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The choice of sustainability assurance providers in Sweden

An empirical research of underlying factors influencing the manager's choice of assurance provider

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Abstract

Title: The choice of sustainability assurance provider in Sweden - An empirical research of underlying factors influencing the manager's choice of assurance provider

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Five key words: Assurance provider, Sustainability report, Audit profession, Legitimacy, Competence

Purpose: The purpose with this thesis is to examine why Swedish managers choose environmental consultants to a significantly lower extent than auditors as sustainability report assurance provider.

Methodology: The thesis is based on a mixed method research with an inductive approach.

Theoretical perspective: The theoretical framework is based on the empirical findings and seeks to explain and enhance the understanding of the managers' choice of sustainability assurance providers.

Empirical data: Eight semi-structured interviews have been conducted via telephone. In order to reach out to additional company a web-based questionnaire was developed.

Conclusions: Two out of the four influential factors identified can be used to explain why managers tend to choose an auditor over an environmental consultant as their sustainability assurance provider. These factors are legitimacy/credibility and the expansion of the audit profession.

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Maria Hansen

Henrik Ohlsson

Abbreviations

AS – Assurance Standard

CEO- Chief Executive Officer

CPA – Certified Public Accountant

CR – Corporate Report

FEE – European Federation of accountants

GRI – Global Reporting Initiative

G250 – Fortune Global 250

IIRC – International Integrated Reporting Committee

IFAC – International Federation of Accountants

N100 - 100 largest companies in each of the 41 countries reporting on CR

NIVRA – Royal Dutch Institute of Registered Accountants

RN – The Supervisory Board of Public Accountants

UK – United Kingdom

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1. Introduction

1.1 Background

Since the early 1970's or so, society's awareness of environmental issues has increased as information regarding these issues has been more and more accessible due to media and technological developments. As a respond to this, companies started to report on their nonfinancial performance (Gray, 2000). Initially, the information was disclosed in the companies' corporate annual reports. However, during the 1990's stand-alone reports started to emerge, later referred to as e.g. corporate responsibility reporting or sustainability reporting (Gray & Herremans, 2011). Initially, the reports focused on companies' environmental impact, e.g. pollutions and potentially dangerous wastes. However, since roughly the turn of the century, ethical and social issues have been received a lot of attention through politic and media and have hence become included in the sustainability reports (Porter, Simon & Hatherly, 2008).

According to KPMG's *Survey of Corporate Responsibility Reporting 2013* (2013), the number of companies issuing sustainability reports is constantly increasing. Among the 250 largest companies in 2013, 93 percent are engaged in sustainability reporting. Since it has become so common, it is argued in the study that there no longer is a debate regarding whether companies should issue sustainability reports or not – instead, the important questions have become *what* information companies should report and *how* they should report it. Another important question that companies have to consider is whether to have the data and information within the sustainability report externally assured. Like the amount of companies issuing sustainability reports, the number of companies having them assured by an external party is increasing. In 2013, over half of the world's 250 largest companies (59 percent) invested in third party assurance. The rate of the N100 largest companies in each country surveyed was 38 percent. In the survey, it is argued that external assurance will probably continue to increase as large companies tend to set the direction that other companies will follow.

Third party assurance is defined by The International Federation of Accountants, IFAC, as “*an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other*

than the responsible party about the subject matter information" (IFAC, 2013, p. 7). It was introduced in the early 1990's as a response to stakeholders demanding that the data in the environmental reports have to provide a true and fair view of the companies' actual performance. In the same way as audit is supposed to provide credibility to corporate financial reports, the purpose with the third party assurance is to provide credibility to the sustainability reports (Park & Brorson, 2005).

1.1.1 Assurance

In the context of external environmental reporting, the word "assurance" is commonly used rather than "audit". The reason for this is that there is a pertinent difference in the meanings between the two terms (Porter, Simon & Hatherly, 2008, p. 729). Fédération des Experts Comptables Européens, FEE (2002), defines 'assurance' and 'audit' as follows:

Assurance: "that which enhances the credibility of information"

Audit: "an assurance engagement in which the credibility of information is enhanced to a high level, for example a statutory audit of financial statements"

FEE states that in the context of environmental reporting; "the term 'assurance' is preferable[...] because it avoids confusion with terms such as audit [...] that have more specialized meanings" (FEE, 2002, para 9). Porter, Simon and Hatherly (2008, p. 729) state that in general, it is not possible to provide high levels of assurance to externally reported sustainability performance information and hence, it is not appropriate to use the term audit in this contexts.

1.1.2 The different assurance providers

The range of assurance provider extent from individuals to global organizations. Before accepting an assurance engagement, it is essential that the assurance providers consider if they are appropriate to carry out the assurance engagement. While considering whether or not they are appropriate they have to take several factors into consideration, e.g. if they possess the necessary set of skills to carry out the assignment, if they have sufficient and appropriate

personnel and if there are any threats to their independence. The latter is especially important for auditors, as it is normally required by their professional ethics (FEE, 2002). Even though assurance providers consider themselves to be appropriate, the provision of assurance relies on users of the sustainability reports being confident that the assurance provider is appropriate. In this context, expertise and independence are especially important factors. Hence, actors may need to communicate and prove to the users that they possess the appropriate characteristics (Ibid).

Two of the largest assurance providers on the market are auditors and environmental consultants (O'Dwyer, 2011). According to the survey by KPMG (2013), 67 percent of the N100 used one of the major auditing firms as assurance providers. From now on, when the term "auditor" is used in the thesis it refers to the assurance providers working in the big four audit firms, i.e. PWC, KPMG, EY and Deloitte. Accordingly, "environmental consultants" are used as describing the assurance providers deriving from firms outside the audit profession which in the thesis refers to the firms: Two Tomorrows, Ethos International, Tofuture and Respect Sustainability.

Today, there are two prominent international assurance standards developed to assist and guide the sustainability assurance providers while conducting assurance assignments; the AA1000AS and the ISAE 3000 (Porter, Simon & Hatherly, 2008, p. 733). The standards differ as they are designed to address different objectives (AccountAbility, 2005). However, they are not in conflict, nor substitutes, but are rather complementary (Porter, Simon & Hatherly, 2008, p. 735). Any assurance provider can use the first, while the latter is addressed to auditors. This means that auditors are able to combine the two standards while conducting assurance assignments while other assurance providers, e.g. environmental consultants, are only able to use the AA1000AS (AccountAbility, 2005).

1.1.3 Sustainability reporting and assurance in Sweden

Sustainability reporting is relatively widespread in Sweden compared to the European average and has been so for many years. According to KPMG's *survey of Corporate Responsibility Reporting 2013* (2013), 79 percent of the N100 largest companies in Sweden issued a sustainability report in 2013, while the European average was 73 percent. Compared to all 41

countries included in the survey, Sweden was ranked as number 16. Regarding the use of *Global Reporting Index*, GRI, Sweden is ranked as number six among the 41 countries included in the survey, regarding where the GRI Guidelines are used the most. According to Åse Bäckström, Head of Climate Change & Sustainability at KPMG, the quality of information reported in sustainability reports in Swedish companies are high (KPMG, 2011). Unlike the rate of sustainability reporting, Sweden was just below the European average in 2013 regarding external assurance of the sustainability reports. 37 percent of the 100 largest companies in Sweden chose to assure their sustainability reports, while the European average was 40 percent (KPMG, 2013). However, this was the first time in six years that the assurance rate in Sweden was below the European average.

Table 1. International comparison of sustainability reports and third-party assurance (KPMG, 2013)

2013	G250	N100 European	N100 Sweden
Sustainability report	93%	73%	79%
Third-party assurance	59%	38%	37%

According to the observations by the authors it is noted that out of the 63 companies listed on Nasdaq OMX Nordic Stockholm Large Cap, 48 companies issued a sustainability report in 2013 for the fiscal year 2012. Out of the issued reports, 24 were assured by an external third-party, either an auditor or an environmental consultant. All of the big four audit firms were represented; PWC, KPMG, Deloitte and EY. No audit firm beyond the big four was represented. Regarding the consultant firms, Det Norske Veritas, Tofuture, Ethos International, Two Tomorrows and Bureau Veritas was represented. The distribution between auditors and consultants as providers of assurance services however differs significantly. Out of the 24 assured sustainability reports, 18 were assured by an auditor (75 percent) while only six were assured by an environmental consultant (25 percent).

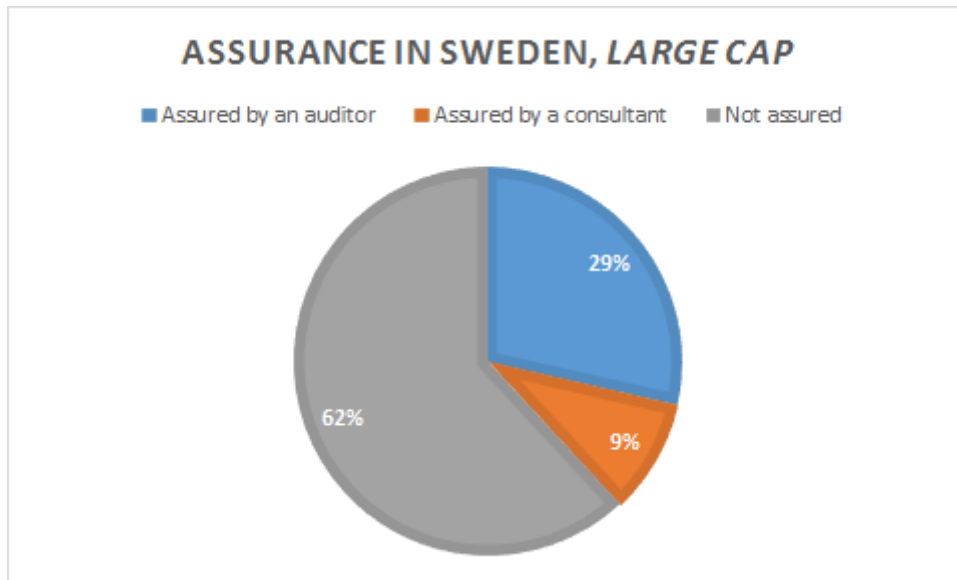


Figure 1. Assurance providers in Sweden based on the total published sustainability reports on large cap for the fiscal year of 2012.

While conducting the assurance engagement, the environmental consultants use the international standard AA1000AS (2008). The auditors in Sweden do however not use the ISAE 3000 standard; instead they use the national standard RevR 6.

1.2 Relevance of study

As previously mentioned, the distribution between auditors and environmental consultants hired to provide assurance services for companies listed on Nasdaq OMX Nordic Stockholm Large cap differs significantly as approximately 75 percent of the assured reports are assured by auditors. On an international level, the distribution is similar. According to KPMG, 2013, corresponding data for the N100 shows that 67 percent of the companies choose to have their sustainability report assured by one of the big four audit firms.

The auditors and the environmental consultants are similar in several ways. Both parties use and follow well-developed standards. The international standards AA1000AS (2008), ISAE3000 and the Swedish national standard RevR 6, are not contrary but instead complementary. Furthermore, both parties are recognized and accepted assurance providers on an international level. Despite this, auditors are chosen by managers to assure their sustainability report to a significantly higher extent than environmental consultants – both in

Sweden and internationally. A large number of researches within the area of sustainability reporting have been conducted over the last years. Previous authors have e.g. studied the reason to assure the sustainability report, the added value of using an assurance provider, and the different types of assurance providers. Simnett, Vanstraelen and Fong (2009) examined why companies tend to assure their reports. They found that companies that seek to enhance the credibility of their reports and build corporate reputation are more likely to have their sustainability report assured. In their study, Hodge, Subramaniam and Stewart (2009) provide clear support that the users of the sustainability report perceive the report to be more credible and reliable when such report is assured by a third-party. Moroney, Windsor and Aw (2012) examined whether the quality of voluntary environmental disclosure, i.e. sustainability reports, was enhanced when assured by an assurance provider. The results showed that the quality of voluntary environmental disclosures scored significantly higher for companies that had used an assurance provider compared to companies that had not. Lastly Cheng, Green and Ko (2012) found that the investors' willingness to invest in an organization increased if the sustainability report was assured by a third-party.

The authors above present a similar view of the incentives to use an assurance provider. Since the market in Sweden is dominated by mainly two assurance providers assuring sustainability reports the authors of this thesis main interest was to examine the assurance provider's role in the elaboration of a company's sustainability report. The findings are based on the interview questions 3-5, which are presented in *Appendix 3-4*. The initial incentive was to examine how the environmental consultants and the auditors performed their assurance and if the assignment differed between them. However, it appeared that the two providers performed the assurance assignment in a similar way, see *Appendix 1*. This finding got the authors to become more interested in the company's choice of assurance provider since the assignment almost was the same.

In the area of sustainability reporting, researchers have observed a research gap within the topic of manager's choice of assurance provider. The authors presented below have presented this topic as a suggestion of future research. As early as 2005, O'Dwyer and Owen suggested a topic where you could investigate the perception of the "value" which the assurance providers add to the credibility of the reporting process, e.g. by examining ongoing assurance

engagement based on the manager's perspective. One year later, Deegan, Cooper and Chelly (2006) thought that it would be interesting to investigate what factors that influence the choice of a particular assurance provider. Furthermore, later studies by Moroney, Windsor and Aw (2012) suggested future research in examining the determinants of manager's choice between an auditor and a consultant whilst Junior, Best and Cotter (2014) suggested to examine advantages and disadvantages of different types of assurance services provided by different assurance providers.

The lack of previous research within this area and the unexplained significant difference regarding the fact that auditors are hired to a greater extent than environmental consultants in order to provide assurance services of sustainability reports, has formed the basis for the purpose of this master thesis.

1.3 Purpose and research question

The purpose with this thesis is to examine why Swedish managers choose environmental consultants to a significantly lower extent than auditors, as their sustainability report assurance provider. This purpose can be concretized into the following two research questions:

1. What factors influence the choice?
2. How may these factors influence the choice?

1.4 Delimitations

As mentioned in the relevance of study, a lot of researches have been doing research within the sustainability and assurance area. Therefore the focus in this study is not on why companies tend to provide a sustainability report or why they assure it. Another delimitation of this thesis is that it is only focused on the situation in Sweden, partly because the division between the assurance providers is interesting but also due to a limited time schedule of doing an international examination. Since the majority of companies on large cap either use an auditor or an environmental consultant we have decided to only look at these two assurance providers. This motivates the presentation of the two assurance standards and why we did not focus on other standards, such as GRI.

2. Method

In this chapter, the research strategy and design is presented. The data collection will be explained based on the primary sources and the secondary source. The credibility of the thesis will be discussed based on the criteria of reliability, replication and validity. Finally the chapter critically assesses the sources used in the thesis.

