for sustainability reporting, such as GRI, SASB, and TCFD. This variability can confuse companies in choosing the right standard to follow. In addition, differences in the interpretation of standards can result in inconsistencies in the reports produced.

In 2024, the results of the Global CSRD Survey by [16]. This survey aims to examine how companies worldwide are gearing up to comply with the requirements set forth by the European Union's Corporate Sustainability Reporting Directive (CSRD). The survey involved 547 executives and senior professionals from more than 30 countries, with 60% of respondents coming from companies headquartered in the European Union, and more than half having annual revenues of more than 1 billion USD. The survey results show that about three-quarters of companies preparing to report on CSRD recognize that they are beginning to incorporate sustainability into their business decision-making. The survey results also confirm that while many companies face challenges in implementing CSRD, they are also beginning to realize the potential value that can be generated from integrating sustainability into business strategy. With more than a third of respondents expecting revenue growth and cost savings from CSRD implementation, it is clear that sustainability is not just a regulatory obligation, but also an opportunity for innovation and growth. Overall, the survey shows that top management engagement and investment in the right technologies and systems are key to achieving CSRD readiness and integrating sustainability into a company's business model.

From the results of its survey, PwC reported that in terms of the involvement of corporate functions in CSRD reporting, 59% of respondents reported that the tax function is currently involved in CSRD preparation, and 55% of the investor relations function is also involved. The survey results also showed that the involvement of the technology/IT function was recorded at 54%, and 39% of the operations function was also involved. However, only 39% of boards of directors indicated the potential for increased engagement at the upper management level. In terms of the use of technology, the survey results show that more than 90% of respondents rely on spreadsheets for sustainability reporting, which is much higher than the use of other technology tools.

In addition, a questionnaire conducted by PwC to correspondents regarding the extent of the benefits of CSRD implementation for their company shows that around 36% of respondents believe that CSRD implementation will provide significant benefits in improving their company's environmental performance. A further 34% of respondents think that CSRD will help them improve engagement with stakeholders, both internal and external. Furthermore, 32% of respondents see the implementation of CSRD as an important step in reducing the risks faced by the company, both in terms of reputation and operations. Furthermore, 31% of respondents believe that CSRD will contribute to improved corporate governance. Furthermore, 29% of respondents feel that by reporting sustainability transparently, their company will gain a competitive advantage in the market. 26% of respondents expect that the implementation of CSRD will facilitate access to capital and lower the cost of capital. Furthermore, 25% of respondents believe that the implementation of CSRD can contribute to the company's revenue growth. Then 18% of respondents see potential cost savings as a benefit of CSRD implementation. And 16% of respondents think that CSRD will help companies improve their social performance.

In Indonesia, based on research published [17], From a sample of 50 Public Companies (issuers) that have the largest market capitalization on the Indonesia Stock Exchange (IDX) as of 31 March 2022, 33 issuers have submitted sustainability reporting using a variety of standard references and reporting frameworks, namely: using Financial Services Authority Regulation (POJK) 51 by 6%, using a combination of POJK 51 and GRI Standards by 64%, and using multiple frameworks or using more than two standards or reporting frameworks such as SUSBA, SASB, UNGC, SDGs by 30%.

3.2 *Landscape and Role of Public Accountants (as external auditors) in Providing Assurance:*

The International Standard on Assurance Engagements ISAE 3000 defines assurance as an independent evaluation process aimed at boosting stakeholders' trust in the information provided by an organization. [18].

In his book [19] Assurance is a procedure intended to provide a certain level of assurance (reasonable or limited) to report users, through the implementation of a series of testing procedures on information and data provided by the entity. Assurance applies not only to financial statements but also to non-financial statements, such as sustainability reports or compliance with ethical standards.

According to [20] The implementation of assurances in sustainability reports can give stakeholders more confidence in the accuracy and validity of the information presented in the sustainability report.

The following outlines the landscape of assurance services for sustainability information, based on data from [6], [14] involving 1,400 listed companies across 22 jurisdictions, including India, Russia, Mexico, Germany, France, Indonesia, Canada, South Korea, Argentina, Saudi Arabia, Australia, Japan, China, Brazil, Hong Kong, South Africa, Spain, Turkey, United States, Italy and United Kingdom, during the period from 2019 to 2022:

Table 2. Percentage of Sustainability Reports that have obtained Assurance

No	Type of Sustainability Reporting Aspect/Topic	2019	2020	2021	2022
1	Greenhouse Gas Topic	95%	95%	94%	98%
2	Other Environment Topics	78%	78%	82%	82%
3	Social Topics	68%	68%	74%	76%
4	Governance Topic	43%	43%	56%	61%
5	All Topics	43%	43%	53%	59%

Although there was an overall increase in the provision of assurance services, the increase was not evenly distributed across all aspects (topics) of sustainability reporting. The lowest percentage of assurance services provided is in the governance aspect and the all topics aspect. This indicates that stakeholders' attention to sustainability information is still concentrated on the greenhouse gas aspect, even though the disclosure of good governance aspects is the foundation for the Company's sustainability.

