Sustainability assurance landscape after the CSRD: scenario analysis and evolutionary pathways in Europe

Agnese Sabbatucci, Michele Guidi and Marco Giuliani
Department of Management, Università Politecnica delle Marche, Ancona, Italy

Received 14 December 2024
Revised 20 May 2025
20 July 2025
15 October 2025
26 November 2025
24 December 2025
Accepted 12 January 2026

Abstract

Purpose – This study aims to examine how the evolving European Union (EU) sustainability regulatory landscape, shaped by the Corporate Sustainability Reporting Directive (CSRD) and recent developments such as the Stop the Clock Directive and the Omnibus I Package, and embodying differing political, economic and institutional interpretations of sustainability, may influence the future configuration of the sustainability assurance market for both mandatory and voluntary adopters.

Design/methodology/approach – The paper adopts a scenario analysis approach, supported by an inductive content analysis of legislative texts related to CSRD transposition and the Omnibus I Package. Key variables, including the scope of authorised providers, the role of incumbent auditors, professional qualifications and training requirements, guide the construction of alternative scenarios.

Findings – For mandatory adopters, the analysis outlines three possible trajectories for the sustainability assurance market: (1) a monopoly of statutory auditors, (2) competitive coexistence between statutory auditors and independent assurance service providers and (3) thematic specialisation between financial and sustainability auditors. For voluntary adopters, the analysis adds (4), a fragmented and largely optional assurance market shaped by the Omnibus I framework.

Practical implications – The scenarios identify actionable regulatory levers that policymakers and oversight bodies can use to mitigate fragmentation risks and safeguard assurance quality under both mandatory and voluntary regimes.

Social implications – By clarifying how regulatory recalibration may affect sustainability assurance practices, the study informs stakeholders who rely on sustainability reports for accountability and decision-making.

Originality/value – This study presents a novel approach by employing scenario analysis to link the diversity of CSRD implementation with potential assurance market outcomes. By connecting expected divergence in CSRD transposition to broad political and sustainability dynamics within the EU, the study demonstrates how competing policy directions and differing emphases on the economic, social and environmental pillars shape the emerging assurance market.

Keywords Sustainability reporting, Sustainability assurance, European Union (EU), Corporate sustainability reporting directive (CSRD), European sustainability reporting standard (ESRS), Omnibus package

Paper type Research paper

Sustainability Accounting, Management and Policy Journal
Vol. 17 No. 3, 2026
pp. 984-1011
Emerald Publishing Limited
2040-8021
DOI 10.1108/SAMPJ-12-2024-1393

1. Introduction

In recent years, the European Union (EU) has been identified as a global leader in sustainability, starting with the Green Deal in 2019 (De Bruycker and Colli, 2023). The impetus behind this programme was then supported by the Corporate Sustainability Reporting Directive (CSRD), which defined guidelines for sustainability reporting in the European context (Baumüller, 2025) and related assurance practices (Krasodomska *et al.*, 2024). However, the momentum generated by the CSRD was soon challenged by a shifting political and regulatory landscape with the introduction of the "Stop the Clock" Directive and the Omnibus I Package (Bertram, 2025). These initiatives have led to the postponement or simplification of certain sustainability reporting requirements, with the tools being presented as a means of improving competitiveness (Deloitte, 2025). Nevertheless, this situation reveals a tendency to postpone the imposition of stricter environmental obligations or to weaken existing sustainability provisions (Carungu *et al.*, 2025). These conflicting approaches reflect the complex interaction between environmental imperatives, economic realities and political considerations within the European governance landscape (Stockmann, 2024).

This paper aims to understand how the evolving regulatory EU environment, shaped by the CSRD and the planned simplification measures introduced through the Omnibus I Package, will influence the dynamics of the sustainability assurance market and to assess the implications of these developments for both mandatory and voluntary adopters. The CSRD reinforces this evolving diversification of the assurance field by granting Member States discretion over which categories of professionals may be authorised to provide sustainability assurance. Although the market has long been dominated by audit firms, whose influence has gradually expanded (Huggins *et al.*, 2011), the regulatory flexibility introduced by the CSRD opens the door for a wider range of providers to enter the sector and potentially redefine its future configuration. However, ensuring sustainability requires accountants to go beyond their traditional financial expertise, a change that has generated some reluctance within the profession to engage deeply with sustainability-related skills (Krasodomska *et al.*, 2024). This hesitation creates space for alternative providers, such as environmental consultants and specialised assurance bodies, including independent assurance service providers (IASPs) and conformity assessment bodies (CABs), which are gaining visibility in the market and contributing to its ongoing diversification (Huggins *et al.*, 2011).

Recent legislative and policy changes highlight how regulation related to sustainable development is interpreted and implemented across EU institutions and national jurisdictions. This study examines how regulatory choices, which embody competing interpretations of sustainability oscillating between strong, transformative approaches and weaker, more pragmatic orientations centred on economic competitiveness, shape sustainability assurance practices. The increasing salience of the economic pillar in policy debates – often framed as a need to reduce regulatory burdens and preserve competitiveness – raises important questions about whether environmental and social objectives retain an equivalent status in the European sustainability architecture. Such dynamics are further shaped by political contestation: Sustainability has become a central discursive resource for European political parties, alternately mobilised to advocate ambitious ecological transition or to justify deregulatory pressures. These tensions are critical for understanding current trajectories in sustainability assurance, as they influence how Member States interpret their regulatory discretion, how institutional priorities are negotiated, and how crises reshape the balance among accountability, market functioning and long-term sustainability commitments.

This study employs scenario analysis to investigate how different national choices for implementing the CSRD may influence the evolution of the sustainability assurance market, affecting both mandatory and voluntary adopters and the professionals operating within it. Given the current evolving regulatory environment, this method is particularly appropriate, as it allows for a structured exploration of plausible future configurations without assuming fixed or definitive outcomes (Kosow and Gaßner, 2008).

The study identifies several plausible trajectories for the sustainability assurance market. For mandatory adopters, three scenarios emerge: a monopoly in which statutory auditors retain exclusive control; a competitive market in which statutory auditors and IASPs operate side by side; and a thematic specialisation between professional categories, with statutory auditors focusing on financial assurance and IASPs specialising in sustainability assurance. A separate scenario concerns voluntary adopters, modelled on the potential impact of the Omnibus I Package. By substantially reducing the scope of mandatory reporting, the Omnibus could lead to a fragmented and largely voluntary assurance market, in which companies may forego sustainability assurance altogether, relying on their statutory auditor or on an IASP depending on national regulations. This would mirror pre-CSRD conditions, with the risk of weakening incentives for professional training and producing fragmented assurance practices across Europe.

It should be noted that the changing regulatory environment may influence the interpretation of certain conclusions, which further highlights the importance of considering several plausible scenarios.

The originality of this study lies in its ability to connect these shifting political and institutional interpretations of sustainability with the concrete regulatory configurations emerging from the transposition of the CSRD across Europe. While existing research has examined the role of different assurance providers or the technical implications of sustainability assurance, limited attention has been devoted to understanding how political narratives, regulatory discretion and evolving conceptions of sustainability interact to shape the future architecture of the assurance market. By integrating scenario analysis with a comparative assessment of national transpositions, the study provides an innovative perspective on how diverging understandings of sustainability – particularly the emphasis placed on economic, social or environmental priorities – translate into distinct institutional pathways. In doing so, it demonstrates how the assurance landscape becomes a strategic site in which broader political and sustainability debates are negotiated, thereby offering fresh insights into the intersections between sustainability governance, professional regulation and the evolving role of assurance within the European Union.

The paper is structured as follows: Section 2 reviews the literature on EU sustainability policies, sustainability assurance and the different assurance providers. Section 3 analyses the emerging profession of sustainability auditors and the sustainability regulatory framework that is reshaping the scope, competencies and practice of assurance. Section 4 outlines the methodology employed in the study, while Section 5 describes the findings regarding different transposition choices made by individual European countries and the various scenarios developed. Section 6 offers a discussion of these scenarios, and, finally, Section 7 presents concluding remarks and contributions.

2. Literature review

2.1 Sustainability policies in the European Union

At present, no shared definition of sustainability has been established, and the concept remains both complex and contested (Ramos *et al.*, 2020). European sustainability policies often arise from negotiated compromises that reflect the persistent tension between environmental ambition and economic competitiveness. As a consequence, these policies are neither as ambitious as many civil society organisations would like nor as cost-efficient as some economic interest groups would prefer (De Bruycker and Colli, 2023). This compromise-led model reflects a broad structural tension that characterises the development of European sustainability governance, in which environmental objectives are continually balanced against economic pressures and shaped by lobbying dynamics, making the interaction between sustainability regulation and economic competitiveness a persistent challenge for policymakers (Errichiello *et al.*, 2025). Despite the formal recognition of the three pillars of sustainability – environmental, social and economic – the economic dimension continues to prevail in practice (Fernandez Martin, 2025).