2.1 Methodology

This thesis intends to examine Swedish managers' choice of assurance provider of sustainability reports. In order to interpret the observations from the interviews the interpretive research will be used which seeks to provide understandings of the social nature and to locate these practices in an economic and social context. The social systems are socially constructed and due to its complexity cannot be treated in the same ways as natural phenomena. Compared to the positive research, the interpretive research is more grounded in subjective ontology instead of objective. The managers' answers are based on their personal opinion and by using the interpretive research method we will be able to study this certain context. In an interpretive research the type of study is explanatory. This is compliant with our thesis since it implies to explain the reason for the managers' choice of assurance provider. The theories presented in this thesis is used in order to enhance the significance of the empirical research. Moreover, the theory helps the understanding of the research and provides an explanation of the observed practices (Scapens, 2007). In the analysis, the empirical observations have been analyzed together with the theory which subsequently resulted in some key findings which will be presented in the conclusion. According to Scapens (2007) it is important that the researcher is independent when conducting an interpretive research. The researcher must interpret the social reality without any objective representation in order to avoid the problem of researcher bias.

When the purpose of the thesis was decided a new literature research began. Since the empirical research presented important factors that the managers considered in their choice of assurance provider we created a theoretical framework where the factors were presented. Our aim was to give an explanation between the two assurance providers based on their profession, independence, competence and their perceived legitimacy. This is further explained in the analysis.

2.2 Research strategy

Bryman and Bell (2013) states that quantitative- and qualitative research methods are the most used methods regarding research in business and management. There are several differences between these two, however, the most visible is that a qualitative research focuses more on words than quantifications. A deductive strategy is usually associated with a quantitative approach, just like an inductive strategy is associated with a qualitative approach (Bryman & Bell, 2013, p. 34). However, the authors also explain a mixed methods research which is a combination of quantitative and qualitative methods in the same study (Bryman & Bell, p. 630). One approach within mixed methods is called triangulation and it is used to check the results from one research method against the results that have been obtained from another research method. By combining different research methods the researchers are able to increase the credibility of the study since the results have been checked from multiple methods (Ibid, p. 633-634).

When the relationship between theory and empirical data should be described there are usually two main approaches that can be used, the deductive- and inductive approach. The former approach is the most common to be used within social science. Based on a specific theory, the researcher deduce hypothesis which subsequently are studied empirically in order to test the hypothesis (Bryman & Bell, 2013, p. 31). This approach is also called “theory-first research” (Bell, 2005, p. 101). The latter approach has been called the “theory-after research” which means that the researcher instead of starting with theory develop a theory based on the data that has been collected (Bell, 2005, p. 101). The intention with this thesis is to collect data regarding Swedish managers’ choice of assurance provider of sustainability reports. The intention with this thesis is not to test hypothesis why the inductive approach is considered a better choice. Based on the empirical research we will develop a theoretical framework which main task is to explain the observations based on already existing theories about audit profession, knowledge-intensive firms, independence, competence and legitimacy. By using an inductive approach, we believe that the empirically collected information will reflect the reality in a better way.

2.3 Research Design

This subject came to the authors mind when noticing that 75 percent of the companies listed on large cap use an auditor as assurance provider and only 25 percent use an environmental consultant. The research process started with a thorough literature research within the area of sustainability assurance. The search system LUBsearch was used in order to find relevant articles, journals, theses and books which could enhance the understanding of the subject and provide an understanding about the division of the two providers. The most successful keywords that were used in the search was “sustainability report” or “corporate social report” + “assurance”, “third-party assurance” or “auditor”. Much research has been done both within sustainability issues and assurance. The reason to why companies tend to assure their report has been examined by Moroney, Windsor and Aw (2012), Simnett, Vanstraelen and Fong (2009) and Hodge, Subramaniam and Stewart (2009) as to mention some. The quality of the different assurance providers is also an area that have been examined by several researchers. However, when it comes to the actual choice of the assurance provider, no such articles or journals were found. O’Dwyer and Owen (2005), Deegan, Cooper and Chelly (2006), Moroney, Windsor and Aw (2012), and Junior, Best and Cotter (2014) all suggest future studies in investigating the manager’s choice of assurance provider. Since this seemed to be an unexplored perspective of the assurance area and we had noticed a significant uneven distribution among the providers on the market, the research focus was developed. Our problem definition therefore was to investigate why managers tend to choose the environmental consultant to a significantly lower extent than auditors. The research method includes both qualitative interviews (*Appendix 3-4*) and a web-based questionnaire (*Appendix 5*).

As already mentioned, the thesis include mixed methods where the quantitative research is based on the qualitative research. Primary, qualitative interviews have been conducted with eight companies. Based on the answers provided, a quantitative questionnaire has been developed. By mixing these two methods, we will be able to gather the open-ended responses about the manager’s and assurance provider’s role in the elaboration process (question 3-7) and the choice of assurance provider in their sustainability report (question 8-12) and use these to form a questionnaire with closed answers. Due to the limited time of the thesis it was more time efficient to send out a questionnaire to additional ten companies instead of

conducting more interviews. Consequently, it enabled the researchers to reach out to more respondents registered on large cap. After comparing the respondents' answers with each other in the questionnaire we found that they were similar to each other. The findings were also similar to those in the interviews and we reached a conclusion that there were no noticeable differences between the environmental consultant and the auditor in the way they performed its assurance. Since we could not see any major differences we decided to use this information in the background section instead which enhance the relevance of our study. The thesis instead got the focus to examine the manager's choice of assurance provider. The interview questions 8-12 and question 10 in the questionnaire have formed the empirical research.

2.4 Data collection

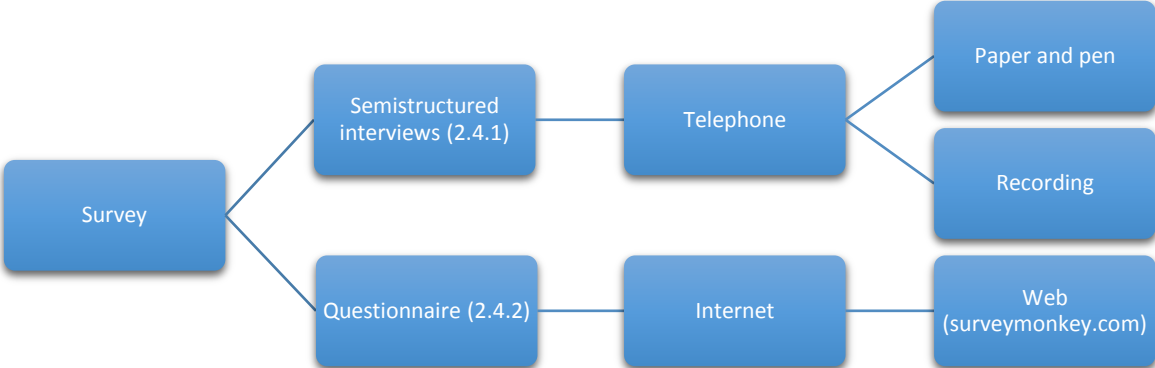


Figure 2. Primary Sources

In a research there are two approaches for collecting data, either through primary sources or secondary (Jacobsen, 2002, p. 208). If the information derives from a source where the researcher itself participated it is a primary source. The thesis includes surveys including qualitative interviews and quantitative questionnaires (Figure 2). A secondary source is based on the primary source and includes literature, research articles, journals and other publications.

2.4.1 Primary source: Qualitative interviews

As mentioned before, qualitative research is more focused on words than quantification in the collection of information. The most common method within the qualitative research is interviews. As this thesis intends to examine and analyze Swedish managers' choice of assurance provider, qualitative interviews will help to gather this kind of information. Qualitative interviews is a common term for unstructured- and semi structured interview. This thesis include eight semi-structured interviews. In a semi-structured interview the interviewer uses an interview guide. This is a guide that the researcher can base its questions on, but not necessarily follow it to the letters. Similarly to unstructured interviews, the interviewer is allowed to ask follow-up questions. The intention with our thesis is to ask a number of respondents the same questions since we do not want to miss out on any important information. However, we want to have the possibility to ask follow-up questions in order to steer the interviewees in a certain direction where the answers can get further developed. Due to this reason, we chose to use the more flexible type of interview, namely semi structured.

The semi structured interviews have been conducted with eight different respondents. These can be divided into two groups where four respondents have a sustainability report assured by an audit firm and four respondents by an environmental consultancy firm. Since there are two different kinds of assurance providers of sustainability reports in Sweden we believe that it is essential to interview companies from both groups. In order to perform all interviews equally we chose to conduct the interviews via telephone. Since companies listed on large cap are well spread over the country it is both a time efficient and cheaper procedure than face-to-face interviews. According to Bryman & Bell (2013, p. 220), this is one of the advantages of telephone interview. However, there are also several disadvantages. When conducting a telephone interview it is important to not have too many questions since there is a risk to tire out the interviewee. By reviewing other students thesis were interviews have been conducted we noticed that approximately 12 questions, including introductory questions, appeared to be 25-30 min which is align with Bryman & Bell's recommended duration (2013, p. 221). Another disadvantage that could affect this thesis is that we cannot reflect on the body language of the interviewee if a question provides a certain reaction, e.g. puzzlement or uncertainty (Ibid, p. 221). The advantages with a telephone interview thus exceed the disadvantages since we are able to reach out to all companies.

The selection of the interview respondents is based on the framework presented in Bryman and Bell (2013, p. 496). Since the number of companies using assurance providers for their sustainability reports in Sweden is quite limited, we started to examine companies on large cap. Since some sustainability reports for fiscal year 2013 still had not been published during the thesis, reports from the fiscal year of 2012 will be considered in the search. We used MS Excel to list all companies on large cap and sorted out those with a sustainability report. Only sustainability reports separated or integrated in the annual report has been taken into consideration. Therefore, sustainability information on respective homepage has not been examined since those are not expected to be assured. The next step was to examine if the companies used an assurance provider and in that case, if this part was an auditor or an environmental consultant (*Appendix 2*). To make this process as efficient as possible we used the web-based search engine, Google, where we used certain keywords which helped us to find the information we were looking for. We made a similar examination for companies listed on midcap but of all listed companies; only two out of eighty had their sustainability assured.

All in all we contacted eight companies from each group to ask if they were interested in getting interviewed. Since only six companies on large cap have their report assured by a consultant we chose to contact all of these companies to be able to at least get four interviews. We also contacted two additional companies that are not listed in order to increase this sample. Of those companies with an auditor providing the assurance, we started by contacting eight of the companies on large cap. If one gave us a negative respond, we contacted another one on the list. Three of the companies, Trelleborg AB, Holmen and SCA were contacted since they have won FAR's competition "best sustainability report" (FAR, 2013). As all big four audit firms provide assurance services our intention was to contact companies using different audit firms to obtain dissemination among them. The first contact with the companies was conducted via e-mail. Our intention was to contact someone that works closely with sustainability issues and have a managerial position. We used the companies' websites to find the e-mail address to the responsible part for sustainability issues and subsequently sent the email to "whom it may concern". For one of the companies no e-mail were available on the homepage why we instead filled out an inquiry form to the person responsible for sustainability matters. Those companies that found the purpose interesting e-mailed back with enquire about the time of the interview.

This was subsequently confirmed either via phone or by e-mail. Five companies replied negatively to be interviewed: SCA, Faberge, Swedbank, AstraZeneca and ABB. The latter two are companies that use environmental assurance providers. In the table below all respondents are presented. Unfortunately the interview with Bostadsgaranti is not used in the thesis since it did not provide any comparable information due to an internal situation in the company.

Respondent	Title	Assurance provider	Interview date	Interview length
Holmen Lars Strömberg	Sustainability Manager	Authorized Auditor: KPMG	2014-04-15	36:17
Trelleborg, Rosman Jahja	Communication Manager	Authorized Auditor: PWC	2014-04-22	29:39
Visit Sweden Åsa Egrelius	Public Affair manager	Consultant: Respect	2014-04-28	26:33
Tieto Christer Mattsson	Head of Quality & Corporate Responsibility	Consultant: Ethos International	2014-04-29	21:04
Stora Enso, Joni Mäkitalo	Director of Global Responsibility	Consultant: Tofuture Oy	2014-04-29	25:19
Billerud, Bengt Brunberg	Sustainability Manager	Authorized Auditor: EY	2014-04-29	33:19
Millicom, Anne Eliasson	Developer of sustainability report	Consultant: Two Tomorrows	2014-04-29	31:27
TeliaSonera Henrik Weinestedt	Sustainability Manager	Authorized Auditor: PWC	2014-05-12	37:34
<i>Bostadsgaranti, Kåre Eriksson</i>	<i>CEO</i>	<i>Consultant: DNV</i>	<i>2014-04-24</i>	<i>35:00</i>

Table 2. Compilation of conducted interviews

As briefly mentioned in an earlier section, an interview guide contains a number of issues that the interviewer plans to get into during the interview (Bryman & Bell, 2013, p. 482). The most essential part in our guide is that the questions will result in information about factors that can explain their choice of assurance provider. We have conducted four interview guides, one each for the two groups of assurance providers, which both are translated into Swedish as well (*Appendix 3-4*). The interview guide is implemented in a similar way with introductory questions at the top, followed by the managers' explanation about the elaboration process of their sustainability report and finally their choice of the third-party assurance. The questions included in the interview guide starts with rather open question where the manager shall explain the elaboration process of the sustainability report and thereafter explain the role of the manager and auditor or consultant. We decided to start with this question since we believe the sustainability report is something the company is proud of and therefore gladly explain the process. The reason to why we in the final section start asking questions about their choice of third-party assurance is that these questions might be sensitive to the managers and we do not want them to feel uncertain in the beginning of the interview. Another advantage of the questions placement is that the manager already has explained the role of the external part, without having the reason to *why* they have chosen that particular party. We believe that it might would have influenced their answers.

2.4.2 Primary source: Quantitative questionnaire

As already mentioned, the questionnaire was based on the answers of the qualitative semi-structured interviews. The questionnaire was created on *SurveyMonkey.com* and the questions were asked in Swedish. The results of question three to seven are mainly used to explain the relevance of study. However, the last question could be used empirically since it provide the thesis with valuable answers about the main reasons behind the managers' choice. In the interview material, the questions regarding managers' choice of assurance provider are more focused on open questions which are no suitable in the questionnaire. This is in line with the disadvantages of questionnaires according to Bryman and Bell (2013, p. 247). After every interview but one was conducted, the questionnaire was sent to additional ten companies on large cap. We made a random selection of companies that had declined to participate due to a limit time schedule and those companies we had not contacted at all. The contact was conducted via e-mail with an informal letter about the purpose of the thesis and that it only

would take five minutes to complete. During the month when the questionnaire was available online, 60 percent of the companies had responded which according to Bryman and Bell (2013, p. 249) is an acceptable response rate.