In addition, from the survey results [15] regarding the provision of assurance services on sustainability reports, it was found that the percentage of assurance services provided among the N100 companies has decreased. This decrease indicates that fewer companies are seeking independent verification for their sustainability reports compared to previous years. However, in 2022, there is an increase in the provision of assurance services among G250 companies, from 62% in 2020 to 63% in 2022. This increase is attributed to a significant trend in China, where the number of Chinese companies in the G250 has doubled from 15 in 2020 to 30 in 2022 in terms of assuring their sustainability reports. This demonstrates the growing recognition among Chinese companies of the importance of credible sustainability reporting. Japan, France, the UK, Thailand, and Taiwan are also showing significantly increased attention to the need for assurance services on sustainability reports. This suggests that companies in these countries are also increasingly recognizing the importance of obtaining assurances to enhance the credibility of their sustainability reports.

In addition, based on research [17] out of 33 issuers that have submitted sustainability reports, only 13 issuers have obtained assurance services from public accountants and other external parties. This shows that public companies (issuers) and stakeholders have not fully realized the importance of assurance in increasing the credibility of sustainability reports, several other factors cause a lack of attention to the provision of assurance services on sustainability reports in Indonesia, among others: (1) Cost considerations, where the process of obtaining assurance, especially from external parties such as public accountants, requires costs that may be considered high by the Company, (2) Regulatory limitations in Indonesia, where not all sectors or companies are required to obtain assurance services on their sustainability reports.

4. ANALYSIS AND RESULTS

4.1 Article Identity

Table 3. Sustainability Research Assurance

No	Researcher & Year	Research Title	Journal	Citation
1	Vander Bauwhede & Van Cauwenberge, 2022	Determinants and Value Relevance of Sustainability Reports that have been assured a Mandatory Reporting Context: Evidence from Europe.	Sustainability 2022, 14(15), 9795.	21
2	Miralles, Maria, Jose, Daza, & Julio, 2021	Verification of sustainability reports and their impact on stock market prices.	Cuadernos de Gestión. 2021;21(1):47-60.	33
3	Jeriji & Nasfi, 2023	The influence of Company Value on the impact of the obligation to assure Sustainability Reporting.	South African journal of accounting research. 2023 May 4;37(2):122-38.	11
4	Harymawan, Nasih, Salsabilla, & Putra, 2020	External Assurances on Sustainability Report Disclosure and Firm Value: Evidence from Indonesia and Malaysia	Entrepreneurship and Sustainability Issues. 2020;7(3):1500-12.	66
5	Aly & Badawy, 2024	Provision of assurance by External Auditors on Sustainability Reporting of Listed Companies in the Context of Egypt Vision 2030	التجارة والتمويل 44, no. 2 (2024): 263-277.	0
6	Simoni, Bini, & Bellucci, 2020	The impact of social, environmental and institutional factors on the provision of assurance services in sustainability reports: evidence from European countries	Meditari Accountancy Research. 2020 Nov 18;28(6):1059-87.	143
7	Reverte, 2021	Do investors value sustainability reports that have been voluntarily assured by the company? Using Spanish Stock Market data.	Sustainable Development. 2021 Sep;29(5):793-809.	33
8	Thompson, Ashimwe, Buertery, & Kim, 2022	Value relevance of sustainability reporting: do assurers and types of assurance matter?	Sustainability Accounting, Management and Policy Journal. 2022 May 25;13(4):858-77.	47
9	Harindahyani & Agustia, 2023	The role of assurance service providers in improving the quality of Independent assurance statements (opinions) on Sustainability Reporting	Accounting Research Journal. 2023 Feb 2;36(1):37-54.	8

4.2 Analysis Result

In their research, [21] found that the assurance of sustainability reports is especially important in the European Union following the Non-Financial Reporting Directive (NFRD). A study indicates that factors like company size, ESG performance, and industry type significantly influence the demand for assurance on these reports. Furthermore, the analysis reveals that offering assurance services can enhance a company's market value, as investors view assurance as a strong signal of commitment to sustainability. The study emphasizes that assurance services are not merely a formality but also act as a strategic tool to build trust and enhance a company's reputation among stakeholders. Consequently, assuring sustainability reports can be viewed as a worthwhile investment, especially in a competitive market that increasingly prioritizes sustainability.

In their research, [22] identify that companies that engage in independent verification by providing assurance services for their sustainability reports can enhance the credibility of the information they present and receive positive recognition in the stock market. This research shows that investors increasingly value transparency and accountability, potentially influencing their investment decisions. Companies that demonstrate a real commitment to sustainability through the verification process can gain a competitive advantage in the market.