Once a compromise has been reached and policies have been defined at the European level, Member States retain considerable discretion in their national transposition, often producing divergent outcomes despite formal compliance with EU law (Thomann and Zhelyazkova, 2019). This variability reflects national strategies for adapting EU policies to local contexts, highlighting the flexibility of European countries in balancing compliance with directives and national priorities. This adaptation represents a compromise for national authorities, enabling them to minimise infringement costs while adopting strategies best suited to their local contexts (Steunenberg, 2007). Research highlights that the ambiguity inherent in many EU policies frequently contributes to these divergent national outcomes (Falkner *et al.*, 2005) as Member States balance compliance with national priorities (Thomann and Zhelyazkova, 2019).

Importantly, compliance is not necessarily based on active enforcement, as the correct transposition of directives may make enforcement unnecessary when regulated entities ensure full compliance themselves (Versluis, 2007). Nevertheless, national authorities remain incentivised to ensure adherence to EU regulations, navigating the tension between strict compliance and localised adaptations (Steunenberg, 2007). Thus, European countries strive to simultaneously meet the requirements of EU legislation and tailor policies to address their unique national contexts. This balancing act reflects the complex interplay between EU-level directives and domestic implementation strategies (Steunenberg, 2007).

2.2 Market dynamics of sustainability assurance

As the number of companies disclosing sustainability information has increased, so, too, has stakeholder demand for the independent verification of such information (Farooq and De Villiers, 2019). The need for verified certifications that adhere to every possible standard in a still-underregulated sector (Perego and Kolk, 2012) reflects an effort to bolster the reliability of sustainability reports. Gerwing *et al.* (2022) highlight that assurance can confer legitimacy on such reports, particularly when conducted by an external provider, serving as a mechanism to mitigate informational asymmetries that may arise between the reporting entity and the report's audience. The emerging assurance market nevertheless remains fragmented, particularly regarding the selection of providers competing within it (Deegan *et al.*, 2006). A key dimension of this fragmentation concerns the choice between accounting and non-accounting assurers (Martínez-Ferrero *et al.*, 2018). Accounting assurers refer to a homogeneous group of providers led by the Big 4 accounting firms, while non-accounting assurers include a broader group of providers ranging from small sustainability consultants to large engineering firms (Farooq *et al.*, 2024). Although the Big 4 currently seem to dominate the market for sustainability assurance engagements – much like in financial statements audits (Bakarich *et al.*, 2023) – existing literature indicates that they are still infrequently involved in broader sustainability initiatives and are not typically engaged in sustainable accounting practices (Krasodomska *et al.*, 2024). Given the emerging nature of the field, the question of who is best suited to provide this service remains significant, as opinions differ on which type of provider delivers higher-quality assurance (Bakarich *et al.*, 2023). For instance, Bollas-Araya *et al.* (2019) and Zorio *et al.* (2013) state that auditors tend to provide higher quality assurance reports than non-accounting auditors. In contrast, Perego (2009) argues that an assurance report issued by one of the Big 4 firms has lower-quality recommendations and opinions than a report issued by non-accounting auditors.

Competence and objectivity are generally considered the most critical factors in choosing an assurance provider, while the service cost is regarded as the least significant criterion (Knechel *et al.*, 2006). Consequently, accounting service providers are more likely to be chosen when integrity and reputation are paramount to the client. At the same time, they are less likely to be selected when considerations such as cost and independence are rated as less critical (Knechel *et al.*, 2006).

Independence is crucial, particularly when deciding whether to appoint the incumbent financial statement auditor to assure the sustainability report. Lu *et al.* (2024) highlight that concerns regarding independence deter companies from selecting the same auditor, and further evidence raises questions about whether such independence might be compromised due to an established and prolonged contractual relationship with the company (Ruiz-Barbadillo and Martínez-Ferrero, 2023). By contrast, factors that may encourage the selection of the incumbent auditor include assurance expertise and the potential for significant integration between financial and sustainability reports, all while incurring lower costs (Lu *et al.*, 2024). Indeed, relying on an already-appointed auditor could result in economic benefits due to the combined offering of services (Huggins *et al.*, 2011).

This preference for a different assurance provider often correlates with the provider's level of specialisation in the relevant sector (Ruiz-Barbadillo and Martínez-Ferrero, 2022). Expertise and knowledge are pivotal in this decision, particularly when comparing accounting and non-accounting providers (Martínez-Ferrero *et al.*, 2018). While accounting firms are widely recognised for their deep expertise in assurance methodologies and their strong familiarity with corporate business operations, consulting firms are considered to be more proficient in the specific subject matter of assurance engagement (Jones and Solomon, 2010). It is believed that accounting assurers offer extensive experience in assurance processes and the market, especially when they also operate as accounting firms (Martínez-Ferrero and García-Sánchez, 2018; Martínez-Ferrero *et al.*, 2018), while non-accounting assurers bring the specialised knowledge and skills necessary to effectively handle sustainability assurance engagements (Huggins *et al.*, 2011).

Moreover, assurance providers with an accounting background tend to enhance the quality of assurance reports by ensuring significant conformity with the prescribed reporting elements. In contrast, providers from non-accounting backgrounds are generally more adept at incorporating the environmental risk information required by end users (Harindahyani and Agustia, 2023). As recognised in the literature, sustainability assurance requires both methodological rigour and subject-matter expertise, meaning that no single group of providers can possess all of the necessary competencies and that different providers, therefore, contribute complementary strengths to the assurance process (O'Dwyer and Owen, 2005).

3. The regulatory framework under the Corporate Sustainability Reporting Directive

With the introduction of the CSRD into the European regulatory framework, a debate arose on which provider is best suited to produce the assurance on sustainability reporting. The EU has granted Member States flexibility in authorising different professionals for this responsibility, including statutory auditors and alternative entities such as IASPs and CABs.

This development potentially challenges the traditional domain of accounting service providers, necessitating new dynamics and balances between various professional groups. The emergence of new professional categories and the evolution of control dynamics have been discussed extensively in the academic literature, most notably in Abbott's influential 1988 study. Abbott analysed the development, interaction and competition of professions between interconnected professional jurisdictions, shifting the focus from individual jobs to their interactions within shared systems. Abbott defines a legal arena as one characterised by regulatory frameworks, licencing requirements and professional standards that institutionalise control within specific jurisdictions. In some cases, professions retain full autonomy over their areas of activity; in others, their authority may be subordinated to external regulatory bodies or government groups (Abbott, 2014). A pertinent example is the lobbying process to secure legislation requiring certification, effectively restricting entry and strengthening professional control over a particular field (Abbott, 2014).

As mentioned, while EU Member States retain some discretion in certain assurance factors – providers, incumbents, professional background and training pathways – the assurance process itself will be regulated by the forthcoming European Assurance Standards, which are currently under development. In a document dated 7 March 2024, the European Commission outlined its plans for limited assurance through 2026. Recognising the existing gap in assurance standards adopted at the European level, European countries are currently permitted to use their own national standards. However, to avoid fragmentation and ensure consistency in practices until a unified European Assurance Standard is adopted, the Commission has tasked the Committee of European Auditing Oversight Bodies (CEAOB, 2024) with drafting non-binding guidelines on limited assurance for sustainability reporting.

On 30 September 2024, the CEAOB issued its Guidelines on Limited Assurance for Sustainability Reporting, addressing the European Sustainability Reporting Standards (ESRS) and the CSRD. These guidelines provide non-binding, high-level recommendations intended to harmonise assurance practices across EU countries during the transitional period before the establishment of European-level standards by 2026. The guidelines define a type of limited assurance – focused primarily on formal aspects rather than in-depth content auditing – to achieve a level of reasonable assurance comparable to that applied in financial statement audits.

Simultaneously, the International Auditing and Assurance Standards Board published the International Standard on Sustainability Assurance (ISSA 5000) on 12 November 2024. This standard addresses the public interest need for a timely, comprehensive framework to support sustainability assurance. It is designed for adoption by practitioners who are involved in statutory audits of sustainability reports, in accordance with the requirements transposed by European countries. The ISSA 5000 adopts a neutral position concerning the evolving international regulatory environment and provides guidance for both limited and reasonable assurance engagements, with distinct criteria and application material for each.

Until European Assurance Standards are finalised and rendered mandatory, as with the ESRS, the ISSA 5000 and the CEAOB guidelines, they are expected to serve as interim benchmarks for sustainability assurance practices. This reflects a broad European trend towards developing shared standards, akin to the ESRS approach, which are issued by the European Financial Reporting Advisory Group. These standards are directly applicable within European countries' frameworks without requiring transposition and are governed at the European level by a designated body.