2.4.3 Secondary source

A secondary source is based on information collected by other researchers. This thesis include qualitative secondary data. According to Jacobsen (2002, p. 210) the researcher should not rely on only one source when discussing a certain area. If two or more researchers have described a situation in a similar way it enhances the credibility of the source. Jacobsen (2002) also states that the source must be evaluated based on the authors perceived knowledge within the area. If sources derive from an institution one must consider the risk of writing in self-interest and if the information can have been distorted (Ibid, p. 210). In order to seek for information to our theoretical framework LUBsearch was used to find relevant articles and Lovisa, Lund University library catalogue, was used to search relevant literature. Keywords that were used in the searching field was mainly "Profession", "Professionalism", "Audit profession", "Assurance provider", "Competence", "Legitimacy", "Credibility" ,"Independence", "Audit" and "Consultant".

2.5 Thesis credibility

In the business research method there are three important criteria that need to be taken into consideration. These are reliability, replication and validity. If the study should comply with the reliability criteria, the findings should be the same if the research was to be performed a second time. This emphasizes the importance of the researcher not being affected by other circumstances during the research. Replication consider the possibility of another researcher replicating the study and the findings of another researcher. This is the case if a researcher consider the findings to be incorrect and. It is therefore essential to describe the research meticulously. Validity is concerned to be the most important criteria. It concerns the assessment of whether the conclusions of the research are aligning with the purpose (Bryman & Bell, 2013).

Whether the findings would be the same if it was to be repeated by another researcher is hard to tell. Considering that the researcher will use the same interview guide one can assume that

the answers would be the same. However, since we have used semi-structured interviews it might be hard to provide the same results. The researchers can thus be said to be reliable since all the interviews were transcribed. We believe that it reduces the risk of interpreting the results in an unreliable way. If the questionnaire was to be sent out once more, the possibility of gaining the same answer is higher since the lack of follow up questions. Another factor that can affect the reliability is that the market for assurance provider is continuously changing which means that a lot of things can happen that might influence the respondents' answers. When conducting a qualitative research it is rather hard to replicate the study since it often is dependent on the researchers' perception and interests. Also, if one company with an environmental consultant as assurance provider was to change to an audit firm, the results would not be the same which makes this study quite hard to replicate. In order to enhance the possibility of replication, all phases of the thesis have been presented in the method.

Finally, the validity in this thesis can be discussed. The selection of the respondents to the interviews and questionnaire were selected carefully to ensure that the right person with sufficient knowledge was chosen. This is although impossible for us to know due to the non-face-to-face interaction. There have also been a lot of interpretations of the material. However we have tried to analyze it in a fair manner. Furthermore, the selection has not been large enough in order to conclude a sufficient generable conclusion which primarily has to do with the limited number of environmental consultants in Sweden in comparison with auditors.

2.6 Source criticism

Initially, we thought that the choice of assurance provider was something that only was considered once, namely when they first got hired. However we have now enhanced our knowledge of the field since we understood that the choice actively takes place every year. Some managers stated in the empirical research that they have considered to change and some stated that they would keep the present provider. After the interviews were transcribed, a compiled version was sent to the manager. We believe that the answers of the managers are reliable since they all got the choice to be referred anonymously but no one were interested. This implies that they account for their answers. Some of the consultants are located in another country and one might assume that they have different rules to comply with. However, all of the environmental consultants mentioned in this thesis use the standard AA1000AS (2008)

which implies that provide their services in a similar way. One might claim that the interview questions are rather open. However this is a deliberate decision since we believe that closed questions would have been way too obvious. Instead we had a discussion among the reason to the choice, the perceived advantages and disadvantages and what they believe the assurance provider contribute with. We believe that the factors that now have been mentioned influence the choice of assurance provider.

When collecting secondary sources it is essential that the researcher consider the credibility of the source (Jacobsen, 2002, p.153). This thesis includes one institutional source which can be critically viewed. In the literature review we referred to an article from the magazine "Balans" published by FAR where Åse Bäckström from KPMG discussed the differences between the standard AA1000AS (2008) and RevR 6. This can be considered a bias source and the information should therefore be taken with some caution. The theoretical framework was developed based on the findings in the empirical research in order to explain the choice of the assurance provider. However, the conclusion of the thesis might be influenced due to the limited researches of the consultancy occupation. Due to the well-established theories of what constitutes an auditor and its properties the findings are less comparable. Instead the theories have been interpreted to form a conclusion. It would have been desirable to compare the findings based on two well-established theories.

2.7 Chapter summary

This chapter has discussed the choice of methodology, research strategy and research design. The choice of using an interpretive research and a mixed method with an inductive approach has been motivated and explained. Information concerning how the authors came up with the topic, how the data was collected and how the findings were analyzed has been thoroughly discussed. The chapter includes a discussion of the use of two different primary sources and the secondary sources. Criticism against the sources have been raised and discussed. Ultimately the authors considered the credibility of the thesis based on a discussion of reliability, replication and validity.

3. Literature review

This section initially gives the reader a brief introduction for whom assurance is for. Subsequently an explanation regarding the different assurance providers used in the thesis is presented. The main focus will be on explaining the international AA1000 Assurance Standard which mainly is used by non-auditors and the Swedish assurance standard RevR 6 which is used by auditors. Subsequently these two standards will be compared.

3.1 Who is the assurance for?

Adams and Evans (2004) claims that an assurance statement should address the following questions: *“Does this report give an account of the company and its performance that readers can rely on?” “Is the report complete, accurate, honest and balanced in its portrayal of the organization?”* (Adams & Evans, 2004, p. 101-102). In their article, they present an argument by the Co-operative Bank in the UK which states that *“the absence of robust assurance process undermines the whole objective of social reporting, which is to build a trust with partners”*. According to Adams and Evans (2004), an auditor is able to ensure that the report is balanced, complete and provides a correct image of the company. Accordingly, this facilitate the stakeholders’ decision making since the audit report enhance the reliability and credibility of the report.

3.2 Third-party assurance standards

In recent years there has been a growth in large firms reporting non-financial information, especially those concerned with environmental and social aspects, i.e. sustainability reports (KPMG, 2013). In 2008 a rule was developed in Sweden which states that all state-owned companies are mandated to have their sustainability report assured by an external part. Nowadays, several companies in the private sector have also decided to use an external third part, in most cases an auditor, to assure its sustainability report (Lennartsson, 2010).

The demand of guidance and standards for assurance and reviews of these reports, by an external part, has seen an increase over the last ten years (Larsson, 2003). Due to the need of credibility by the internal and external stakeholders two relevant globally assurance frameworks have been developed, AA1000AS and the International Standard on Assurance Engagements (ISAE3000). All professional accounting networks have to be compliant with ISAE3000 and only auditors are allowed to use this standard. In addition to these frameworks

several national standards have also emerge. In Sweden, the RevR6, independent assurance of voluntary separate sustainability reports, is used by the CPA's regarding assurance of sustainability reports (KPMG, 2013). According to Bäckström, who is responsible for sustainability services at KPMG and chairman at the working group for sustainable development in FAR, third-party assurance of sustainability information is just like any other audit, in the sense that it is about value creation. However, she states that the reason for assurance differ since some companies assure their sustainability report due to the increased value, while other companies, e.g. state owned companies are obliged by law to do so (Lennartsson, 2010).

3.2.1 AA1000AS

AccountAbility is a leading global organization that set standards for Corporate Responsibilities and Sustainable Development. There are three different AA1000 series of standards; AA1000APS, a framework that help companies to identify, priorities and respond to its sustainability challenges; AA1000SES, a framework that help organizations ensure that their stakeholder engagement processes are purpose driven; and finally AA1000AS which provides the assurance providers of sustainability reports to evaluate the extent to which the organization follows the AccountAbility principles. This is rather unique for the AA1000AS since it is not enough to simply assess the reliability of data (AccountAbility.org A, 2012). The AA1000AS is primarily intended to be used by sustainability assurance practitioners, both non-auditors and auditors (AccountAbiliy.org B, 2012).

AA1000AS was first published in 2003, making it the world's first sustainability assurance standard (AccountAbiliy.org B, 2012). The second edition was issued in 2008 and supersedes all previous versions published by AccountAbility. According to their homepage, the standard is compatible with the methodology of ISAE 3000, which initially was mentioned in this section (AccountAbility.org B, 2012). The aim of AA1000AS (2008) is to *“provide a platform to align the non-financial aspects of sustainability with financial reporting and assurance. It provides a means for assurance providers to go beyond mere verification of data, to evaluate the way reporting organisations manage sustainability, and to reflect the management and resulting performance in its assurance statements.”*(AA1000AS, 2008)

According to our examination of assured sustainability reports on large cap, there were only a few companies that use a consultant as a third-party assurance. Those companies that actually utilized this service has hired consultant firms as Respect, Two tomorrows, Tofuture and Ethos International. All three firms use AA1000AS in their assurance process. Assurance providers must assess the sustainability report based on ten “guidance notes” which include: (1) Materiality, (2) completeness, (3) Responsiveness, (4) Audit evidence, (5) Review report, (6) Certificate of the practitioners’ independence, (7) Certificate of the practitioners’ qualification, (8) Level of assurance, (9) GRI reporting organizations, (10) Investors (Larsson, 2003). AA100AS provides organizations with continues improvement of their sustainability performance (AccountAbility.org B, 2012). There are two different levels of assurance engagement, level 1; a “reasonable assurance engagement”, where the level of assurance is high but not an absolute level of assurance due to limitations of the internal control system and of the assurance process itself; and level 2, a “limited assurance engagement” (AccountAbility.org A, 2012). According to GRI Sustainability Reporting Guidelines, in order to be useful and effective in promoting sustainability assurance, the assurance provider should provide a high level of assurance engagement (GRI, 2011). Providers that use the AA1000AS (2008) for commercial use are mandatory to have a license. In order to get the license all assurance providers in a company must pay a fee of £500 GBP and complete a license agreement which is available on the homepage of AccountAbility. All the environmental consultants mentioned in this thesis are licensed assurance (AccountAbility.org C, 2012).

3.2.2 RevR6

The institute for the Accountancy Profession in Sweden, Far, publishes standards guiding the audit profession. The members of the organization consist of authorized public auditors and other qualified professionals or specialist in the accountancy sector in Sweden, for instance within sustainability reporting (Far, 2013). Far is actively engaged in FEE which is a non-government, non-profit organization promoting sustainable development (FEE.org, n.d.). Globally Far is engaged in IFAC, the global organization for the accountancy profession (IFAC.org, 2014).

Far issues two guidance in the area of sustainability information, RevU5 and RevR 6. The former serves a guidance on the audit of non-financial disclosures in the annual report and the

latter serves as a guidance for an auditor in its assurance engagement in sustainability reporting. The RevR 6, was launched in 2004 which makes it the first national standard in the world providing limited assurance on sustainability reports. In 2006 it was updated in order to become more compliant with ISAE3000. Furthermore, in 2008 RevR 6 was superseded by a translation of The Netherland's national accounting institute standard (Royal NIVRA). In 2013 the RevR 6 was revised once more and it is now an independent standard without any connection to Royal NIVRA (RevR 6). This updated version provides guidance on two different assurance engagement. The auditor could either make a reasonable assurance- or a limited assurance engagement, or a combination of the two, of sustainability reports. (Larsson, 2010). *"The aim of an assurance engagement regarding sustainability report is that the auditor reviews the information disclosed in the report in order to determine if it meets the relevant criteria. The intended users' information needs is central in sustainability report assurance"*(RevR 6, para.3).

3.3 A comparison between AA1000AS and RevR6

In Far's magazine Balans from 2003, Bäckström discusses the comparison between RevR 6 and AA1000AS. According to Lindfors Speace, a CSR expert from Ethos International, states that an AA1000AS statement provides more than an audit report. Bäckström does not agree with this statement but she can understand that a receiver can experience it that way since a lot of the information provided in the audit report is very implicit. All auditor's responsibilities regarding competence requirements, regulatory and professional ethics is implied in the report. *"AA1000AS is not an audit standard which opens up for more operators, auditors, but also sustainability consultants on different levels"*. If an auditor was to conduct an AA1000AS review, they would use RevR 6 (if operating in Sweden) or ISAE3000 as a basis to the assurance assignment. As mentioned earlier there are two assurance levels within AA1000AS. The auditors always conduct a level two assurance since this, in comparison to level one, actually review the sustainability report's content. A level one AA1000AS assurance assignment is rather a compilation of how companies work with the sustainability process. Bäckström would not recommend a company to use an external auditor to a level one assurance since it is better suited for an internal auditor with sustainability focus or an external sustainability consultant. In an AA1000AS engagement there is always a risk of users believing the report has been completely assured but in reality it only has a level one assurance (Larsson, 2003).

3.4 Chapter summary

This chapter gives a brief introduction to the use of an assurance statement which is explained by Adams and Evans (2004). International guidance and standards of assurance have been discussed and three frameworks have been presented, two of which are international and one which is the national framework of Sweden. The main focus of this chapter is to enhance the understanding of the two frameworks discussed, the international AA1000AS and the Swedish framework RevR6. In order to sum up and compare the two frameworks being used in this thesis the authors use an article in the magazine "Balans (2003)" where Bäckström (2003) discusses the comparison between these two.

4. Theoretical Framework

In this chapter theories are presented which seek to enhance the understanding of the two assurance providers. Initially the theory of knowledge-intensive firms and audit profession will be presented. Subsequently theories will be presented based on the identified influential factors found in the empirical research; independence, competence, legitimacy and credibility. Finally, an analytical framework is presented in order to explain the forthcoming analysis.

4.1 Knowledge-intensive firms

Knowledge-intensive firms (KIF) are defined as organizations that provide the market with knowledge or knowledge-based products. The organizations usually have a requirement to simply hire those who hold an academic education and relevant experience (Alvesson, 2004). In comparison to other organizations, KIFs are considered to have high status. Firms within this category are further subdivided into two categories, professional services and R&D firms. Auditors and consultants are among others said to be representative of the former category. The main difference between a professional service and R&D firms is that the former deals with intangible values and the professionals have a direct interaction with its clients, while the R&D firms typically produce a tangible product and the contact with customers most often goes through marketing units (Alvesson, 2004). According to Alvesson (2004) certain criteria could be used in order to tell if a firm is knowledge-intensive. As mentioned above, one of them is the professional services which is explained by that it exist a knowledge asymmetry between the consumer of the service and the producer, i.e. between the client and the professional service part. Knowledge asymmetry occurs when it is hard for a client to evaluate the quality of the professional service. As an effect of knowledge asymmetry the service companies are said to be image sensitive and relation intensive. A client has different approaches to choose from in its selection of service providers and the most common is to choose the company with best reputation. Firms of greater importance usually have an established good reputation among the clients which serves as an explanation to why they are image sensitive. In the provision of professional services, it is important to create long-term relationships in order to create trust. The more complex, knowledge-intensive and intangible the service is, the more important to create a personal relationship between the client and the professional which is called relationship intensity (Alvehus, 2012 p. 25). One alternative to the choice based upon reputation is to select a firm based on the company's own experiences. Another criteria specifically related to KIFs is that it includes a knowledge-worker. These kinds of workers are

usually autonomous in their work and they exercise professional judgment in solving complex and unique problems. The knowledge worker, or firm, usually possess the best insights to a problem area.