While, his research, [23] examines whether the obligation to assure regulatory sustainability reports can affect investors' perceptions of company performance in line with the increasing attention to social responsibility and sustainability. The results of this study reveal a positive relationship between mandatory assurance on sustainability reporting and firm value, as measured using Tobin's Q indicator. This study shows that companies that fulfill their sustainability reporting assurance obligations tend to have higher values in the eyes of investors, signaling market confidence in transparency and commitment to stakeholder interests. The findings of this study offer important insights for investors, companies, and policymakers. Investors may view companies with good sustainability practices as promising investment options. From a policy standpoint, the findings suggest the need for stricter regulations regarding sustainability reporting.

From his research, [24] found a significant positive relationship between the provision of external assurance for sustainability reports and firm value, as measured by Tobin's Q. The study also revealed that a greater number of companies in Indonesia have sustainability reports that have received assurance services compared to those in Malaysia. This research hypothesis also states that the higher the sustainability disclosures that have obtained assurances, the more likely a company has a higher firm value. By releasing a sustainability report that has obtained assurances, the company will be more confident and confident in obtaining a positive view of the information submitted to investors or stakeholders. In addition, at the same time, there is a significant impact on the company in terms of creating a positive corporate image, as well as increasing the company's prestige so that it has the potential to increase sales and increase attractiveness for customers, creditors, and regulators.

His research, [25] concluded that assuring sustainability reports tends to reduce the level of information asymmetry between companies and stakeholders, as well as increase the level of user confidence and the perception of credibility of the report information content which in turn will be reflected in lower capital costs and better investment decisions.

From research, [26] concluded that that regularly produce sustainability reports tend to seek assurance services from external auditors more often. This trend indicates that companies are increasingly seeking independent verification for their sustainability reports to boost their credibility. The findings of the study suggest that a key reason for this desire for external assurance is to build positive relationships with stakeholders, such as investors, customers, and the community. Additionally, by obtaining verification, companies aim to strengthen their legitimacy and trustworthiness in the eyes of these stakeholders. Overall, this practice underscores a commitment to transparency and accountability in sustainability efforts.

His research, [27] concluded that Investors place higher value on sustainability reports that have been externally assuranced, especially if the assurances are of better quality and scope. This suggests that investors are concerned about transparency and accountability in sustainability information, which strengthens the argument for the importance of regulations that require assurances to ensure the information is reliable. This research suggests that there are important implications for companies to consider voluntarily implementing assurances, as this can have a positive impact on firm value in the eyes of investors.

Research conducted on companies listed on the Johannesburg Stock Exchange (JSE) in South Africa by [28] identified a significant positive correlation between sustainability reporting and firm value. The study also demonstrated that the provision of assurance services for sustainability reports significantly impacts firm value. However, the findings indicated that the market does not differentiate between assurance services offered by Big Four Public Accounting Firms and those provided by specialist consultants. This suggests that the crucial factor is the availability of assurance services, rather than the provider. Additionally, the research offers valuable insights for managers and stakeholders in emerging markets like South Africa, showing that sustainability reporting with assurance can enhance market confidence and firm value.

In addition to the positive impact of providing assurance services on sustainability reports by independent external parties on the Company's value creation, the selection of the type of provider or party performing assurance also affects the outcome of the statement (opinion) on the credibility and integrity of the sustainability report. Based on the results of research conducted by [29], shows that public accountant assurance providers improve the quality of independent assurance statements (opinions) in terms of compliance with elements by standards and frameworks compared to non-public accountant assurance providers. While non-public accountant assurance providers are more responsive to environmental risk information needs. Environmental risk is proven to weaken the positive effect of accounting providers on opinion quality. This suggests that in the context of sustainability reporting, both compliance with formal standards and the relevance of environmental risks need to be considered to produce quality assurance statements.

5. CONCLUSION

Based on the survey IFAC (2024), there has been a significant global rise in sustainability reporting, with the percentage reaching 97%. This trend reflects an increasing awareness among companies of the importance of sustainability reporting, which not only supports environmental conservation but also boosts value creation for stakeholders and investors.

Furthermore, analysis from surveys and past studies indicates that the inclusion of assurance services in sustainability reports is positively linked to the market value of a company’s shares, thereby enhancing corporate value. Investors view these assurances as a strong indication of a company’s commitment to sustainable practices, which helps to build trust and reputation with stakeholders.

In summary, this study concludes that the assurances provided by public accountants or external auditors for sustainability reports are not merely a formality; they act as a strategic tool for increasing corporate value. Additionally, these assurances enhance the credibility and integrity of sustainability reports, thereby fostering greater trust among stakeholders. These insights lay the groundwork for future research into the connections between sustainability reporting, the implementation of assurance services, and corporate financial performance.

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