It is important to note that European sustainability regulations are undergoing further developments. The European Union, on 26 February 2025, presented the Omnibus I Package (European Commission, 2025a), a package of proposals to reduce the complexity of EU requirements for all companies as well as for small and medium-sized enterprises and small and mid-cap companies. The aim was to simplify EU rules, bolster competitiveness and free up additional investment capacity. The Omnibus I Package primarily targets two major sustainability directives: the CSRD and the Corporate Sustainability Due Diligence Directive. In its initial formulation, the European Commission suggested an increase in the CSRD thresholds, excluding companies with up to 1,000 employees and either net turnover exceeding €50m or total assets exceeding €25m. At this stage, the proposal still had to go through the entire legislative process. A first step towards simplifying sustainability regulations was taken on 14 April 2025, when the Council of the European Union adopted the "Stop the Clock" Directive (Directive EU, 2025 / 794) as part of the Omnibus I Package. This measure postponed the application of the CSRD requirements for large companies that have not yet started reporting as well as listed small and medium-sized enterprises, thus giving Member States and reporting entities more time to adapt to the upcoming regulatory framework. An important political development took place on 13 November 2025, when the European Parliament adopted its negotiating position on the Omnibus I Package (European Parliament, 2025). At this stage, Parliament proposed a substantial increase in the proposed thresholds for mandatory sustainability reporting: 1,750 employees and €450m in annual net turnover. This outcome reflected a particular political alignment within Parliament, during which a coalition rallied around the goal of significantly reducing the scope of the legislation and compliance burdens perceived by businesses. This alliance departed from previous parliamentary dynamics on sustainability legislation and highlighted the growing political relevance of competitiveness concerns and business lobbying in the EU legislative process. Following this parliamentary position, the legislative process moved on to the stage of negotiations among the European Parliament, the Council and the Commission. These talks resulted in a provisional political agreement on the Omnibus simplification package on 9 December 2025. The agreement, which was subsequently approved by the European Parliament on 16 December 2025, confirmed a further recalibration of the scope of the CSRD. While maintaining the general direction established by Parliament towards a narrower reporting perimeter, the final compromise lowered the employee threshold to 1,000, maintained the net turnover criterion of €450m, and retained the removal of the transition to reasonable assurance. Taken together, these developments illustrate the step-by-step political and institutional evolution of the Omnibus I Package and reveal how concerns about administrative burden and competitiveness have gradually reshaped the EU sustainability reporting framework.

4. Research design

4.1 Scenario analysis

To examine how the varying transposition choices of the CSRD across European countries may influence the sustainability assurance market – affecting client companies, assurance providers and training pathways – we conducted a scenario analysis to explore potential developments within the European sustainability assurance landscape.

A scenario analysis is a structured method for exploring potential future scenarios by identifying and describing possible outcomes alongside the pathways or factors that may lead to them (Kosow and Gaßner, 2008). As the primary aim of this approach is to outline a range of plausible developments rather than to provide definitive predictions (Kosow and Gaßner, 2008), its use seems particularly appropriate in a context marked by ongoing regulatory change. In this study, a scenario analysis offers a coherent basis for examining potential trajectories and their implications for sustainability assurance. The scenarios developed are drawn on available evidence, including national transposition choices and draft regulatory texts, which strengthens their methodological validity and supports the expectation that future developments are likely to fall within the range of outcomes considered.

In accordance with the framework outlined by Kosow and Gaßner (2008), we implemented the four essential phases of scenario analysis, specifically the following:

(1) *Identification of the scenario field*: The scope and purpose of the scenario are determined and clearly outlined. We identified our scenario to be the ways in which the different implementation choices of the CSRD by European countries may influence the sustainability assurance market for both client companies and assurance providers, with the aim of understanding the potential implications for entities that are subject to mandatory reporting. Then, we expanded our analysis to consider the consequences for voluntary adopters in an increasingly complex assurance landscape.

(2) *Identification of key factors*: The key factors influencing the scenario are identified. Specifically, we focused on authorised providers, incumbent status (yes/no), professional background requirements and access to the profession or training.

(3) *Analysis of key factors*: The potential future developments of each key factor are explored.

(4) *Scenario generation*: Scenarios are developed by combining key factors.

4.2 Data collection and analysis

We undertook a content analysis to gain a comprehensive understanding of the context and the circumstances surrounding the identified field. This qualitative methodology involves systematically examining texts and symbolic material, without necessarily adopting the author's or user's perspective (Krippendorff, 2004). The study uses an inductive approach to analyse the evidence, reflecting the insufficient and fragmented knowledge concerning the phenomenon under investigation (Elo and Kyngäs, 2008). This process unfolded in distinct, structured phases to ensure methodological rigour.

The preparation phase involved an in-depth examination of key legislative documents, specifically, the CSRD at the European level (Directive EU, 2022 / 2464, 2022) and its national implementations across EU countries. In addition, the text of the Omnibus I Package in its original form (European Commission, 2025b), its revised form (European Parliament, 2025), and the European Commission press release of 9 December 2025 on the Omnibus Agreement (European Commission, 2025a) were analysed and sourced from the official website of the European Commission [1] and the European Parliament [2]. The researchers first thoroughly read and analysed the text of the CSRD, which was developed and approved at the European level. The analysis then shifted to the texts of the individual national transpositions of this Directive. Given that not all European countries have transposed the Directive into their national legal systems, the approach adopted was to consider both those countries in which the transposition has already been completed and those in which the process is still ongoing. In the latter case, the researchers examined draft transpositions, and the texts of the completed transpositions were sourced from the official EU website [3]. For countries in which the text was not yet available on the Eur-Lex website, or only a draft version was accessible, the relevant documents were retrieved from the respective official websites [4]. The inclusion of transposition drafts is justified because three of the 30 countries considered had not yet produced any draft transposition at the time of writing. An exclusion of the five countries that have progressed to drafting, despite not yet having enacted such measures into law, would result in the omission of a substantial portion of European jurisdictions. This would risk undermining one of the key strengths of the study: offering a comprehensive, Europe-wide perspective rather than a series of country-specific assessments. Accordingly, these draft transpositions have been included in the analysis, with particular attention paid to ensuring methodological rigour in both the analysis and comparison of the documents. The identification of a set of key factors, outlined and explained below, is intended to provide uniform dimensions for comparison, thereby reducing the degree of discretion in the assessment.

These texts were purposefully selected as the units for qualitative analysis, and the researchers engaged in an immersive review process, reading the documents repeatedly to gain a comprehensive understanding of the context while identifying initial patterns and recurring themes. During the document review phase, the researchers concentrated on the choices made within individual national regulations concerning the approach to sustainability report assurance. Because the analysed regulations were written initially in multiple European languages, translation accuracy was ensured through a back-translation method (Maneesriwongul and Dixon, 2004). One researcher translated the texts into the target language, while another translated them back into the original language, both relying on translation software. Any discrepancies were resolved through comparison with the original text, ensuring accuracy and retaining essential nuances.

The organisation phase involved structuring the collected notes into coding sheets, and similar ideas were aggregated under overarching categories, simplifying the data and making it more amenable to systematic examination. This phase enabled identifying key categories and subcategories summarising the study's key findings, such as the different types of assurance providers, the role of incumbent auditors, and the professional expertise and training required for certification as a sustainability auditor. The identification of these key elements is, in the first instance, rooted in their prominence within the existing academic literature. This analysis is further enriched by examining specific elements which, due to their dual relevance in scholarly discourse and in the discretion afforded to Member States under current regulatory frameworks, have been designated critical factors that are capable of generating divergent implementation scenarios. Foremost among these is the extensively studied relationship between the assurance provider and the quality of the sustainability report (Perego, 2009; Martínez-Ferrero and García-Sánchez, 2018; Harindahyani and Agustia, 2023). In particular, the literature has thoroughly explored the distinction between accounting and non-accounting assurance providers (Farooq *et al.*, 2024). This distinction has been identified as the first key factor in the present research, as Member States were empowered to authorise both types of professionals as assurance providers. A second factor, also widely discussed in the literature and subject to national discretion, concerns the possibility of appointing the incumbent financial auditor as the sustainability assurance provider. The CSRD permits the assurance provider to be either the same entity as, or distinct from, the financial auditor. The role of the incumbent auditor is frequently analysed in relation to the independence required for such a position (Lu *et al.*, 2024) and the extent to which such a provider may enhance the credibility of the assurance statement (Harindahyani and Agustia, 2023). Consequently, the option to include or exclude the incumbent auditor in national transpositions has been recognised as the second critical factor. The two final key factors identified in this study are closely tied to the choice of assurance provider. The professional background of assurance providers is addressed extensively in the literature. Accounting and non-accounting providers bring distinct professional profiles to the role, often influencing their suitability depending on the nature of the sustainability report. On the one hand, accounting providers are typically more specialised in assurance processes

(Ruiz-Barbadillo and Martínez-Ferrero, 2022), and on the other hand, non-accounting providers often possess more profound expertise in subject-specific sustainability issues (Huggins *et al.*, 2011). Once again, the discretion granted to Member States to authorise professionals with either an accounting or non-accounting background constitutes a significant variable within the scenario analysis framework developed herein. Finally, the training pathway of the assurance provider has been identified as the final key factor. This aspect, too, has been the subject of extensive academic discussion, particularly regarding the requisite expertise and knowledge of those performing the assurance function (Martínez-Ferrero *et al.*, 2018). Member States had the autonomy to define a specific training route for sustainability assurance providers or to omit such a requirement altogether. As a result, the diversity of approaches adopted warrants a thorough comparative analysis.