As mentioned above, consultants and auditors are representatives of knowledge-intensive firms and workers. What constitutes a consultant will be presented below based on the opinions of Evers and Menkhoff (2004). In addition to KIFs, auditors are also considered to be a part of a profession. This will be further presented in the next section (4.2).

According to Evers and Menkhoff (2004), a consultant is a special kind of expert who acquire, package and sell information and information-based services. They also explain that an expert is a person that has obtained knowledge and is to be considered as a professional knowledge broker. The information and services that consultants sell are considered as superior knowledge. Consultants often work either part time freelance or as an employee at a consultancy firm. The term "consultant" is not protected. Consequently, the term can be interpreted differently and any person can use the term as he or she likes. Hence, it is difficult to estimate how many consultants and consulting firms that exists in different countries and around the world.

4.2 Audit profession

A professional organization, meaning organizations within a profession, could be defined as occupations that have gained exclusivity in handling specific kinds of work tasks (Alvehus, 2012, p. 27). Compliant with this definition is the one given by Abbott (1988) who define profession as "exclusive occupational groups applying somewhat abstract knowledge to particular cases" (Abbott, 1988, p. 8). One of the main reasons to hire a professional worker lies in the absence of a specific knowledge within a firm (Alvehus, 2012, p.20). According to Alvesson (2004) several criteria must be fulfilled in order to be characterized as a profession.

- The education is long and standardized
- A strong professional association regulates its members
- A code of ethics is established in the occupation

- There is a client orientation
- The occupation is socially sanctioned and authorized
- There are criteria for certification

To start with, professional organizations usually have entry requirements in terms of a university or college degree. This results in the first criteria that should be met in order to be called a profession, namely that the *education should be long and standardized* (Alvesson, 2004). In order to become an authorized auditor in Sweden you need to complete a theoretical and practical study for a total of eight years and then pass an examination (RN). As for the clients, this works as a quality guarantee in the sense that the employees meet the requirements which means that they possess a certain kind of knowledge (Alvehus, 2012, p.22). Next criteria is that it should exist *a strong professional association that regulates its members* (Alvesson, 2004). The Swedish auditors are regulated by Far (Faronline, 2013). Furthermore, in order to be called a profession, *a code of ethics* should be established in the occupation. Registered and authorized auditors in Sweden are required by the Audit Act (RevisorsLag, 2001:883) to act in an impartial and independence way (21-22§§). Essential in a professional organization is that there is a *client orientation* (Alvesson, 2004). According to Maister (1993) through Alvesson (2004), face-to-face interaction with clients is a key feature of professional service work. The two final criteria that need to be reached are that the occupation should be socially sanctioned and authorized and that there exist certain criteria for certification. There are different kinds of professions. Some of them have clear standards for certification, as for medical doctors and auditors. The Swedish auditors are required to pass an examination in order to get its certification as a CPA (RN). As for other industries, a certification is not a requirement, e.g. for consultancy firms and architectures. The society expects that the professional worker possess high competence and if this is being abused, the worker could lose its certification (Alvehus, 2012, p.28). Historically, professions such as auditors possess a certain responsibility in comparison to other service providers (Alvesson, 2004). It is hard to draw the line between a profession and a non-profession. According to Alvesson (2004), it might be better to sidestep the problem and use concepts like knowledge-intensive work and knowledge-intensive firm for those who not meet the criteria for a profession, rather than expand the category of profession. Alvesson further claims that this could result in giving the term profession some integrity.

According to Soltani (2007) audit profession could be used to explain why some companies tend to use audit firms while others do not. The theory explains the importance of concepts as audit reputation, audit independence, audit quality control and truthful reporting. The theory of audit profession *“aims to reinforce the profession’s position by enabling it to respond in a more appropriate manner”* (Soltani, 2007, p. 7). The demand for audit services is explained by two hypothesis, the information- and the insurance hypothesis (Soltani, 2007, p. 49). The former includes the stakeholders’ demand of information in the corporate reports. By using an external auditor the financial statements and corporate reports become more credible. Investors use the services provided by the auditors as a mean of improving the quality of the information which in turn is used in their decision making. An audit provided by an auditor reduce the chance of errors and bias which increase the investors’ expectation. The insurance hypothesis define the auditor *“as a guarantor, or insurer, against risk of loss. The auditor will take precautions against personal loss when providing this protection by performing a thorough examination”*. Regulatory forces and governmental agencies require that investors and other users get credible and reliable information from the companies. This hypothesis relates to audit liability as will be mentioned below. Auditor provide assurance to interested parties by having a strong professional position as intermediary between management and the users of the statements. According to the insurance hypothesis a client will choose an auditor who is independent, competent, has a good reputation and is considered an industry specialist (Soltani, 2007, p.52-53).

4.2.1 Audit independence

In order to provide valuable information to a company’s stakeholders the external auditor must be independent. Investors depend on the integrity of audit profession. Consequently, if the auditor not is perceived as independent by the stakeholders, the financial statement will lack credibility (Porter, Simon & Hatherly, 2008 p. 102). Being independent is a way for the accounting profession to demonstrate that the external auditors and the audit firms are performing their tasks in line with the ethical principles integrity and objectivity. In recent years the audit services have expanded which have opened up the question whether the audit firms can maintain their independence when providing other types of services (Soltani, 2007,

p. 185). Since the auditor possess skills and expertise and acquire great knowledge and information about the company they are in a good position to provide the client with non-audit services. A non-audit service could be that the auditor has helped to perform a task which he or she subsequently will audit, a so called self-review threat (Porter, Simon & Hatherly, 2008, p.199). The key is to ensure that these services do not impair the auditor's objectivity (Ibid, p. 197).

According to Soltani, professional auditors are perceived to deliver assurance services of the highest quality. Therefore it is crucial that the auditor acts in a way that is consistent with the reputation of the profession. *"The credibility of auditors' opinions and reports depends, to a great extent, on public belief in the integrity, objectivity and independence of auditors and the quality of their work"* (Soltani, 2007 p. 185).

As mentioned above, the auditor must perform their duties with impartiality and independence due to the Swedish "Audit Act", (Revisorslag 2001:883). Before the auditor accept an engagement he must consider whether there are circumstances that might undermine the confidence (20-21§§). According to O'Dwyer (2011) the success of corporate financial audit derives from the independence of the financial auditor. O'Dwyer also states that it is as crucial for an auditor to be independent in the social audit as it is in their financial audit since it engender trust among stakeholders. Zadek and Raynard (2004) state that a conflict of interest can arise in a financial audit if the auditor previously has carried out consultancy work for instance by giving advice on human resource. However, they also claim that there is a lack of clarity to what this means for the role of sustainability assurance providers since the conflict of interest issue not has been sufficiently addressed. According to Ball, Owen and Gray (2000), auditors tend to be more associated with independent verification compared to other assurance providers, e.g. environmental consultants. This, since consultants tend to provide more advising services and recommendations beyond the assurance services as well.

4.2.2 The development of the audit profession into new areas

According to O'Dwyer (2001), accounting firms are competitive businesses seeking to penetrate and expand into new markets of business services in order to survive. Power (1996; 1999) has found that audit practitioners make new subject areas auditable, i.e. make it possible

to audit new area. As new audit objective emerge, the traditional auditing practices continually need to comply with these new experiences. Technologies that are being used in the traditional audit can influence the new audit practice in a way that it align with existing professional competencies. For instance, the overall goal of discovering and preventing fraud highlights how available technologies might shape the audit firm. The auditors have historically succeeded to transfer into new audit areas. By claiming that their aim were to produce and promote portable, context-free sets of “good” audit practices they were accepted to these new areas. According to Power (1996) this has allowed the auditors to claim their expertise in other areas as well outside the financial auditing. If the audit practices and competencies seem to be deficient they might need to redefine to align with their existing audit competencies. Big four accounting firms have a dominant position in the global market due to the size of their firms, their competencies and reputation. Additionally, as the International Integrated Reporting Committee’s (IIRC’s) continue to develop integrated reporting, the audit firms will get an even greater part of the market since the reporters will be more likely to use their existing big four financial auditors to provide assurance on both reports. Power (1997) claims that environmental auditing requires a multidisciplinary approach, which means that the audit team must have an appropriate mix of skills and knowledge (Ibid, 1997).

4.3 Knowledge and competence

4.3.1 Auditor

According to Flint (1988) the first requirement for the authority of auditors is competence. This in turn requires both knowledge and skill which derive from education, training and experience. The audit process demands an intellectual and trained mind in order to exercise judgment in a complex organization. They need to possess knowledge within accounting, statistics, computing and information systems, business economic, law and the principles of government, as to mention some. Without this knowledge, the auditor do not possess the necessary competence to make a certified judgment to the audit objective. In his book, competence is said to be the underlying factor to confidence. According to Flint (1998, p. 48-50) the auditor is perceived to have the sufficient knowledge to carry out the audit competently.

According to Adams and Evans (2004) assurance providers must be competent in order to provide assurance engagement. They believe that it is most essential to possess knowledge about the principles of assurance provision, knowledge about the audit evidence and sampling techniques and an understanding of the business sector to provide a sufficient assurance service. Assurance providers tend to have different kinds of strength in different areas of expertise. Professional auditors and environmental consultants follow an approach that is similar to the financial audit practice. It is hard to tell what makes a good assurer since they all possess different competencies. The range of competencies varies according to the assurance focus and the type of assurance provided (Zadek and Raynard, 2004). The authors present three different competencies in their report; technical competencies and orientation; substantive/content competencies; and process competencies. The first competence is specific to the big four audit firms. It includes a general assurance competency, e.g. in collecting and checking data and the understanding of the role and responsibilities of assurance. There are usually two risk-based approaches within this competence. The auditor could either simply focus on the material aspects of performance data, or check all the data presented. The second competence mentioned in their report, states the importance to understand the social, scientific, economic and industrial issues related to the company's business. This is a much more complex issue containing higher risk since much comes down to the judgment of the assurer. Finally, the last competence is a characteristic of the consultant, why this will be explained in the next section. According to Zadek and Raynard (2004), no single individual or organization possess all the necessary competencies in an assurance assignment that will provide all stakeholders with sufficient credible information.

4.3.2 Consultants

According to Fincham et al. (2008), the kind of knowledge that consultants and the consulting industry possess and supply is hard to define. Consultants and consulting firms can "consult" within different areas and over a range of different activities, and since consulting is not circumscribed unlike some professional occupations, there are different images of what knowledge consultants possess. Alvesson (1993) states that invisible assets such as knowledge are mainly created, maintained, developed and communicated through external relationships. He further states that the best way to indicate that a knowledge-intensive firm possess valuable knowledge to offer is to have prestigious costumers or partners, which in turn are known for

their knowledge. This sends signals to the environment that the knowledge-intensive firm has advanced knowledge. However, only people within the organizations can evaluate who actually possess advanced knowledge. Regarding sustainability assurance, Zadek and Raynard (2004) states that consultants active within sustainability assurance often possess process competencies in terms of identifying and communicating with stakeholders, assessing the quality of responsiveness and completeness and of being able to determine materiality. Regarding process competencies, consultants have an advantage compared to the big four audit firms, according to Zadek and Raynard (2004).

4.4 Legitimacy and credibility

Legitimacy theory relies on the idea that there is a social contract between organizations and the societies in which the companies operate in. A social contract consist of bounds and norms in which a company must operate in order to be perceived as “legitimate” by the society. It is important to stress that it is not the actual conduct of a company that is important, but what society knows or perceives. Furthermore, a social contract is complex and difficult to define. It can change over time as society’s opinions and expectations may vary or change over time. Within legitimacy theory, it is assumed that a society only allows a company to continue to operate as long as it complies with the social contract. Consequently, if a company fails to comply with the social expectations and thereby the social contract, the company may face sanction from the society. Possible sanctions may be legal restrictions, reduced demand of the products or services that the company supplies and limited or reduced resources such as labor and financial capital (Deegan, 2009, p. 323-325). Hence, it is considered within legitimacy theory that legitimacy is an essential resource for companies in order to survive (O’Donovan, 2002).

According to Legitimacy theory, managers, which consider legitimacy to be a vital resource for their company and its survival, will pursue strategies that will supply the company with legitimacy. However, as mentioned above, a social contract is complex and difficult to define. Hence, different managers will use different perceptions of how the social contract is designed and what the society expects. Some managers may choose different strategies and elect to do things different compared to other managers (Deegan, 2009, p. 324). Strategies may for

example include different targeted disclosures (Olivier, 1991). Since the demand of corporate responsibility has increased significantly over the last decades, disclosures related to sustainability reporting have become an important tool to gain and maintain legitimacy (Deegan, 2009, p. 333). Other examples of strategies may include collaborations with other parties, which are perceived by society to be legitimate. By doing so, the “legitimate” party may provide legitimacy to the company, called “legitimacy by association”. For example, Starbuck (1992) states that many companies hire experts, e.g. consultants and auditors mainly in order to obtain legitimacy. Furthermore, Adams and Evans (2004) state that the legitimacy of the assurance provider can be upheld on moral or even legal grounds.

4.4.1 Auditor

Stakeholders are influenced by the quality of information disclosed by a company. The shortfall between the information the decision-maker actually possess and the information they expect to have, in order to make a decision, is called an expectation gap (Soltani, 2007, p. 473). Regarding the audience of the sustainability report it differs from the financial audit report since the former is prepared for a broad range of stakeholders with different competing interest whilst the latter primarily focuses on the shareholders. This implies that the expectation gap increases in a sustainability report (Adams & Evens 2004). An independent auditor can fill this expectation gap by stating that the financial report is free from material misstatements and thereby lend credibility to those documents that are used in the investors’ decision-making. An auditor is hired in order to decrease the uncertainty of the corporate reports. If all stakeholders already relied on all information disclosed by a company, there would be no need for an auditor (Soltani, 2007, p. 473). However, a statement provided by an auditor is not equal to a report free from all unforeseen events that might lead to corporate failures even though the auditor have collected and monitored the information. *“Auditor liability is related to an appropriate set of liabilities and disciplinary procedures for auditors that fail to properly report upon the true financial health of the company”* (Soltani, 2007, p. 474).

Economic and legal mechanism are essential in order to regulate the auditor’s role in market economy and it is also required for the capital markets to function. Auditors are therefore accountable in law for their professional conduct. The public need to know that the assurance the auditor give is appropriate and credible. A litigation against an audit firm, if the auditor has

abused its role, can both lead to damages payments but it can also damage its reputation for quality, or in worst case - force the auditor out of the market (Soltani, 2007, p. 474).

4.4.2 Consultant

According to Evers & Menkhoff (2004), consultants, and other experts, have a legitimizing function. Through their expert knowledge, consultants allow different kinds of stakeholders to make decisions based on the reports that the consultants have assured and prepared, rather than on their own knowledge. Furthermore, Evers & Menkhoff (2004) argues that larger well-known consultants and consulting firms have higher legitimacy compared to smaller and less prominent consultants and consulting firms. Hence, it is easier for large well-known consultants and consulting firms to convince a client that they possess sufficient knowledge to provide a specific service.