The key factors identified remain applicable even in the scenario in which the Omnibus I Package is approved in this agreement form. While the package does not directly affect the key factors defined in the methodology – because these operate at the level of transposition choices – it could nonetheless have an indirect impact. By narrowing the scope of entities that are subject to reporting obligations and lowering the anticipated level of assurance, the measure may influence the assurance market more broadly.

We adopted the four criteria needed to ensure trustworthiness, specifically, credibility, transferability, dependability, and confirmability (Anney, 2014; Guba and Lincoln, 1982; Schwandt *et al.*, 2007; Ahmed, 2024). Credibility was established by employing triangulation (Patton, 1999); drawing on multiple data sources, such as the EU CSRD regulatory text; consulting different draft national transpositions; and reviewing final legislative texts. By incorporating diverse data points, the study strengthened the reliability of its findings. To enhance transferability, the researchers offered comprehensive accounts of the study's context, participants, and procedures, enabling readers to evaluate the relevance of the findings to different contexts (Ahmed, 2024). We ensured dependability by maintaining a thorough audit trail, documenting every phase of the research and analysis process, allowing other researchers to replicate the methodology (Guba and Lincoln, 1982). For confirmability, to ensure alignment between interpretations and the data while minimising bias, the research process was critically evaluated through peer debriefing sessions between colleagues (Guba and Lincoln, 1982).

Table 1 displays the identification of the key factors considered for the scenario analysis.

5. Findings

5.1 Transposition choices

An analysis of the various national laws of European countries concerning the CSRD reveals significant differences, both in the approaches adopted and in the decisions made regarding the key factors identified. The transposition process of the CSRD demonstrates notable variations across European countries. The majority have adopted a participatory approach, subjecting the draft legislation to public consultation, with some, such as Ireland and Cyprus, undertaking a double round of consultation. In contrast, other nations, including France and Romania, have directly transposed the Directive into their domestic legal systems without engaging in public consultation.

Table 2 displays the current state of the CSRD transposition process among the European countries as of November 2025.

Based on the key factors outlined in Section 4 (provider, incumbent, professional background and training pathway), these elements were combined for each European country to construct the different scenarios that represent the main findings of this study. Statutory auditors remain the predominant authorised providers of sustainability assurance in

Table 1. Identification of the key factors

Key factors	Literature	Member state autonomy
Sustainability assurance provider	The literature has extensively examined the relationship between the type of assurance provider and the quality of sustainability reporting, with particular emphasis on the distinction between accounting and non-accounting providers (Perego, 2009; Martínez-Ferrero and García-Sánchez, 2018; Harindahyani and Agustia, 2023; Farooq *et al.*, 2024)	Option to choose the provider (auditor, IASPs, CABs)
Incumbent	The incumbent auditor's role has been critically examined in terms of independence and its potential to enhance assurance credibility, making their inclusion in national transpositions a key consideration (Lu *et al.*, 2024; Harindahyani and Agustia, 2023)	Option of allowing the incumbent auditor or not
Professional background	The literature highlights the distinct professional profiles of accounting and non-accounting assurance providers, with the former specialised in assurance processes and the latter in sustainability-related expertise (Huggins *et al.*, 2011; Ruiz-Barbadillo and Martínez-Ferrero, 2022)	Option to authorise providers with accountant/non-accountant backgrounds
Training pathway	The training pathway of assurance providers has been widely discussed in the literature, with particular emphasis on the expertise and knowledge required to perform the assurance function effectively (Martínez-Ferrero *et al.*, 2018)	Option of establishing a specific training pathway to become a sustainability assurance provider

Source(s): Authors' own work

Table 2. Transposition process

European countries	CSRD transposition process
Malta, Portugal, Iceland	No transposition of the CSRD to date
Austria, Bulgaria, Croatia, czechia, Denmark, Estonia, Finland, Germany, Greece, Hungary, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Netherlands, Norway, Poland, Slovakia, Slovenia, Spain, Sweden	Consultation
Cyprus, Ireland	Double round of consultation
France, Romania, Belgium	No consultation

Source(s): Authors' elaboration based on EU and Member State legislative and regulatory documents

Europe. They reflect the traditional perceived alignment between financial and sustainability reporting practices and leverage their established expertise, ensuring consistency and rigour in the assurance process. However, recognising the multidisciplinary nature of sustainability reporting, some countries – for example, Denmark, France, Germany (in draft) and Spain (in draft) – have authorised IASPs alongside auditors, recognising the need for specific environmental, social and governance (ESG) expertise. In contrast, Greece adopted a hybrid approach in its transposition, authorising only auditors for a first period and then including

IASPs as permitted entities as of 2027. By including IASPs, the assurance process could benefit from sector-specific knowledge, making it more comprehensive and aligned to the different needs of sustainability reporting. Romania has adopted a distinct approach by potentially recognising accredited CABs alongside auditors as eligible sustainability assurance providers. These entities, which are known for certifying compliance across various industries, could bring technical and sector-specific expertise to the assurance process, marking a shift from the traditional reliance on statutory auditors. The different choices European countries make regarding which providers are authorised to provide the sustainability assurance service highlight the various interpretations of the assurance requirements defined by the CSRD. The inclusion of alternative providers such as IASPs and CABs signals a potential shift in the sustainability assurance landscape, in which traditional financial auditing paradigms could be integrated or redefined to better fit the multidisciplinary nature of sustainability reporting.

The additional decision of whether to allow incumbent auditors to undertake this role is closely linked to the choice of entities that are authorised to act as sustainability assurance providers. This has been identified as another key factor shaping the assurance market dynamics. Many European countries have opted to allow this practice, reflecting the traditional alignment between auditing financial statements and sustainability reports. In practice, incumbent auditors are often preferred due to their well-established knowledge of the company, their deep familiarity with corporate reporting systems, and their ability to apply standardised methodologies to financial and non-financial disclosures, ensuring reliability and consistency. In countries in which incumbents are allowed and where the assurance market remains tied to statutory auditors, their dominant position is likely to be strengthened. While this approach may offer efficiency and build on the established trust in auditors, it may limit the integration of specialist knowledge from non-financial areas that is becoming increasingly important for sustainability assurance. By contrast, to date, only Denmark has chosen not to allow incumbents while simultaneously opening the assurance market to IASPs, who possess niche expertise in sustainability topics. Such an approach could encourage competition, foster innovation and promote a diverse assurance landscape that potentially is better aligned with the multidisciplinary requirements of sustainability reporting. Legislation allowing incumbent auditors might initially benefit from an easier transition to sustainability assurance due to existing, well-defined methodologies. However, incumbent auditors might face some difficulties in supplementing their competencies with specific, multidisciplinary standards required for sustainability assurance. Conversely, countries that have limited the role of incumbent auditors face an open and competitive market but may initially encounter difficulties in establishing and consolidating their role within the market.

Given their close interconnection, the researchers addressed the two final key factors – professional background and training pathways. In this field, diverse approaches are evident across European countries. Nevertheless, a common trend emerges: The majority of assurance providers are typically required to possess an accounting background. While accounting qualifications form the foundational requirement for most countries, some have opted to broaden the pool of eligible professionals by including those with non-accountant backgrounds, such as IASPs and CABs. Simultaneously, the presence or absence of structured training pathways to qualify as a sustainability auditor significantly influences the level of formal preparation, ranging from clearly defined processes involving internships and certification exams to more flexible systems with less-defined requirements.

Regarding professional background, many countries mandate that sustainability assurance providers possess an accounting background. This reflects an approach in which professional expertise in accounting or auditing is considered an essential foundation for conducting sustainability assurance engagements. However, some countries have adopted a more inclusive approach, allowing individuals without an accounting background to qualify as assurance providers. This decision reflects an understanding of the increasing complexity of sustainability reporting, which frequently requires expertise beyond the scope of traditional financial domains. By opening the market to professionals with diverse backgrounds, these countries seek to align with the multidisciplinary demands of sustainability assurance, allowing providers to better address a wider spectrum of reporting requirements.

These required competencies are closely tied to the training pathways established for qualifying as sustainability assurance providers. In countries with formalised processes, candidates are typically required to complete an internship of varying duration, depending on the country, with an authorised sustainability assurance provider. Upon completing the internship, candidates must pass a certification or licencing exam to demonstrate that they have acquired the necessary skills to fulfil their role. In contrast, some countries have yet to define specific training pathways, resulting in a less standardised and more flexible approach to determining who is qualified to practise as a sustainability assurance provider. This variability in training requirements influences the degree of formal preparation and the professional profile of those entering the field.

Table 3 displays the key factors described above across the various European countries, as of November 2025.

Understanding how the key factors have been interpreted by different European countries in transposing the CSRD allowed the researchers to identify national orientations, even in an evolving regulatory environment that changes the scope of companies involved but not the underlying provisions. By combining these key factors, we developed possible scenarios for both mandatory and voluntary reporting entities.

5.2 Scenarios

5.2.1 Scenarios for mandatory adopters. 5.2.1.1 Monopoly of statutory auditors. The first identified scenario concerns a sustainability assurance market characterised by a monopoly among providers, specifically granting exclusivity to statutory auditors. Based on the as-is transposition of the CSRD and the currently available information about the providers authorised by individual European countries to offer sustainability assurance services, this scenario appears to be the most plausible and common across most of the states analysed. The choice to restrict the market to entities with statutory auditor qualifications is the prevailing method. This decision reflects a traditionalist approach, integrating the auditing of sustainability reports with financial statements. This integration is further mandated by the CSRD, which stipulates that sustainability reporting must be included annually within a dedicated section of the financial report.

If the incumbent statutory auditor is not allowed, companies would need to choose a different statutory auditor for sustainability assurance, distinct from those with whom they already have an established relationship for financial statement auditing. On the contrary, two alternative sub-scenarios could arise if the incumbent auditor is permitted. On the one hand, companies may decide to assign the assurance of the sustainability report to the same statutory auditor that is responsible for the financial statement audit. This decision likely would benefit from the potential for reduced costs of individual services, as the auditor may opt for a combined pricing strategy. On the other hand, companies could decide to separate the auditors, selecting different providers for financial and sustainability audits. While this likely would result in higher service costs, it may provide greater assurance of independence.

Table 3. Different transposition choices among european countries

European country	Sustainability assurance provider	Incumbent	Professional background	Training pathway
European Union countries				
Austria (draft)	Auditors (IASPs may be authorised in the future)	Yes	Accountant background	No specific path
Belgium	Auditors	Yes	Accountant background	Yes
Bulgaria	Auditors	Yes	Accountant background	Yes
Croatia	Auditors and audit companies	Yes	Accountant background	Yes
Cyprus	Auditors	Yes	Accountant background	Yes
Czechia	Auditors	Yes	Accountant background	Yes
Denmark	Auditors and IASPs	No	Accountant/ non-accountant background	Yes
Estonia	Auditors	No	Accountant background	Yes
Finland	Auditors	Yes	Accountant background	No specific path
France	Auditors and IASPs	Yes	Accountant/ non-accountant background	Yes
Germany (draft)	Auditors and IASPs	Yes	Accountant/ non-accountant background	Yes
Greece	Auditors (with IASPs from 2027)	Yes	Accountant background (plus non- accountant from 2027)	Yes
Hungary	Auditors	Yes	Accountant background	Yes
Ireland	Auditors	Yes	Accountant background	Yes
Italy	Auditors	Yes	Accountant background	Yes
Latvia	Auditors and audit companies	Yes	Accountant background	Yes
Lithuania	Auditors and IASPs	Yes	Accountant/ non-accountant background	Yes
Luxembourg (draft)	Auditors	Yes	Accountant background	No specific path
Malta		No transposition of the CSRD to date		
Netherlands (draft)	Auditors, chartered accountants and accounting consultants	Yes	Accountant background	Yes
Poland	Auditors	Yes (until 2025)	Accountant background	Yes
Portugal		No transposition of the CSRD to date		
Romania	Auditors/ accredited conformity assessment body (CAB)	Yes	Accountant/ non-accountant background	No specific path
Slovakia	Auditors	Yes	Accountant background	Yes
Slovenia	Auditors	Yes	Accountant background	No specific path
Spain (draft)	Auditors and IASPs	Yes	Accountant/ non-accountant background	Yes
Sweden	Auditors	Yes	Accountant background	Yes
European economic area EFTA country				
Iceland		No transposition of the CSRD to date		
Liechtenstein	Auditors	Yes	Accountant background	Yes
Norway	Auditors	Yes	Accountant background	Yes

Source(s): Authors' elaboration based on EU and Member State legislative and regulatory documents

In both proposed sub-scenarios, the issue of training statutory auditors to become sustainability auditors remains pivotal. While statutory auditors are already well-trained in auditing methodologies and practices, the specific competencies required for sustainability reporting remain open (Martínez-Ferrero and García-Sánchez, 2018). Many countries have established mandatory training periods in these areas, culminating in a final qualification examination. However, some countries have yet to introduce specific training paths to enable statutory auditors to become qualified sustainability auditors.

In this context, the statutory auditor market is divided between the Big 4 firms and smaller providers other than the Big 4, which are entering a new and evolving professional field. Market dynamics have been influenced by the initial expansion of the pool of companies that are subject to assurance requirements, followed by subsequent regulatory downsizing. This structure risks widening the gap between the Big 4 and their smaller competitors, exacerbated by the costs associated with obtaining audit services. The Big 4 audit firms, with their substantial resources and established expertise, are presumably better placed to develop the necessary new skills than smaller providers. Although the latter may maintain some competitiveness by offering lower fees, thereby targeting companies with limited budgets, this price disparity may be indicative of differences in audit quality, professional competence and management of the complexities of sustainability reporting. As a result, organisations may find themselves having to choose between affordability and the assurance of a comprehensive, high-quality service, thus contributing to a fragmented market landscape.

A natural consequence of the monopoly scenario for statutory auditors is the exclusion of IASPs and CABs, whose specialised, sector-specific expertise is overlooked in auditing sustainability reports. However, within this context, an alternative scenario could emerge. Although not directly involved as providers of sustainability assurance, these entities could be engaged as consultants to statutory auditors, providing their expertise in specific technical areas. This role would mirror the current involvement of experts in the financial statement audit process.

5.2.1.2 Competitive market between statutory auditors and independent assurance service providers. The second potential scenario outlined, also based on the as-is transposition of the CSRD, involves the emergence of a competitive market characterised by market competition between statutory auditors and IASPs, a configuration that has received limited attention in prior research (Hay, 2017). In fact, some European countries have decided to broaden the sustainability reporting assurance market, authorising statutory auditors and independent third parties such as IASPs and CABs as providers. Moreover, in one case, the approach entails initially granting authorisation exclusively to auditors, with a progressive extension to include IASPs later.

This set-up could give rise to several sub-scenarios, especially considering the balances that could develop between these two professional categories. When allowing the incumbent auditor, companies could entrust the sustainability report assurance service to the same statutory auditor responsible for auditing the annual financial statements. This option could have several advantages, primarily cost-effectiveness and continuity of service due to the auditor's prior knowledge of the company. However, this also could lead to issues in terms of independence when the auditor assumes this dual role. Competition with IASPs in this context would strongly depend on the ability of IASPs to establish themselves within the market and position themselves as providers with specialised skills that are suited to the multidisciplinary nature of sustainability reporting, potentially offering more competitive prices. IASPs could, in fact, represent an attractive choice for organisations seeking assurance providers with a deep understanding of the technical contours of sustainability and a focus on the specific aspects of sustainability reporting.

If, on the other hand, the incumbent is not allowed, companies would be obliged to choose a different assurance provider for the sustainability report than their statutory auditor. Such a model could level the playing field between statutory auditors and IASPs, as neither would benefit from a long and established client relationship. IASPs could take advantage of this situation to highlight their specialised expertise in the field of sustainability, positioning themselves as a credible and independent alternative to the traditional statutory auditors. By way of contrast, auditors would have to demonstrate their ability to adapt to the practice of sustainability assurance, nurturing confidence through their well-established expertise in auditing practices to remain competitive in a differentiated market.

A critical factor in both scenarios is the development of category-specific skills through symmetrical training programmes for statutory auditors and IASPs to meet the evolving needs of sustainability assurance.

As professionals who are traditionally specialised in financial auditing, statutory auditors should acquire comprehensive and rigorous training in sustainability reporting frameworks and standards. In addition, they should specialise in the knowledge and evaluation of specific environmental (emissions calculation, waste management, etc.), social and governance metrics. This would improve their ability to provide sound and compliant judgements.

On the contrary, the strength of IASPs is their deep technical expertise in sustainability as well as their knowledge of specific, highly technical standards and metrics. Instead, they should improve their understanding of auditing methodologies and practices. Training on assurance standards such as the recently published ISSA 5000 would be essential to ensure their professional credibility in conducting independent audits.

5.2.1.3 Specialised providers based on disclosure content. The third potential scenario envisages the establishment of a structured market for assurance services, in which the roles of statutory auditors and IASPs are clearly defined, fostering thematic specialisation within the profession. Within this context, a situation could emerge in which the incumbent auditor is excluded, while the assurance market is simultaneously accessible to both statutory auditors and IASPs. This could lead to a professional specialisation, with auditors focusing exclusively on the statutory audit of financial statements and IASPs specialising in the assurance of sustainability reports. By concentrating on their respective fields of expertise, these professionals could adopt tailored approaches, including specific training, to address the distinct financial and sustainability reporting requirements. Such a division would minimise overlaps and enable each professional category to refine its methodologies and skills in alignment with the specific demands of the reporting they oversee.