4.5 Analytical framework

The analytical framework as can be seen in figure 3 illustrates how the different sections of the thesis collaborate. This in turn facilitates the understanding of how the sections will be used in the forthcoming analysis. The figure is designed as a process where the empirical findings form the theoretical framework. The oval figure at the top contain factors as competence, independence, legitimacy and development of audit profession and they all derive from the empirical findings in chapter 5. Thus, the primary theories that will be used in the analysis is competence, presented by Flint (1988) and Adams and Evans (2004), independence, presented by Soltani (2007) Porter, Simons and Hatherly (2008) and O'Dwyer (2009), legitimacy, presented by Deegan (2009) and the audit expansion into new areas, presented by Power (1996;1997;1999). By analyzing the empirical findings together with the theoretical framework the authors seek to find an explanation for the underlying factors that influence the manager's choice of using one assurance provider over the other. This is illustrated in the figure as the arrow emanating from the theoretical oval figure to the oval figure at the bottom. In cases when the theory is insufficient to explain a specific matter, the two standards AA1000AS (2008) and RevR 6 have been used as a complement source in order to explain the choice of assurance provider. The analytical framework presents how the empirical and

theoretical information interrelates which will help to enhance the understanding of the analysis which subsequently will form a conclusion.

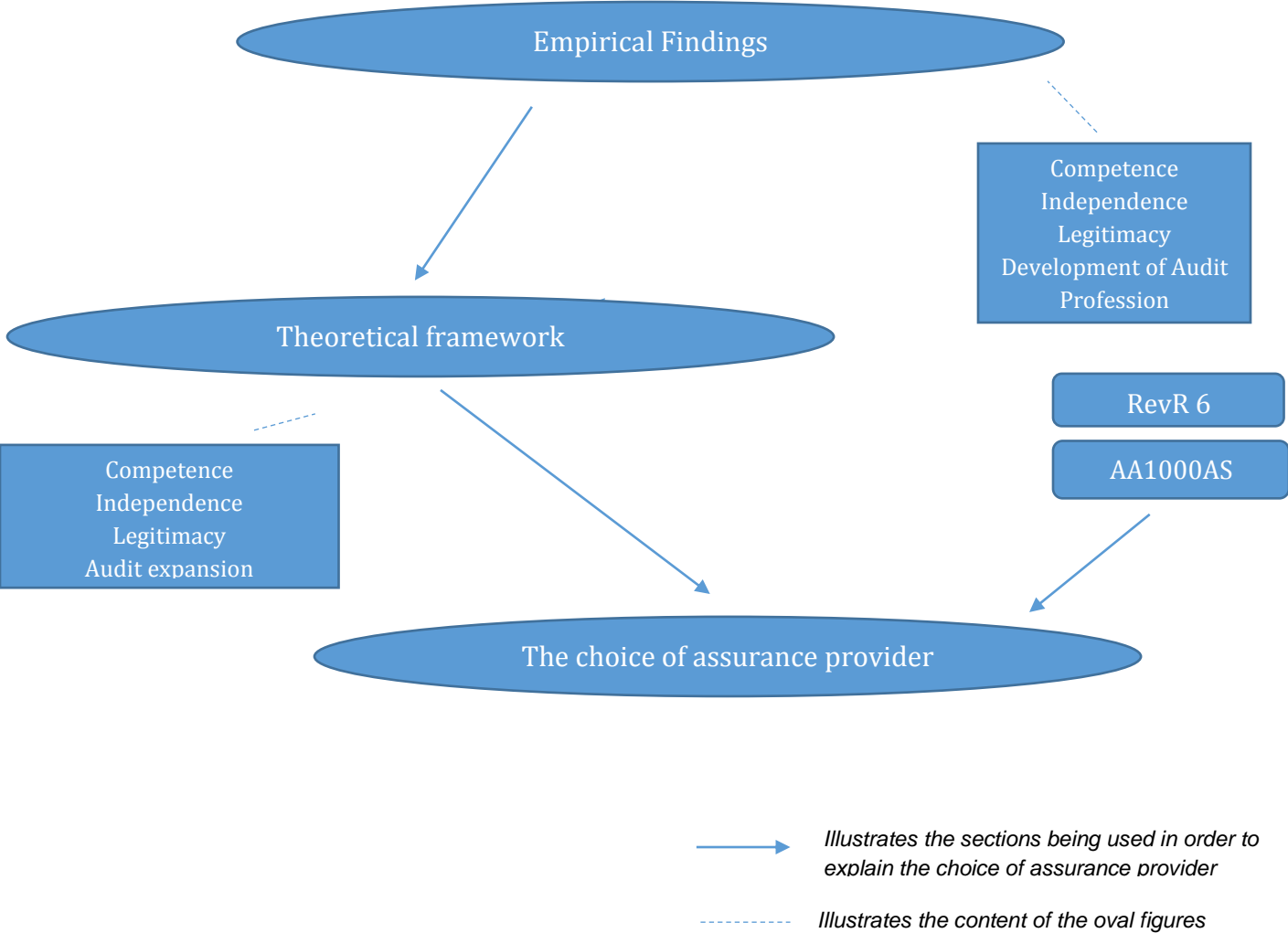


Figure 3. Analytical framework

4.6 Chapter summary

This chapter has discussed the theoretical framework which partly is based on the empirical findings in chapter 5. The theory of knowledge-intensive firms, presented by Alvesson (2004) has been used to explain the main characters of being knowledge intensive, which both consultants and auditors fit into. The profession theory has been used to explain occupations within a profession, most specifically audit profession, by presenting specific criteria that must be fulfilled. Each criteria subsequently is being discussed by referring to sources about auditors in Sweden. Within the audit profession independence has a crucial position why it was discussed and explained based on opinions of different authors. The following theories of knowledge and competence and legitimacy and credibility are initially discussed overall, followed by a more detailed discussion for each of the two assurance providers. Finally the chapter is summed up in an analytical framework which illustrates how the different sections of the thesis collaborate.

5. Empirical research

In this chapter the empirical findings are presented. The companies are presented under two main headings based on their assurance provider which subsequently is divided into eight sub headings. Their responses are based on the semi-structured interviews. Finally, citations from the last question in the questionnaire will be presented.

5.1 Companies assured by an auditor

5.1.1 Holmen

Holmen is a forest industry group that manufactures paperboard, sawn timber and printing paper and also has operations within forestry and energy production. The group has five production plants in Sweden and one in both UK and Spain (Holmen A, n.d). In 2012 the net sales were approximately SEK 17.8 billion and the average number of employees were 3900 (Holmen B, n.d). In the telephone interview we spoke to Lars Strömberg, the sustainability manager. He has been responsible for the environment- and sustainability report in Holmen since 2001. Since 2004, Holmen has reported an integrated report in their annual report. The fiscal year 2009 was the year time the company used an individual third-party assurance and they use the same auditor as those who audit the financial reports.

The reason of the company's choice of assurance provider

According to Strömberg, the main reason to why Holmen started to use an assurance provider was due to their choice of having an integrated report. By doing this, they were required to have their sustainability report assured by an external third part. Strömberg told us that they never have been in a situation where they had to consider *in what way* they should proceed to get the report assured by a third party. *"In this case, KPMG was the auditor of the financial report and it was then obvious that the sustainability team at KPMG also was commissioned to review the sustainability report"*. Consequently, Holmen never thought it was necessary to engage another part in this kind of work

Perceived advantages and disadvantages with the assurance provider

According to Strömberg it is a strength to be able to use sustainability experts from the same audit firm as audits the financial report since they already possess the knowledge of the

company. He explains that when Holmen is about to change the auditor, he hopes that the next audit firm also will possess expert knowledge within sustainability.

Strömberg could not mention any disadvantages of having an auditor as a third-party assurance. *"For us, it is not conceivable to involve another consultant in this process"*.

Assurance provider's contribution to the report.

Strömberg tells us that the auditors definitely have contributed to the sustainability process, particularly in terms of inputs on how the company can improve their reporting routines. For instance, the way Holmen gather information on the environment and employees. Since the inherent risk of errors in the information gathering process, the auditors can provide assistance in finding these errors which enables Holmen to correct it until the next year. According to Strömberg: *"There is a strength to be able to show up certificates on the management system, energy figures, climate, environment data and health and safety and so on. It is a strength to be able to show that there is orderliness in the organization, but also in the way that we present the report, for the external reader"*

5.1.2 Trelleborg AB

Trelleborg AB is a world leading industry group within polymer technology. The group operates in more than 40 countries. In 2012 the net sales were approximately 21.2 billion SEK and the average number of employees worldwide were 15.500 (Trelleborg, 2014). In the telephone interview we spoke to Rosman Jahja, the communication manager. He has been responsible for all sustainability communication and internal communication for seven years. Since 2006 Trelleborg has used an audit firm as their assurance provider for their sustainability report. The audit firm also audits the financial report in Trelleborg.

The reason of the company's choice of assurance provider

According to Jahja, the reason for Trelleborg to assure their report was to show their stakeholders that they are serious with their report and that it is as credible as their financial report. Their ambition is to have a credible and correct report and by using an assurance provider Jahja believes that the credibility increases. *"Since we were looking for credibility we wanted to have an auditor who was perceived to be credible and by that I mean, first and*

foremost a financial auditor, even though its experience within sustainability assurance not has been very long". Furthermore he states that there is a certain point of having the same audit firms as they use in the financial reports since the auditors already possess the necessary knowledge about the company which they can utilize in the sustainability assurance process.

Perceived advantages and disadvantages with the assurance provider

By using an independent auditor Trelleborg show their stakeholders that the sustainability report is a serious process. If the auditor was allowed to perform as much consultant services as audit services, Jahja believes that the auditor's impartiality would be questioned. *"I don't think that you can escape the stakeholders' suspicion that the assurance statement is not credible, even though it looks very believable on the surface, if companies bring in consultants that they have good relationships with".*

In Trelleborg, they have had an internal discussion whether to change the auditor to an environmental consultant an assurance provider instead. This, since using an auditor is a more expensive process in comparison to an environmental consultant. Jahja states *"it might be cheaper but what do we get in the end if being assured by a consultant not is perceived as legitimate as being assured by an auditor".* Hence, as they initially decided, Trelleborg has chosen to let their current auditors keep on with the assurance of the sustainability report. In addition, Jahja did not mention any further disadvantages regarding using an auditor as their assurance provider.

Assurance provider's contribution to the report

The auditors provide the company with help to find deficiencies in the report which then can be improved to next year's sustainability report. Another factor that is an important contribution is that the auditors possess understanding of the regulatory requirements, i.e. the meaning of the requirements in GRI G3 and G4.

5.1.3 Billereud Korsnäs

BillerudKorsnäs is a Swedish company, operating and leading within renewable packaging. The company was founded in 2012 when the two Swedish companies Billerud and Korsnäs merged. BillerudKorsnäs' net sales is approximately SEK 20 billion each year and the company has

approximately 4 300 employees. BillerudKorsnäs has eight production units and sales offices in around ten countries. Its operations reach to the European market and other emerging markets (Billerud, 2012). In the telephone interview we spoke to Bengt Brunberg who is head of sustainability at BillerudKorsnäs. Before the merger, Brunberg worked as head of environment for ten years at Korsnäs. BillerudKorsnäs uses the same audit firm as their assurance provider as they use for their financial report.

The reason of the company's choice of assurance provider

According to Brunberg, the reason why BillerudKorsnäs chose an auditor as assurance provider has to do with credibility. BillerudKorsnäs has developed a strategy for sustainability reporting which include credibility as an important factor. Another important factor, according to Brunberg, is transparency. *"We want to be transparent about our reporting so that the users relies on the reported data."* Furthermore, Brunberg states that BillerudKorsnäs never has considered using an environmental consultant as assurance provider since the company wants clear definitions between what assignments consultants provide and what assignments auditors provide.

Perceived advantages and disadvantages with the assurance provider

Brunberg believes that environmental consultant can provide high-level credibility to a sustainability report, but that an auditor provides even more credibility than what an environmental consultant does. Brunberg further believes that it is positive that there is clear different of what services consultants provide and what services that the auditors provide. A disadvantage that Brunberg identifies with using an auditor instead of an environmental consultant is that there is a lack of guidance for the company during the process, which can make the process complicated and very diligently.

Assurance provider's contribution to the report

By having the sustainability report assured, Brunberg argues that the company learns a lot, which they probably would not have done if they did not assure the sustainability report. By using an assurance provider, several improvements are made connected to the report. Brunberg further states that the auditor contributes to GRI being interpreted correctly, which

enhance comparability. “Of course, the auditor also contribute by providing credibility to the report”, Brunberg adds.

5.1.4 Telia Sonera

TeliaSonera is a Nordic telephone company and mobile network operator. They offer services in the Nordic and Baltic countries but also in the emerging markets of Eurasia, including Russia, Turkey and in Spain. In 2012 their net sales were SEK 10.5 billion and their average employees were 27.800 (TeliaSonera, n.d.). In our telephone interview we talked to Henrik Weinestedt, who works as a Sustainability Manager. He has worked at TeliaSonera since 2013. The company has used PwC as assurance provider for two years. They also use PwC for their financial audit.

The reason of the company’s choice of assurance provider

Weinestedt states that TeliaSonera decided to use the same audit firm as they already used in their financial report. According to Weinestedt, having the same service provider of both the financial and the sustainability report has its advantages since they already know the client.

Perceived advantages and disadvantages with the assurance provider

Since TeliaSonera is a major company Weinestedt states that it is important to not be dependent on one single person in the assurance firm. If the assurance provider in a smaller consultancy firm would be sick for a month, it could result in a failure of the assurance statement. *“Generally, it is better to have larger partner to ensure that the work will move forward”.*

According to Weinestedt, another advantage is expressed in the legitimacy perspective. Weinestedt believes that it is easier to get colleagues to listen when they are telling them that an auditor will come to visit than it would have been if it was a consultant. *“Unfortunately that is how it works in many cases that you need to explain why we are using an assurance practitioner. Of course it is more legitimate when an auditor come to visit since not many are aware of the consultants”.* Consequently, by using an auditor Weinestedt believes that you will

overcome the legitimacy issue since they do not need to explain the purpose of the auditors' task. Furthermore, Weinestedt claims that the auditors are perceived to be more legitimate. Especially for people that do not have as much knowledge within the area. *"It doesn't necessarily mean that the auditors are better assurance providers. Absolutely not. But purely on the surface I believe that it's better if it is signed by [the name of the audit firm]"*.