In this scenario, statutory auditors would focus exclusively on the assurance of financial statements, concentrating on ensuring the document’s compliance with financial reporting standards. Their expertise would remain rooted in traditional financial auditing, providing an accurate, transparent and compliant service, without the need to develop new technical skills in sustainability reporting. This is because the profession would remain outside this area, instead becoming the domain of IASPs.

Simultaneously, IASPs would dedicate themselves exclusively to sustainability reporting, specialising in frameworks such as those developed by the Global Reporting Initiative, the International Sustainability Standards Board and the latest ESRS, while gaining expertise in evaluating ESG metrics for assurance purposes. Furthermore, training in assurance methodologies and associated standards, such as ISSA 5000 and forthcoming European Sustainability Assurance Standards, would become essential for compliance. By focusing on these aspects, IASPs could develop advanced skills that are focused on the complexity and multidisciplinary nature of sustainability reporting.

The clear separation of these roles would lead to a focused approach, in which each type of provider is incentivised to improve its specific skills. This, then, would create a high standard of assurance, as each professional group brings specialised knowledge in its field, avoiding the dispersion of resources between financial and sustainability reporting. In addition, thematic specialisation potentially benefits the independence of each provider, due to the clear separation of roles in different types of audits.

The exclusion of the incumbent auditor and the emergence of this specialisation dynamic could foster a market environment that is both competitive and collaborative. While the two professional categories would operate in distinct domains, the drive for consistency across corporate documents, as encouraged by the CSRD, and the positioning of the sustainability report as an annexe to the financial statement could incentivise cooperation between these professions.

5.2.2 Possible scenario for voluntary adopters. 5.2.2.1 Voluntary and fragmented sustainability assurance market. In the current regulatory context, characterised by the European Commission's approval of the Omnibus I Package agreement in December 2025, the sustainability assurance landscape is expected to become largely voluntary, with no global consensus on how such engagements should be conducted. If adopted in its present form, the Omnibus would exempt all companies below 1,000 employees and €450m in turnover from mandatory reporting and would halt the planned transition from limited to reasonable assurance.

As a result, a substantial number of companies, particularly those originally expected to fall within Wave 2 of the CSRD, would no longer be subject to mandatory requirements and, therefore, would be able to determine independently whether, and to what extent, to seek assurance on their sustainability reports.

In particular, three options may emerge:

(1) not subjecting their sustainability report to assurance at all;
(2) engaging their statutory auditor, often as a cost-efficient incumbent solution; and
(3) turning to IASPs where permitted by national legislation and in line with existing market practices established during the initial CSRD transpositions.

In such a decentralised and open context, the landscape of assurance providers likely would resemble pre-CSRD conditions, influenced by the national choices made during the initial transposition phase. As regulatory restrictions would no longer apply to voluntary reporting entities, IASPs could be engaged more widely, even in countries that had previously restricted sustainability assurance to statutory auditors, thus reinforcing fragmentation in provider types.

From a professional background perspective, the distinction between accounting and non-accounting professionals would remain dependent on the national frameworks already in place. However, with fewer companies falling under mandatory reporting and assurance obligations, the incentive to invest in broad-based professional training and upskilling – particularly for sustainability-specific assurance providers – may diminish. A similar effect could be observed concerning the development of training pathways. The legislative slowdown introduced by the Omnibus could result in delayed or reduced investment in training programmes and infrastructure to support the emergence of a new class of sustainability assurance professionals.

In the voluntary adoption market, the scenario is expected to create greater opportunities for alternative assurance service providers, potentially offering a larger range of approaches and degrees of independence. Although established audit firms, particularly the Big 4, would continue to be significant players, the reduction in the number of regulated entities could reduce their structural advantage, allowing a diverse range of providers to emerge and compete for engagements.

Significantly, this context also could affect auditor independence. In principle, significant flexibility in provider selection may reduce the risk of economic or relational dependence, particularly in cases in which companies choose to engage an IASP rather than their incumbent financial auditor. The absence of a mandated relationship may allow companies to select providers based on specific expertise or perceived independence, rather than existing contractual ties. However, this potential benefit would be contingent on each jurisdiction's provider landscape and the incentives driving voluntary assurance adoption.

Overall, this scenario would reflect a return to a fragmented and largely optional assurance model, in which company size, regulatory culture and past transposition practices would shape the approach to sustainability assurance. While some companies may proceed voluntarily for reputational or strategic reasons, the broad effect of the Omnibus could dilute the CSRD's initial harmonising ambitions in terms of scope and assurance quality.

Moreover, introducing new thresholds under the Omnibus scenario may lead to an imbalance between supply and demand in the sustainability assurance market. Many professionals have already embarked on training and qualification pathways under the previous CSRD framework, anticipating a significant expansion of mandatory assurance engagements. However, if the scope of reporting obligations is substantially reduced, many newly qualified sustainability auditors may face a market with limited compulsory demand. This potential mismatch could profoundly shape the future structure and dynamics of the profession.

Despite the contraction of the regulated market, potential sources of demand still could emerge from supply-chain pressures – particularly from large corporations seeking to ensure the credibility of sustainability disclosures across their value chains – or from financial institutions incorporating assurance requirements into their lending and investment due diligence processes. Furthermore, consultancy firms supporting companies in preparing sustainability reports may actively encourage adopting voluntary assurance practices, advising clients to engage certified sustainability auditors even without a legal mandate.

Table 4 summarises the potential scenarios, whereas Figure 1 depicts the various associated options.

6. Discussion

The findings of this study reveal how the transposition of the CSRD across European countries produces a heterogeneous set of institutional configurations, which, in turn, shape the sustainability assurance landscape in markedly different ways. These configurations materialise into three scenarios for mandatory adopters – a monopoly of statutory auditors, a competitive market shared with IASPs and a model grounded in thematic specialisation – as well as a fourth scenario for voluntary adopters. Together, these scenarios illustrate how conceptions of sustainability vary across the EU governance system, reflecting the coexistence of competing political, institutional and professional interpretations. In line with prior research on EU sustainability governance, this diversity echoes the broad tension between environmental ambition and economic competitiveness that characterises European policymaking (De Bruycker and Colli, 2023; Ramos *et al.*, 2020). Our analysis demonstrates how these tensions permeate the assurance domain, shaping the conditions under which sustainability information is verified and the extent to which such verification contributes to credible and comparable reporting.

Table 4. Possible scenarios

Scenarios	Description	Opportunities	Challenges
Scenarios for mandatory adopters			
Monopoly of statutory auditors	Monopolistic market where only statutory auditors can provide sustainability assurance services. IASPs and CABs may be involved as expert consultants	- Cost reduction through combined service offerings - Operational continuity	- Lack of independence if the same auditor oversees both reports - Exclusion of IASPs and CABs
	Statutory auditors divided between Big 4 and smaller providers: the former may dominate due to resources and expertise, while the latter could compete with lower prices, appealing to smaller companies	- Simplification of the process for smaller companies through affordable options	- Widening gap between large and small providers
Competitive market between statutory auditors and IASPs	Open market allowing statutory auditors, IASPs, and CABs to operate. Companies can choose from a wider range of providers	- Greater variety of providers - IASPs offer specialised expertise	- IASPs may struggle to compete against auditors with established client relationships
	If the incumbent auditor is excluded, IASPs and statutory auditors compete on an equal playing field	- Opportunity for IASPs to differentiate through specialisation	- Additional training requirements for all professional categories
Specialised providers based on disclosure content	Clearly defined roles: statutory auditors for financial audits and IASPs for sustainability audits. Focus on thematic specialisation	- High quality due to specialisation - Greater independence between professionals	- Lack of integrated expertise could hinder consistency between financial and sustainability reports
	Statutory auditors focused on financial audits; IASPs exclusively for sustainability audits, with ISSA 5000 standards and ESG specific knowledge	- Incentive for collaboration to ensure consistency across company documents	- Initial difficulties in collaboration between professional categories
Scenarios for voluntary adopters			
Voluntary and fragmented sustainability assurance market	Voluntary reporters (including former Wave 2 entities) would have Three options: (i) no assurance; (ii) use of the incumbent auditor; or (iii) engagement of an IASP, where allowed. National frameworks would still influence provider access, incumbent use, professional profiles, and training pathways.	- Flexible assurance options for voluntary reporters - Increased market access for IASPs - Lower compliance costs	- Fragmentation in provider types and rules - Divergent professional standards - Reduced investment in training and infrastructure