Weinestedt believes that the biggest disadvantage by using an auditor is if you will get someone who do not possess the sufficient knowledge in sustainability, i.e., a financial auditor. A financial auditor do not handle their task in the same way as an auditor that assure sustainability reports since a lot of data is hard to obtain. *"I know that PWC, KPMG, EY and surely also Deloitte have teams specialized in sustainability questions. So I believe that the audit firms have solved this issue themselves. But I think that it's one of the risks of having an auditor"*. Weinestedt additionally states that the environmental consultants are sustainability consultant from the start which means that they possess sufficient knowledge within this area. He further states, that the standard AA1000AS that is used by consultants has a more relevant focus from a sustainability perspective. The standard focuses more on materiality and the stakeholders. In comparison, Weinestedt believes that AA1000AS is a better suited standard than RevR6 in order to make a good assurance statement. In the end, this only matters if the reader of the sustainability report notice the difference between the two assurance standards.

Assurance provider's contribution to the report

Weinestedt believes that the auditor provides the sustainability report with credibility. *"A third-party assurance is in itself of course very good externally in order to show that an external part has reviewed the report and then it is obviously so that it gives a high degree of legitimacy that we can show that a recognized audit firm has reviewed our figures."* Subsequently, Weinestedt also believes that if the company do not possess enough knowledge or experience within the sustainability area, both an auditor and a consultant could help in the process. *"I especially believe that if you have a third-party assurance that is competent and process focused they will be able to provide you with advice and findings that can help improve the process until next year"*.

5.2 Companies with consultant as assurance provider

5.2.1 Millicom

Millicom International Cellular SA is a leading international telecommunications and media company dedicated to emerging markets in Latin America and Africa. The company operates in 15 countries and employs more than 10.000 people. In 2012 the net sales were \$4.814 billion (Millicom, 2014). In our telephone interview we talked to Anne Eliasson, the developer of the sustainability report for the fiscal year of 2013. Millicom has used the environmental consultant “Two Tomorrow” as their assurance provider since the fiscal year 2012.

The reason of the company’s choice of assurance provider

Millicom started to use an assurance practitioner in order to be perceived as more credible by the stakeholders. In 2012, Millicom signed a two year contract with Two Tomorrows which is a part of DNV. Eliasson tells us that there are two reason for why Millicom has chosen to use an environmental consultant as their assurance provider. The first reason is that the consultants are using the standard AA1000AS which according to Millicom provide the stakeholders with more information in the assurance report than the standard that the auditors use. The consultants’ statement says a bit more than “*we haven’t find anything that makes us suspicious that something is not right*”. Eliasson believes that it is important to ensure that the consultant uses an established standard in order to maintain credibility among the stakeholders. The second reason of using a consultant according to Eliasson is that they provide services that are a bit cheaper than the services provided by the big four audit firms.

Perceived advantages and disadvantages with the assurance provider

Eliasson believes that one advantage of using a consultant is that they work in a smaller firm than the auditors which enable them to be more service minded. However Eliasson further states that there could be some disadvantage by using a consultancy firm as well, in terms of them possessing fewer resources than a firm with many clients. This could have had an impact on the total time you are able to provide a client. Another disadvantage that Eliasson mentions is that stakeholders might perceive the consultants as less credible in comparison to the auditors. If that is the case it could affect the entire process and the main purpose with using an assurance practitioner disappears.

Assurance provider's contribution to the report

Eliasson believes that the consultant contribute with a lot of things during the assurance process of the sustainability report. The main contribution is that they do a quality check on the work performed by the employees responsible for the sustainability report. Since Millicom only have a few people working within this are, it is easy that something goes wrong. A consultant can prevent these errors by reviewing the figures to detect misstatements.

5.2.2 Stora Enso

Stora Enso operates within the paper, biomaterials, wood products and packaging industry. The company is listed both on NASDAQ OMX Helsinki and Stockholm. In 2012, their net sales were EUR 10.8 million. Stora Enso have approximately 28.000 employees spread in more than 35 countries (Stora Enso, n.d). In the telephone interview we talked to Joni Mäkitalo who works as the Director of Global Responsibility. The company uses Tofuture, an environmental consultant firm, as their assurance provider and their report has been assured in since 2008.

The reason of the company's choice of assurance provider

Mäkitalo states that by using an independent third party assurance the value increases. *"It help us to really communicate that relevant material sustainability so that kind of process based on their external framework, so to say, AA1000 is kind of a quality stamp and quality process and quality guarantee for our reporting and that kind"*.

Mäkitalo further tells us that he does not see the difference between the two assurance providers. According to Mäkitalo the consultants are more like auditors since they use AA1000AS license. This external license is the key to why Stora Enso use consultants who are specialized in sustainability issues. *"If the audit assignment would come from one of this big accounting company I really don't see a difference in that sense that Tofuture has been able to provide kind of an auditing service most of all, not a consultant service"*. Mäkitalo believes that it is a question of definition and that the key for all authorized assurance providers is to follow a recognized external framework, in this kind of assignment.

Perceived advantages and disadvantages with the assurance provider

According to Mäkitalo, there is a competition issue between the two assurance providers. Mäkitalo states that large accounting firms have better networks, they are more international and they have more resources to their processes. However, Mäkitalo tells us that Tofuture have been forerunners on this field especially in Finland and Europe and they have participated in the development of GRI since the beginning. This shows that they have mature and established processes. Mäkitalo further states that it is also a credibility question. The two providers have both pros and cons. *“I really say there are differences but at the end of the day, it’s individuals you are working with”.*

Mäkitalo cannot tell us what he believes are the disadvantages by using a consultant in comparison to an auditor. *“I don’t fully agree with the theology which is a consultant which is an auditor. I cannot comment on this kind of competition issues between two assurance providers”*

3. Assurance provider’s contribution to the report.

Mäkitalo did not give any additional information to the assurance provider’s contribution to the report.

5.2.3 Tieto

Tieto is the largest IT services company in Scandinavia. Through its product development business and its delivery centers, Tieto has a global presence. In 2012, the company had net sales of EUR 1671,3 million and 14 699 employees (Tieto, n.d.). Moreover, Tieto is a ‘organizational stakeholder of the GRI’ and an early adopter of GRI G4 in Scandinavia. Tieto uses PwC as their financial auditors and Ethos International as assurance providers for their sustainability report.

A telephone interview was conducted with Christer Mattsson, who is responsible for quality, process and corporate social responsibility on corporate group level at Tieto. Mattson is the legal owner of Tieto’s sustainability report. He is also a participant in all the control groups associated with the sustainability report and involved in every step from the production to the review of the report.

The reason of the company's choice of assurance provider

Mattsson states that the reasons to why they chose Ethos International to assure their sustainability report are that Ethos International has high competence within this area and a clear profile of what they do. *"It would have been possible to choose one of the big-4, but we have chosen to use Ethos International as they are really focused in this area"*, Mattsson states.

Mattsson further states that there have been discussions within Tieto regarding whether to use an auditor instead of an environmental consultant, but the conclusion has been that there are no incentives to change assurance provider as long as everything works well. Mattsson claims that *"as long as it provides a value for us, our customers, our owners and our employees, we will continue [using the present assurance provider]"*. Furthermore, he states that Tieto has never viewed the choice of a third party assurer as a choice between either an auditor or a consultant. Instead, the choice has been about what assurance provider that is considered to be the most appropriate and suitable for Tieto. However if Tieto starts using the "Triple Bottom Line"-concept in the future [integrated reporting], they might consider using an auditor to audit and assure all three aspects.

Perceived advantages and disadvantages with the assurance provider

Mattsson experience that auditors and environmental consultants are quite similar within the sustainability assurance area. However, he believes that auditors are more focused on reporting compared to the environmental consultants, and that environmental consultants are more consultative than auditors. Regarding legitimacy, Mattsson states that he does not know if he considers that one of the parties can provide more legitimacy than the other.

Assurance provider's contribution to the report

According to Mattsson, the environmental consultant helps Tieto to ensure that the right data is reported, that the reported data and information is correct and that the report is credible. The environmental consultant also makes sure that the sustainability report creates value for Tieto, its stakeholders and the environment. *"We have far more CR-activities than what is demanded from us, and it is important for us to be able to highlight the values that it creates"*, Mattsson states.

5.2.4 Visit Sweden

Visit Sweden is a Swedish communication company and is equally owned by the government through the Ministry of Industry (Näringsdepartementet) and Swedish Tourism AB, which in turn is owned by the collective Swedish hospitality industry. The main purpose of the company is to promote Sweden internationally. In 2012 the net sales were SEK 281.8 million and the employees amounted to 88 (VisitSweden, n.d.). In the telephone interview we talked to Åsa Egrelius. Her position is public affair manager and she is responsible for the production of the sustainability report. Visit Sweden uses a consultant as their assurance provider and they have had assured reports since 2009.

The reason of the company's choice of assurance provider

Since Visit Sweden is a state owned company they are mandated to assure their sustainability report. Egrelius believes that even though the company's field of activities do not lie within sustainable development, the report is perceived as a quality part. Hence it is also important to have an external assurance provider which can give comments and suggestions of what is good and what can be improved in the future.

The reason to why Visit Sweden chose an environmental consultant as their assurance provider, according to Egrelius, is that they possess great credibility to the report and the auditors have not worked as sustainability experts as long as the consultants. According to Egrelius, the company might consider to change the assurance provider to an auditor if they decide to integrate its sustainability report with the annual report. In that case they would choose the same auditor as the financial auditor. Egrelius further states that it might be good to change the assurance provider in order to see if the quality would change, either for the better or for worse.

Perceived advantages and disadvantages with the assurance provider

Egrelius tells us that the consultant possessed more competence before than now which makes it less advantageous for the consultants now a days. She claims that the auditors are expanding their market and are more available today when companies want to assure their sustainability report. It seems like the audit profession has understood that this is a great market to act in. Furthermore, Egrelius raises the issue that it might be tougher for the consultants in the future to remain within this working area if the way to report gets more standardized. In that case

Egrelius assumes that it is better that all companies use the same assurance providers, namely the auditor. Egrelius believes that the legitimacy increases if a company use an auditor. However, it all depends on how the consultants react. They may possess a lot of knowledge which the auditors are not allowed to have since they are not able to use it as advice. The two assurance providers have different focus, according to Egrelius.

Assurance provider's contribution to the report

Egrelius believes that the consultants contribute with quality. Since Visit Sweden do not work daily with sustainability reports, the consultants transfer knowledge to the company. Egrelius tells us that the consultant give input of where the company can look and how they can compare different figures.

5.3 Questionnaire

In the questionnaire we send out to additional ten listed companies in Sweden, we provided six answers. Among the respondents, one company use an environmental consultant as its assurance part and the remaining use an auditor from an audit firm. We will present the last question of the questionnaire since this is the only one that can contribute to the purpose of the thesis. The answers below are cited directly from the survey.

What is the main reason to your choice of using either an environmental consultant or an auditor as your assurance provider in your sustainability report?

“It increases the credibility”

“Assurance engagement by an auditing firm demonstrates transparency of our process and confirms company data and information”

“The assurance provider verifies the GRI index that we have presented in a table. They contribute with quality assurance which is necessary for the credibility. They also give us feedback in order to enhance the credibility”

“They contribute with credibility and an analysis of our internal processes in order to improve these. It gives us an internal strength to be able to improve our reporting processes with this external feedback and recommendations”

“In order to facilitate for our external stakeholders when they provide quality assurance of our report. In addition to the external audit assurance, our management have also signed the sustainability report. “

“In order to get an opinion that the GRI index we have decided upon completely or partially is compliant with the requirements of GRI. “

5.4 Chapter summary

This chapter summarizes the eight interviews conducted with four companies using an environmental consultant as their assurance provider and four companies using an auditor. In the empirical findings different factors have been mentioned as more or less important in the manager’s choice of assurance provider. In order to expand the range of respondents a questionnaire was also prepared which is summarized in this chapter. In the following chapter, the findings will be explained further. The way the interviews and the questionnaire were conducted is further explained in the methodology chapter.

6. Analysis

In this chapter, factors identified in the empirical research that may influence managers' choice of assurance provider will be presented. After being presented, the way that the factors may influence the choice will be discussed by using theories presented in the theoretical framework regarding legitimacy, competence, independence and the development of the audit profession.

Through the eight conducted interviews presented in the empirical chapter, it is possible to identify a number of factors, which have been mentioned and emphasized by the managers. The managers have mention the factors as response to questions regarding why they initially chose to use the current assurance provider, what they perceive to be the advantages and disadvantages with the current assurance provider, and what they perceive to be the current assurance provider's contributions to the report. Consequently, the factors that have been mentioned can be said to reflect the managers' perceptions of what factors that are important to take in consideration when choosing an external assurance provider. The identified factors can hence be said to affect the managers' choice when choosing an external assurance provider. In the two tables below, the identified factors are compiled. The first table shows the factors considered to be important for companies using an auditor as assurance provider and the second table presents the answers of companies with an environmental consultant as assurance provider.

<i>Auditor</i>					
	Holmen	Trelleborg	TeliaSonera	Billerud	Summation
Competence					
<i>Company knowledge</i>	x	x	x		3
<i>Sustainability knowledge</i>	x	x		x	3
Independence		x		x	2
Legitimacy		x	x	x	3
<i>Credibility</i>	x	x	x	x	4

Table 3. Important factors in manager's choice of assurance provider

<i>Environmental consultant</i>					
	Millicom	Stora Enso	Tieto	Visit Sweden	Summation
Competence					
<i>Company knowledge</i>		x	x	x	3
<i>Sustainability knowledge</i>					-
<i>Independence</i>		x			1
Legitimacy					-
<i>Credibility</i>	x	x	x		3

Table 4. Important factors in manager's choice of assurance provider

Beyond the factors presented in the tables above, material in the empirical research indicates that an additional factor; the size and development of the audit profession, also influences the managers' choice. By using the theories presented in the theoretical framework, the factors identified will now be discussed and analyzed separately.

6.1 Competence

Initially in the theoretical framework we presented the knowledge-intensive firms, where audit firms and consultancy firms are said to be included in one of its categories, namely the professional service. In order to be included in this category there must exist a knowledge asymmetry between the client and the provider of the service. Within the professional service, knowledge-workers provide professional judgment to complex and unique problems. The reason to why managers have chosen their specific assurance provider is partly because they want to demonstrate its credibility to stakeholders but also to provide certain knowledge within sustainability issues in which they do not hold sufficient knowledge.

The competence of an auditor has in a theoretical approach been discussed to a larger extent in comparison to the specific knowledge of the consultant. According to Flint (1988), it is essential

for an auditor to be competent in order to keep its authority. In the financial audit it is required that the auditor possess knowledge in different kinds of areas in order to be able to make a fair judgment in a complex situation. To become an authorized auditor, it is required to pass an examination, and to be able to take the examination at all, it is required to have completed a longer period of academic education and training within the audit firm. Flint (1988) also states that competence is the underlying factor to confidence, which is essential in the audit industry. As mentioned in the methodology, all sustainability reports that are assured by an audit firm are signed by an authorized auditor. This means that they have the overall responsibility of the assurance process and they confirm the content of the report to a certain level. This also means that they have passed the examination.

Regarding the environmental consultant, the authors have not found any outlined requirements for education or training in order to become either an assurance provider or a consultant. The environmental consultants are licensed providers of AA1000AS (2008). However, it does not seem like they have to go through any education or training in order to use the standard for their assurance engagements. Hence, it is difficult to define the level of competence and knowledge that consultants possess. This is in accordance with Fincham et al. (2008), who state that it is difficult to define and explain the knowledge that consultants and consultant firms possess. In addition, and in comparison to the audit profession, consultants and consulting firms are not as circumscribed which also makes it hard to define the knowledge and competence that they possess and use it as a comparative argument against the auditor.

Knowledge according to Alvesson (1993) is a kind of an invisible asset and it is mainly communicated through external relationships. By using customers and partners that possess a certain expert knowledge the environment might perceive the knowledge-intensive firm as more advanced. Hence, Alvesson also states that it is only people within the organization that actually can evaluate who actually possess the knowledge. Consequently, as an outsider, it is difficult to evaluate what knowledge and competence that auditors and environmental consultants possess.

Moving on to the competence discussed by Zadek and Raynard (2004). They claim that professional auditors, quality assurers and CSR consultants have a similar approach in their assurance engagement as the financial audit practice. However, they divide competence into three categories where the environmental consultant and the auditor have two different approaches. The auditor competence relates to technical competencies and orientation. This is in line with the financial audit since it includes a general assurance competency in collecting and checking data, which is one of the main tasks in the financial audit process as well. Zadek and Raynard (2004) also present the competence characterized by the consultant; the process competencies. As explained in the theory, consultants communicate with the stakeholders the quality of responsiveness and completeness and are able to determine materiality. This is in line with the first three guidance notes in AA1000AS (2008) as mentioned in the literature review.

According to two of the firms that use an environmental consultant as their assurance provider, the initial reason to choose this provider was due to the great knowledge they possess within sustainability. Some companies have said that the consultants have been in the market for a longer period than the auditor, which according to the managers would explain the enhanced detailed knowledge held by the consultants.

“[The name of the consultancy firm] has high competence within this area and a clear profile of what they do” and “We chose an environmental consultant as our third-party assurance [...] because the auditors have not worked as sustainability experts as long as the consultants”.

The perception of the assurance providers' contribution to the report has been explained by two of the companies as their knowledge within sustainability. These companies use an auditor as their assurance provider.

“The auditors possess understanding of the regulatory requirements, i.e. the meaning of the requirements in GRI G3 and G4” and “the auditor contributes to GRI being interpreted correctly, which enhance the comparability.”

These arguments are interpreted to belong to the knowledge that can be referred to as sustainability knowledge. Out of the eight companies, seven have described this specific sustainability knowledge as a factor held by the assurance providers, both environmental consultants and auditors. It can be interpreted that the sustainability knowledge is a kind of competence that influences their choice of provider. However, it does not explain why environmental consultants are not chosen to the same extent as auditors.

In the questionnaire we got one additional answer from a company that uses an environmental consultant as a sustainability assurance provider. Out of the six respondents, this company answered that they chose the environmental consultant in order to get an opinion on their GRI index so it was compliant with the requirements of GRI. We believe this is consistent with the term of sustainability knowledge.

Regarding the competence issues, one of the companies mentioned a disadvantage of using an audit firm instead of an environmental firm.

“There is a risk of getting someone who does not possess the sufficient knowledge in the sustainability area, i.e., a financial auditor. A financial auditor does not handle their task in the same way as an auditor that assures sustainability reports since a lot of data is hard to obtain” and “consultant possessed more competence before than now which makes it less advantageous for the consultants nowadays”

As mentioned above, one of the managers explained that the environmental consultant has worked as a sustainability consultant from the very start of the assurance services, which means that they possess knowledge within this area. In comparison to the auditor as an assurance provider where the authorized auditor, the responsible party of the engagement, derives from the financial audit and does not possess specifically sustainability knowledge from the beginning. However, auditors usually work in teams, which means that the overall knowledge in the team can be sufficient. As one of the companies stated, the big four accounting firms have certain sustainability teams. Even though they also possess financial audit competence, they have expanded their knowledge into new areas, as was explained in the theoretical framework in the “development of the audit profession” section.

Theoretically there is not as much information available about consultants' knowledge and competence as it is for the auditor. Furthermore, much of the knowledge discussion is based on the financial audit knowledge, but since the assurance providers work in an audit firm we interpret that they possess the same kind of knowledge as the financial auditor. Two companies mentioned the sustainability knowledge as a reason to choose the environmental consultants. Additionally, the sustainability knowledge has also been explained as a kind of knowledge possessed by both assurance providers and as a contribution to the report. Considering the initial choice of the assurance provider as of a knowledge perspective, the companies with consultant as an assurance provider tend to choose the one with sustainability knowledge since the consultants have operated in the area for a longer time.

The theory cannot contribute in the explanation of the findings from the empirical research regarding knowledge. However, it provides an understanding of the area. As a summary of the findings, competence and knowledge are two quite complex terms, and since we do not have enough theory to describe the competence of the consultant it is hard to draw an unmitigated conclusion regarding the manager's choice of assurance provider.

6.2 Independence

According to Porter, Simon and Hatherly (2008) the independent factor is included in the audit profession. This may be said to be correct, as the auditors in Sweden are required to comply with the audit act where independence and impartiality are significant factors. According to RevR6, the auditors need to act in an independence way as well in order to accept an engagement. AA1000AS (2008) has 10 guidance notes that the provider needs to take into consideration when providing the assurance. The sixth note "certificate of the practitioners' independence" indicate that providers using the standard need to be independent. Both providers therefore do have certain requirements to be independent in their assurance engagement. In addition, the auditors are also required to be independent by the Swedish law. We have presented the independence statement of both standards in *Appendix 6* and both assurance providers must verify their independence before accepting an engagement.

Despite the fact that both auditors and environmental consultants follow and operates in accordance with well-developed and accepted standards, Ball, Owen and Gray (2000), argues

that auditors tend to be more associated with independent verification in comparison to the environmental consultants. The argument is based on their findings that consultants tend to provide more advising services and recommendations beyond the assurance services as well.

In our empirical research we found that three out of the eight companies considered independence to be an important factor, two, which used an auditor as assurance provider, and one, which used an environmental consultant. They all stated that it is important to have an assurance provider that only provides those services that they are allowed to and thus remains independent. None of the managers state that they believe that one party is associated with more independence than the other. Hence, Ball, Owen and Gray's (2000) argumentation can neither be confirmed nor rejected.

6.3 Legitimacy and credibility

As Deegan (2009, p. 323-325) explains, a social contract is very complex and hard to define, e.g. since it changes as society's opinions and expectations vary over time. As the social contract is the founding of what is considered to be legitimate, it is difficult to define what legitimacy actually is and what exactly is needed in order to be perceived as legitimate. As Deegan (2009, p. 324) further states, managers have different perceptions of how a social contract is designed and hence of what is needed in order to be perceived as legitimate.

Except for legitimacy, another factor commonly mentioned in the empirical chapter is credibility. As previously mentioned, legitimacy is hard to define as people may interpret the meaning of the term differently. Oxford Dictionary (2014) defines legitimacy as "*conforming to the law or to rules*" or "*able to be defended with logic or justification*". Among synonyms, for instance the words legal, lawful, authorized, lawful, valid and reasonable are mentioned. Regarding the term credibility, Oxford Dictionary (2014) defines it as "*the quality of being trusted and believed in*" or "*the quality of being convincing and believable*". Among synonyms, for instance the words *trustworthiness, reliability and reputation* are mentioned. Even though the definitions of the two terms differ, there are similarities. For example, Oxford Dictionary (2014) defines the term reasonable as a synonym to legitimate, the term believable as a synonym to reasonable, and the term credible as a synonym to believable. Moreover, it is difficult to interpret and distinguish the two terms, as they empirically are significantly similar.

For example, it is justified to say that a person that lacks credibility is not legitimate. Hence, it is also justified to say that a person that lacks legitimacy is not credible. Furthermore, in the empirical research; if an assurance provider is said to provide legitimacy to a sustainability report, does he or she not provide credibility as well? Or the other way around; if an assurance provider is said to provide credibility to a sustainability report, does he or she not provide legitimacy? Since the empirical definitions of the two terms are significantly similar, the two terms will be treated as synonyms in the continuation of this analysis.

Out of the managers that have been interviewed in the empirical research, seven out of eight has mentioned legitimacy/credibility as an important factor. In addition, five out of the six respondents in the questionnaire responded that as the main reason i.e. the most important factor in connection to the choice of an assurance provider was the credibility/legitimacy. This is consistent with Deegan (2009, p. 324) and the legitimacy theory, which states that managers, which consider legitimacy to be important, will engage in activities, which will supply the company with legitimacy. It is also consistent with Starbuck (1992), who states that many companies hire experts primarily in order to obtain legitimacy.

Furthermore, five of the interviewed managers, two of whom use an environmental consultant as assurance provider, state that they perceive auditors to provide higher legitimacy compared to an environmental consultant. This may partly be explained by Soltani's (2007) theory about the audit profession. As auditors are a part of the audit profession, auditors may experience advantages from what the society and environment believes and perceives to be characteristics of the audit profession. For example, that the audit profession has a strong professional position and that auditors reduce the risk of error and bias in assured reports. As environmental consultants are not part of a profession, they lack this advantage. Furthermore, Soltani (2007) argues that auditors are perceived to deliver assurance services of the highest quality, which hence can be used to explain and illustrate a reason and incentive for managers to perceive that auditors are, and can provide, more legitimacy.

A second explanation to why auditors may be considered to provide more legitimacy than environmental consultants may be explained by Evers & Menkhoff (2004), who argues that larger well-known consulting firms have higher legitimacy than smaller and less prominent

firms. Evers & Menkhoff's reasoning refers to consulting firms. However, if we add the auditing firms to this reasoning and still assume that larger well-known companies have higher legitimacy than smaller and less prominent firms, it would mean that the auditing firms would have higher legitimacy. This is, in accordance with Power (1996), since the Big Four are larger than the environmental consulting firms and probably more prominent, both because of the audit profession's strong professional position, and because of the expansion of the audit profession.

Two of the interviewed managers, representing Tieto and Stora Enso, states that they nor agree or disagree on that auditors can provide more legitimacy than environmental consultants. Both state that they more or less perceive the assurance providers as equals. The reason why these managers perceptions differ from the managers discussed above can be explained by what Deegan (2009) states regarding the legitimacy theory. As managers have different perceptions of legitimacy, what the society expects and how to achieve legitimacy, they may choose different strategies to be perceived as legitimate.

To summarize; by using the theoretical framework, it is possible to discuss and explain why managers use assurance as a tool to obtain legitimacy. It is also possible to explain why they may perceive auditors as more legitimate and to be able to provide more legitimacy, and why they hence choose an auditor over an environmental consultant to assure their sustainability report from a legitimacy perspective. The reason why some managers may not perceive auditors to be able to provide more legitimacy than an environmental consultant may also be explained by the theoretical framework with the theory that managers perceptions differ.

6.4. The development of the audit profession into new areas

According to Power (1996), auditing firms have a dominant position on the global market e.g. because of their size. O'Dwyer (2001) states that audit firms are competitive businesses seeking to expand and enter new markets of business services. Power (1996; 1999) states that auditors historically have been able to transfer into new markets. They have not only been able to become accepted into new areas, but also been able to claim their expertise in within these areas. The statistic data presented in introductory chapter of this thesis confirms that the auditing firms have been able to expand into new markets, in this case into the "market of

assurance of sustainability reports". The statistic data can also confirm that the auditors has successfully entered the market and been able to position themselves as prominent actors.

Out of the companies interviewed in the empirical chapter, four companies use an auditor as assurance provider for their sustainability report. Notable is that all four companies use the same audit firm for their sustainability report assurance as for their financial audit. A likely explanation to this can be found in the size of the auditing firms and their successful expansion into the "sustainability report assurance market". Since they already have large market shares on the market of financial auditing, the accounting firms are already providing financial audit services to many companies. As the companies already are familiar with the auditing firms and the auditing firms are prominent on the "sustainability report assurance market", it is likely that the companies choose the same auditing firm to assure their sustainability report that audits their financial report. A finding in the empirical research which further strengthens this reasoning is that three out of the four managers that use an auditor as their assurance provider states that they consider it advantageous to use the same auditor for the sustainability report assurance as for the financial audit as the auditor already possess knowledge about the company which can be valuable in connection with the assurance of the sustainability report.

The International Integrated Reporting Committee's (IIRC's) development of integrated reporting may be a further explanation to why companies chose and will continue to choose an auditor as assurance provider over an environmental consultant in the future. One of interviewed managers presented in the empirical research states that the main reason why they chose an auditor was due to their choice of having an integrated report. In addition, two of the managers using an environmental consultant as an assurance provider state that they might consider using an auditor in the future if they decide to start using integrated reporting. This is consistent with Power (1996), who argues that if the IIRC continues to develop integrated reporting, the audit firms will get an even greater part of the market since the reporters will be more likely to use their existing Big Four financial auditors to provide assurance on both report.

7. Conclusion

7.1 The choice of assurance provider

The purpose with this thesis was to examine why Swedish managers choose environmental consultants to a significantly lower extent than auditors as assurance providers to assure their sustainability report. The purpose was further concretized into two research questions:

1. What factors influence the choice?
2. How may these factors influence the choice?

Based on the empirical research that has been conducted and presented in this thesis, a number of factors and reasons have been identified, which, to a certain extent can explain what influences managers' choice of sustainability report assurance provider.

The first factor that was identified from the empirical research as influential was competence, specifically knowledge within the sustainability area. However, competence and knowledge is difficult to define and different managers value and interpret competence and knowledge differently. In addition, according to Fincham et al. (2008) and Alversson (1993) it is difficult to determine what competences and knowledge respective assurance provider possesses. Consequently, it is not possible to draw any conclusions regarding which assurance provider that is most likely to be chosen by managers from a perspective of competence.

A second factor that was identified from the empirical research as influential was independence. Both RevR6 and AA1000AS (2008) have clear requirements on independence. Hence, both auditors and environmental consultants are required to act in an independent way. Furthermore, based on our findings in the empirical research, it is not possible to confirm or reject Ball, Owen and Grey's (2002) theory, which says that auditors tend to be more associated with independence compared to environmental consultants. Consequently it is not possible to determine if one assurance provider is in fact, or is perceived by managers as more independent than the other. Hence, it is not possible to draw any conclusion regarding whether one assurance provider are more likely to be chosen than the other from a perspective of independence.

A third factor that was identified from the empirical research as influential was legitimacy. Seven out of eight managers mentioned legitimacy as an important factor. As legitimacy theory states that managers, which consider legitimacy to be important, will engage in activities, which will supply their company with legitimacy, it is likely that they will choose the assurance provider, which will provide their company with the most legitimacy. Because of the strong position of the audit profession, and the Big Four's prominent position and size advantage compared to the environmental consultants and consulting firms, it is likely that auditors and auditing firms are perceived as more legitimate and hence being able to provide more legitimacy to a sustainability report. Consequently, from a legitimate perspective, managers are likely to choose auditors over environmental consultants.