Source(s): Authors' own work

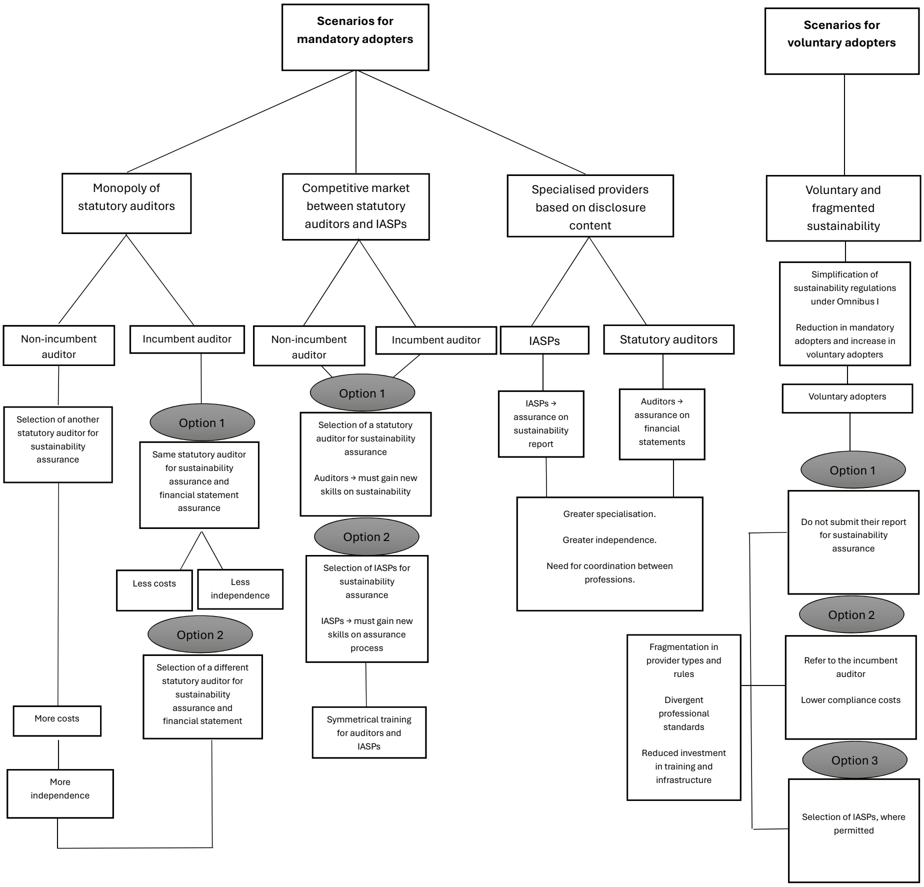

Figure 1. Scenarios for sustainability assurance in Europe
Source: Authors' own work

Considering the scenarios for mandatory adopter of sustainability reporting and assurance, the first scenario, in which statutory auditors retain exclusive authority to conduct sustainability assurance, aligns with the traditional dominance of the accounting profession in assurance markets (Huggins *et al.*, 2011). This model reinforces established audit practices and builds on the perceived methodological rigour and credibility associated with accounting-based providers (Bollas-Araya *et al.*, 2019; Knechel *et al.*, 2006). However, this concentration also raises questions about whether the methodological strengths of statutory auditors are sufficient to address the multidimensional nature of sustainability reporting. As noted in the literature, sustainability assurance requires both auditing skills and deep subject-matter expertise (O'Dwyer and Owen, 2005; Martínez-Ferrero *et al.*, 2018). A monopoly scenario risks reinforcing a "financialised" approach to assurance, potentially privileging procedural accuracy over ESG content knowledge, and reflecting a broader institutional preference for solutions that minimise regulatory disruption and preserve existing professional jurisdictions (Abbott, 2014).

The second scenario, competition between statutory auditors and IASPs, represents an alternative configuration in which multiple providers bring complementary strengths to the market. This reflects a recognition, present in the literature, that non-accounting providers often possess specialised expertise in sustainability matters, whereas accounting providers excel in assurance methodologies (Huggins *et al.*, 2011; Ruiz-Barbadillo and Martínez-Ferrero, 2022). Such a model not only enhances market diversity but also introduces potential challenges related to standardisation and comparability, as differences in professional background may influence how assurance is performed and communicated. Furthermore, the literature indicates that provider choice may be shaped by perceptions of independence (Lu *et al.*, 2024), especially when the incumbent auditor is involved. This suggests that political and institutional decisions regarding whether to allow incumbents materially affect the structure of the competitive landscape.

The third scenario, specialised providers based on disclosure content, envisions a clear jurisdictional boundary in which statutory auditors focus exclusively on financial information, while IASPs specialise in sustainability assurance. This reflects the dual nature of sustainability reporting, which is positioned between financial auditing and thematic ESG expertise. This model resonates with the notion that no single professional group possesses all of the required competencies (O'Dwyer and Owen, 2005). It also echoes the broad institutional divide between the economic, social and environmental pillars, raising questions about whether thematic specialisation might enhance the quality of sustainability assurance by allowing different professions to deepen their expertise. At the same time, this scenario creates a structural dependency on inter-professional coordination to ensure coherence between financial and sustainability narratives – an issue already highlighted in the literature on fragmented assurance markets (Deegan *et al.*, 2006).

The scenario for voluntary adopters becomes particularly salient in light of recent political developments surrounding the Omnibus I Package. By significantly reducing the scope of mandatory reporting and maintaining limited assurance rather than progressing towards reasonable assurance, the regulatory trajectory risks reintroducing a fragmented and discretionary assurance landscape. This echoes pre-CSRD conditions, which were characterised by divergent provider types, inconsistent assurance quality and limited uptake among small entities (Farooq and De Villiers, 2019; Perego and Kolk, 2012).

Under this scenario, companies may choose to forego assurance altogether, rely on the incumbent auditor or engage IASPs, choices that will be shaped by national transposition frameworks and market norms. The voluntary nature of assurance in this segment amplifies the importance of political narratives: Sustainability becomes a matter of corporate discretion, influenced by reputational concerns and market pressures rather than by regulatory obligations. The literature emphasises that different provider types are selected based on perceived competence, independence and cost (Knechel *et al.*, 2006; Ruiz-Barbadillo and Martínez-Ferrero, 2022). In the absence of mandatory assurance, these factors become even more decisive, potentially reinforcing imbalances in assurance quality across the EU.

Across all four scenarios, the findings highlight the increasing influence of political discourse in shaping sustainability regulation. As sustainability becomes a contested narrative in European politics, political parties mobilise it to support competing visions of economic competitiveness, environmental protection and regulatory governance. The literature on EU policy processes underscores how lobbying dynamics, ideological differences and political coalitions influence sustainability-related decisions (De Bruycker and Colli, 2023; Errichiello *et al.*, 2025). The adoption of the Omnibus I Package, driven by a coalition emphasising competitiveness and administrative simplification, provides a clear example of how political alignments can redefine the scope and ambition of sustainability commitments.

A central tension that emerges from this analysis concerns the relative weight of the three sustainability pillars in contemporary EU policymaking. Prior literature documents how sustainability policies often reflect compromises in which economic considerations prevail (Fernandez Martin, 2025; Ramos *et al.*, 2020). Our findings corroborate this tendency: The emphasis on reducing regulatory burdens and delaying sustainability requirements reflects the predominance of the economic pillar in the interpretation of sustainability at both EU and national levels. This has important implications for assurance, as the credibility and comparability of sustainability information depend on the robustness of the regulatory framework underpinning it. A politically driven recalibration towards weaker sustainability commitments risks undermining the institutional consolidation of sustainability assurance as a credible mechanism for accountability.

Taken together, the scenarios identified in this study underscore the tensions inherent in the development of sustainability assurance within a dynamic regulatory and political environment. These tensions operate across several dimensions. First, there is a jurisdictional tension between professional groups. Accounting providers emphasise procedural rigour, while non-accounting providers bring substantive ESG expertise. The division of labour, whether competitive or specialised, requires careful coordination to avoid fragmentation and ensure meaningful assurance outcomes (O'Dwyer and Owen, 2005). Second, a regulatory tension emerges between harmonisation and flexibility. While the CSRD seeks to establish more uniform practices, national discretion in transposition introduces divergence. This is compounded by the transitional phase before European Assurance Standards are fully implemented. Third, a political tension arises from competing interpretations of sustainability. Sustainable development is understood differently across Member States and political groups, oscillating between ambitious and incremental approaches (Ramos *et al.*, 2020). These differences directly shape the assurance landscape, influencing which providers are authorised, how training pathways are defined and how incumbents are treated. Fourth, a temporal tension stems from the impact of crises. As noted in recent analyses of EU sustainability governance, crises can either reinforce sustainability commitments or provide grounds for retrenchment (Carungu *et al.*, 2025). The “Stop the Clock” Directive and the Omnibus Package illustrate how crises may prompt calls for simplification, potentially diluting sustainability ambitions and affecting assurance requirements.

The implications of these tensions are significant. Assurance, intended to enhance the credibility of sustainability information (Gerwing *et al.*, 2022), risks becoming unevenly implemented across the EU. Professional pathways may develop erratically, with overinvestment in training relative to the size of the mandatory assurance market. Companies operating across borders may face inconsistent assurance expectations, complicating comparability for stakeholders. Most critically, the predominance of economic considerations within political and institutional decision-making threatens to undermine the transformative potential of sustainability reporting and its assurance mechanisms.

7. Conclusions

The purpose of this paper is to understand how the evolving regulatory EU environment, shaped by the CSRD and planned simplification measures introduced through the Omnibus I Package, will influence the dynamics of the sustainability assurance market and to assess the implications of these developments for both mandatory and voluntary adopters.

By situating the emerging assurance market within these political, institutional and professional dynamics, this study contributes to a deeper understanding of how sustainability is interpreted and operationalised within the EU. The contrast among the three mandatory scenarios and the voluntary one demonstrates how different interpretations of sustainability – particularly the relative prioritisation of economic, social and environmental dimensions – materialise into distinct regulatory and professional outcomes. Moreover, the instrumental use of sustainability discourse by political parties reinforces the idea that sustainability assurance is not only a technical mechanism but also a politically contingent field in which competing visions of Europe's future are negotiated.

The analysis presented in this paper highlights how these developments provide a window into the ways in which sustainable development is understood and prioritised within the EU's multilayered governance system. The divergence observed across Member States, together with shifting political alliances at the European level, suggests the coexistence of contrasting conceptions of sustainability, from approaches that privilege ecological and social transformation to interpretations that subordinate these aims to economic considerations. The prominence of competitiveness narratives and calls for regulatory simplification illustrate how the economic pillar increasingly shapes institutional and political discourse, potentially redistributing the equilibrium among the three dimensions of sustainability. At the same time, the instrumental use of sustainability language by political parties underscores its role as a contested field of meaning, where crises can either weaken commitments or stimulate renewed accountability demands. By tracing these political and institutional dynamics, this study demonstrates how the evolving balance among sustainability pillars and the shifting discursive strategies surrounding sustainability influence the trajectory of assurance practices and the broad future of sustainability regulation in Europe.

In doing so, this research contributes to the literature in several ways. With regard to the professional background and skills of providers, the study supports evidence that those with an accounting background are perceived as more knowledgeable about assurance methodologies, whereas non-accountants may possess stronger expertise in ESG-related matters (Alsahali and Malagueño, 2022; Martínez-Ferrero and García-Sánchez, 2018). The institutionalisation of the sustainability auditor profession, regardless of professional background, aligns with Abbott's (2014) theory on the development of professions and their control by professional groups. In addition, the study enriches the collective understanding of how European countries balance the transposition of EU regulations with adaptation to national priorities and characteristics (Thomann and Zhelyazkova, 2019).

Furthermore, this study offers a methodological contribution through the application of scenario analysis within the accounting field. The approach adopted is both replicable and adaptable, providing a valuable framework for future research and policy discussions, particularly given the growing number of global sustainability initiatives. By outlining potential future scenarios, the analysis provides meaningful insights into how regulatory developments may shape key market dimensions. It also supports broader reflections on the regulatory and political tensions that characterise the current debate on sustainability regulation in Europe. These tensions, between (i) maintaining momentum in line with Green Deal ambitions, (ii) continuing the transition at a slow and calibrated pace and (iii) calling for a fundamental redirection of the regulatory framework, reflect divergent views on how sustainability regulation should evolve. Such divergences are likely to re-emerge in future European debates, particularly in a global context in which major economies, such as the USA and China, are not aligned with comparable sustainability regulatory frameworks.

In this sense, the study also engages with the longstanding debate on the deregulation of auditing (Kinney, 2005). While greater deregulation may increase the number of market participants and reduce compliance costs, it can also complicate effective oversight.

Conversely, strict regulation may enhance supervisory capacity, albeit at the cost of high barriers to entry and reduced market participation.

The results of this study generate practical implications for policymakers, oversight bodies, assurance providers and reporting entities operating within the European sustainability assurance landscape. By explicitly linking national CSRD transposition choices to alternative market configurations, the scenario analysis highlights the ways in which regulatory design decisions translate into concrete consequences for market structure, professional development and assurance quality.

For policymakers and supervisory authorities, a first implication concerns the governance of professional access and competence. The scenarios suggest that authorising multiple categories of assurance providers, statutory auditors, IASPs and, in some jurisdictions, CABs, without harmonised minimum competence requirements risks increasing fragmentation in assurance practices across Member States. To mitigate this risk, EU policymakers should complement provider plurality with clearly defined baseline requirements in terms of training, examination and continuing professional development that is applicable to all authorised providers. Such an approach would preserve national discretion while safeguarding minimum levels of assurance quality and comparability, particularly in competitive or specialised market configurations.

The analysis also yields implications in light of the Omnibus I Package and the fact that a substantial group of companies that were previously included in Wave 2 of the CSRD would go out of scope of the CSRD. As these entities would no longer be subject to mandatory sustainability reporting and assurance requirements, any decision to continue such practices would occur on a voluntary basis, driven by market incentives rather than regulatory obligation. In this context, policymakers should consider how to prevent a reversion to highly uneven assurance uptake. Rather than reintroducing blanket obligations, targeted mechanisms – such as encouraging assurance for high-impact sectors, value-chain critical suppliers or entities accessing sustainable finance – could help sustain demand for credible assurance while remaining consistent with competitiveness-oriented policy objectives.

For assurance practitioners, the scenarios highlight the need for strategic adaptation. In monopoly or competitive settings, statutory auditors are incentivised to strengthen subject-matter expertise through multidisciplinary teams, while IASPs should reinforce their mastery of assurance methodologies and standards. In more specialised configurations, coordination mechanisms between financial and sustainability assurance providers become critical to ensure coherence across corporate disclosures. In addition, professional bodies and firms should anticipate potential mismatches between training investments and future mandatory demand, particularly under voluntary-dominated scenarios, by exploring complementary assurance-related services that remain compatible with independence requirements.

Concerning the social implications, the findings underscore that sustainability assurance is not merely a technical add-on to reporting but a key mechanism underpinning the credibility and comparability of sustainability information used by investors, employees, communities and civil society. Divergent national approaches and uneven professional requirements risk generating unequal levels of assurance reliability across the EU, potentially weakening trust in sustainability disclosures. By identifying the regulatory and professional conditions under which such risks emerge, this study contributes to an informed public debate on how accountability mechanisms can be preserved in a context of regulatory recalibration. In doing so, it highlights that choices made in the design of sustainability assurance regimes have broad societal implications, shaping how sustainability commitments are verified, interpreted and trusted within European markets.

This paper also has some limitations. First and foremost is the subjectivity involved in the combination of key factors used to create the different scenarios; alternative combinations of these factors could produce different findings. Furthermore, as of now, not all countries have transposed the CSRD into their national legislation, and given the rapidly evolving nature of this topic, new developments may emerge. Another limitation is that this study focused solely on the outcomes of the legislative process at the national level. The transposition dynamics, such as the comments received during public consultations that influenced these decisions, were not considered. Moreover, scenarios are inherently subject to uncertainty, as their realisation depends on a range of political, institutional and market dynamics that cannot be precisely predicted. However, the study does not aim to forecast future regulatory outcomes; rather, it employs scenario analysis as a structured and systematic tool to explore a spectrum of plausible trajectories and their potential implications for sustainability assurance. In doing so, the analysis embraces complexity rather than oversimplifying it, thereby strengthening the robustness and relevance of the findings in a context characterised by significant regulatory uncertainty.

Future research could explore the implications of individual scenarios for the structure and dynamics of the assurance market as well as for the quality and credibility of assurance reports. In addition, further investigations could examine the evolving role of the sustainability auditor, including the associated training and professional development pathways. Finally, comparative analyses involving extra-EU jurisdictions could offer valuable insights into how different regulatory approaches shape market structures and the development of the sustainability assurance profession.

Notes

[1.] commission.europa.eu/publications/omnibus-i_en

[2.] https://www.europarl.europa.eu/news/en/press-room/20251106IPR31296/sustainability-reporting-and-due-diligence-meps-back-simplification-changes

[3.] eur-lex.europa.eu/legal-content/EN/NIM/?urij:JOL_2022_322_R_0002

[4.] Austria www.parlament.gv.at/gegenstand/XXVIII/ME/4; Spain www.congreso.es/public_oficiales/L15/CONG/BOCG/A/BOCG-15-A-38-1.PDF; Germany dip.bundestag.de/vorgang/gesetz-zur-umsetzung-der-richtlinie-eu-2022-2464-des-europ%C3%A4ischen/314977; Luxembourg www.chd.lu/fr/dossier/837; Netherlands wetgevingskalender.overheid.nl/Regeling/WGK025515

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Corresponding author
Marco Giuliani can be contacted at: m.giuliani@univpm.it