A fourth factor that was identified from the empirical research as influential was the size and development of the auditing firms and audit profession into new markets. As the big four are available on several different markets and have large market shares on the market of financial auditing, they have an advantage compared to environmental consultants and consulting firms. This is since it increases the likelihood that companies interesting in assuring their sustainability report already have a business relationship with one of the big four audit firms. A clear example of this, which was discovered in the empirical research, is that all four of the companies in the empirical research that use an auditor as assurance provider uses the same auditing firm for their financial reports. Hence, the size and development of the auditing firms and audit profession is likely to affect the managers' choice of assurance provider to the advantage of auditing firms.

Out of the four factors identified in the empirical research as influential in the choice of assurance provider, two factors - legitimacy and the size and development of the auditing firms and audit profession - are likely to influence the managers' choice to the advantage of auditors. The remaining two factors - competence and independence - cannot be said to influence the choice in a way that increases the chance of one assurance provider being chosen over the other. Thus, none of the factors identified as influential in this thesis provides incentives for managers to choose an environmental consultant over an auditor. Consequently, based on the influential factors identified, there are no incentives for managers to choose an environmental consultant over an auditor. However, in two cases, there are incentives for managers to choose

an auditor over an environmental consultant. This may, to a certain extent, explain why Swedish managers choose environmental consultants to a significantly lower extent than auditors as assurance providers to assure their sustainability report.

7.1.1 Limitations of this study

The lack of theories regarding consultants has influenced and limited the comparability between auditor and environmental consultants. Hence this has also limited the discussion and analysis, and consequently the conclusion of this master thesis.

The limited time provided to conduct this master thesis, and the numerically low amount of companies assuring their sustainability reports in Sweden have created further limitations. Because of the relatively small sample of managers interviewed in the empirical research, there are limitations regarding the generalizability of the provided answers. This hence may affect the generalizability of the conclusion. In order to provide generalizable answers, it would be necessary to interview a greater amount of managers.

Finally, as mentioned in the method chapter, the authors have interpreted the information provided by the managers in the empirical research of this thesis. Hence, although transcribed versions of the conducted interviews has been reviewed and approved by the respective manager, it is possible that the information provided by the interviewed managers may have been interpreted in an incorrect and hence misleading manner.

7.2 Contribution of this study

This master thesis contributes with research regarding Swedish manager's choice of assurance provider in connection with assurance of sustainability reports. Due to the lack of research within this area, the thesis has attempted to bridge the gap that exists within the research of sustainability reporting regarding the choice of assurance provider. The thesis provides suggestions of what factors that may influence the choice and examines how these factors may influence the choice. The thesis does also contribute by providing partially and possible explanations for why managers hire environmental consultant as assurance providers to a significantly lower extent than auditors are hired.

7.3 Future research

As assurance of sustainability reports have been used for a relatively limited time and hence, the market of assurance providers is quite new, it would be interesting to conduct a similar study to this thesis to see how the market and assurance providers have evolved. It would also be interesting to do a similar study to this thesis using a greater sample of managers. A future suggestion of research could be to examine what factors influence managers' choice in another country, and how these factors influence the choice. For instance, it would be interesting to do this research in a country where environmental consultant are chosen as assurance providers to a larger extent than auditors and compare the results to the conclusion made in this thesis.

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Mäkitalo, J. Director of Global Responsibility, Stora Enso (Telephone interview 2014-04-29)

Strömberg, L., Sustainability manager, Holmen (Telephone interview 2014-04-15)

Weinestedt, H. Sustainability Manager, TeliaSonera (Telephone interview 2014-05-12)

Appendix1	Elaboration process duration	Role of the assurance provider	The use of external consultant	Assurance provider involvement	Contact with assurance provider
Holmen	September-February	Audit of employee figures, environmental figures & GRI-index. Review of compilation of the figures. Continuously involvement	No such involvement	<i>Involvement:</i> 14 days <i>Audit team:</i> 3 persons	E-mail, Phone, Factory visits
Trelleborg	August-February	Review samples of the compiled figures. In-house audit. Continuously involvement	No such involvement	<i>Involvement:</i> No information <i>Audit team:</i> 4 persons	E-mail, Phone, Interviews with key persons, Site visits
Billerud	August-February	Review of how company report their figures. Review the draft. Asking questions to responsible persons. Continuously involvement	No such involvement	<i>Involvement:</i> 8 days <i>Audit team:</i> 1-2 persons	E-mail, Phone, Interview with key persons, Site visits
TeliaSonera	August-February	Planning the process, review of the compiled figures. Mostly involved at the end of the process	No such involvement	<i>Involvement:</i> 20 days <i>Audit team:</i> 4 persons	E-mail, Phone, Personal meetings
Millicom	September-February	Review of the materiality analysis. Sample review of claims in the report. Review of GRI-index	No such involvement	<i>Involvement</i> No information <i>Consultants:</i> 3 persons	E-mail, Phone, Interviews with key persons, International site visits
Stora Enso	August-February	Review of the data collection process. Review of materiality analysis	Communication Agency writing texts to the report	<i>Involvement:</i> 30-40 days <i>Consultants:</i> 2 persons	E-mail, Phone, Interviews with key persons. Site visits.
Tieto	October-February	Verifying claims in the report and if the information is credible. Involved during the whole process.	No such involvement	<i>Involvement:</i> No information <i>Consultants:</i> 2 persons	E-mail, Phone, Interviews with key persons. Site visits.
Visit Sweden	October-February	Review the report before the publishing. Mainly involved in the end.	Consultant helping with pollution figures and calculations of carbons	<i>Involvement:</i> No information <i>Consultants:</i> 2 persons	E-mail, Phone
Questionnaire Consultant		Involvement in the end	No such involvement	<i>Involvement:</i> 1-9 days <i>Consultants:</i> 1-2 persons	E-mail, Phone, Interviews with key persons, Site visits
Questionnaire Auditor		Involvement: Continuously involvement	2 companies use a communication Agency, 1 of them also use a consultant to verify the environmental impact. 3 do not use any external consultant.	<i>Involvement:</i> 10-19 days (1) 20-29 days (1) 30+ days (2) <i>Audit team:</i> 1-2 persons (1) 3-5 persons (3) 5+ persons (1)	E-mail, Phone, Interviews with key persons, Site visits, Factory visits

Appendix 2

Data collection of assured sustainability reports

Company	Sustainability Reports	Third-party assured	Assurance provider firm
AarhusKarlshamn	Yes	No	
ABB Ltd	Yes	Yes	Det Norske Veritas
Alfa Laval	Yes	No	
Assa Abloy B	Yes	No	
AstraZeneca	Yes	Yes	Bureau Veritas
Atlas Copco	Yes	Yes	Deloitte
Atrium Ljungberg	Yes	No	
Autoliv SDB	No		
Axfood	Yes	No	
Axis	Yes	No	
Billerud Korsnäs	Yes	Yes	EY
Boliden	Yes	Yes	EY
Castellum	Yes	No	
Electrolux	Yes	Yes	PwC
Elekta	No		
Enquest	No		
Ericsson	Yes	Yes	PwC
Fabege	Yes	Yes	Deloitte
Getinge	Yes	No	
Henner & Mauritz	Yes	Yes	EY
Hexagon	No		
Hexpol	Yes	No	
Holmen	Yes	Yes	KPMG
Hufvudstaden A	Yes	No	
Husqvarna	Yes	No	
ICA gruppen	Yes	No	Deloitte
Industrivärden	Yes	No	
Instrum Justitia	No		
Investor	No		
JM	Yes	No	
Kinnevik	Yes	No	
Latour	Yes	No	
Lundbergföretagen	No		
Lundin Mining Corporation	Yes	No	
Lundin Petroleum	No	No	
Meda	Yes	Yes	KPMG
Melker Schörling	No	No	
Millicom International Cellular	Yes	No	Two Tomorrows
MTG	No	No	

NCC	Yes	No	
Nibe Industrier	Yes	No	
Nordea Bank	Yes	Yes	KPMG
Oriflame			
Cosmetics	No	No	
Peab	Yes	No	
Ratos	Yes	No	
SAAB	Yes	No	
Sandvik	Yes	Yes	KPMG
SCA	Yes	Yes	PwC
Scania	No	No	
SEB	Yes	Yes	PwC
Securitas	No	No	
SKF	Yes	Yes	PwC
SSAB	Yes	No	
Stora Enso	Yes	No	Tofuture
Swedbank	Yes	Yes	Deloitte
Swedish Match	Yes	No	Tofuture
Swedish Orphan			
Biovitrum	No	No	
Tele2	No	No	
TeliaSonera	Yes	Yes	PwC
Tieto	Yes	No	Ethos International
Trelleborg	Yes	yes	PwC
Wallenstam	Yes	No	
Volvo	Yes	No	

State-owned companies

Bostadsgaranti statlig	Yes	Yes	Det Norske Veritas
Visit Sweden	Yes	Yes	Two tomorrows

Appendix 3

Interview Questions to companies with an auditor as assurance provider

Introductory questions

1. What is your position in the company?
2. In what way do you come in contact with the elaboration of the sustainability report?

Elaboration process (= from planning the development of the sustainability report until the assurance part)

3. Please describe how the elaboration process of the sustainability report is carried out. Divide the elaboration in different sub-processes and give example of activities in each part.
4. Explain the following parties' function/task/role in the process:
 - a. Manager
 - b. Auditor
 - c. Other part
5. How many hours is the auditor involved in the process?
How are these hours apportioned to the different sub-processes?
6. How many persons are included in the audit team during the process?
7. How is the contact with the auditor conducted during the process? (e.g. interviews, site visits, telephone contact, mail)

The choice of third-party assurance

8. Why have you chosen to use an auditor as your independent third-party assurance?
9. Have you considered using a consultant instead? Why?
10. What do you believe is the advantage of using an auditor instead of a consultant?
11. What do you believe is the disadvantage of using an auditor instead of a consultant?
12. What do you consider is the auditor's contribution to the sustainability report?

Appendix 4

Interview Questions to companies with an environmental consultant as assurance provider

Introductory questions

1. What is your position in the company?
2. In what way do you come in contact with the elaboration of the sustainability report?

Elaboration process (= from planning the development of the sustainability report until the assurance part)

3. Please describe how the elaboration process of the sustainability report is carried out. Divide the elaboration in different sub-processes and give example of activities in each part.
4. Explain the following parties' function/task/role in the process:
 - a. Manager
 - b. Consultant (third-party assurance)
 - c. Other part
5. How many hours is the consultant involved in the process?
How are these hours apportioned to the different sub-processes?
6. How many persons are included in the consultant team during the process?
7. How is the contact with the consultant conducted during the process? (e.g. interviews, site visits, telephone contact, mail)

The choice of third-party assurance

8. Why have you chosen to use a consultant as your independent third-party assurance?
9. Have you considered using an auditor instead? Why?
10. What do you believe is the advantage of using a consultant instead of an auditor?
11. What do you believe is the disadvantage of using a consultant instead of an auditor?
12. What do you consider is the consultant's contribution to the sustainability report?

Appendix 5

Questionnaire

1. What kind of assurance provider do you use for the assurance of the sustainability report?
 - a. Auditor
 - b. Consultant
2. How many years have the sustainability report been assured?
 - a. 1-2 years
 - b. 3-4 years
 - c. 5-6 years
 - d. More than 7 years
3. In what phase of the development of the sustainability report do you experience that the assurance provider integrates the most??
 - a. Planning
 - b. The end
 - c. Continuously during the process
4. Do you use an additional external party in the development of the sustainability report?
 - a. Yes
 - b. No
5. If “yes”, please state what kind of external party_____
6. For how many days is the assurance provider involved in the development of the sustainability report?
 - a. 1-9 days
 - b. 10-19 days
 - c. 20-29 days
 - d. More than 30 days
7. How many persons does the assurance team consist of?
 - a. 1-2 persons
 - b. 3-5 persons
 - c. More than 5 persons
8. In which of the following ways do you communicate with the assurance provider?
 - a. By phone
 - b. By e-mail
 - c. Company visits
 - d. Factory visits
 - e. Interviews with selected individuals
9. Please tick the answer that is the most consistent with the following statement;

“The assurance provider is involved in the decision regarding the content of the sustainability report.”

- a. Completely agree
- b. Agree
- c. Disagree
- d. Completely disagree

10. What is the main reason to your choice of using either an environmental consultant or an auditor as your assurance provider in you sustainability report?

Appendix 6

Content of standard	RevR6 (2013)	AA1000 (2008)
Scope of the standard	The standard serves as a guidance for an auditor in its assurance engagement in sustainability reporting.	The standard is primarily intended for use by sustainability assurance practitioners and providers.
Ethical requirements and quality control	Must comply with a code of ethics comprising ethical requirements (<i>EtikR1 and IASBAs code of ethics for professional accountants</i>) and an international standard of quality control (<i>ISQC</i>) §2	Does not list requirements or refer to quality control (KPMG)
Aims of the standard	An auditor should assure the information in the sustainability report to determine if it complies with relevant criteria. The intended users' information needs is central in a third-party independent assurance engagement.	An assurance practitioner should evaluate the adherence of an organization to the AccountAbility Principles and the quality of the disclosed information on sustainability performance. Standard designed to provide stakeholders with sufficient information to understand the sustainability performance of an organization
Engagement acceptance	An auditor must verify that; S/he is independent against the principal the engagement is rational if necessary, ensure that specialists have been recruited to the audit team. and reasonable assume that the reporting organization act with good intentions; used criteria are appropriate; and sufficient proof can be collected.	The assurance provider must verify that:3.1 he or she is independence and impartiality by making a public statement the engagement subject matter is appropriate the reporting organization is acting in good faith s/he has access to sufficient evidence to support findings and conclusions. Disclosures covered by the

		assurance engagement must be identified and agreed with the reporting organization
Criteria review	Provides guidance (A19-A24) Assessment that the criteria are appropriate - relevant, complete, reliable, neutral and understandable. The reporting organization is responsible for the selection of appropriate criteria. If important information not is disclosed, the reporting organization must give a motivation to why it is omitted.	Assessment that the criteria are suitable - relevant, complete, reliable, neutral and understandable. 3.1.2
Specialist knowledge	If specialist knowledge is required, the audit team must gain sufficient competence within this area.	Must ensure that the individual assurance practitioners and organizations, including external experts, involved in the assurance engagement are competent. [MH1]
Risk analysis	Provides guidance (A 28- A 35) The auditor must gain sufficient knowledge of the company's branch and activities and of the corporate governance and control environment. The auditor must also assess inherent risks and control risks. This, to clarify that the report is free from material misstatements.	For high level of assurance the assurance provider must obtain sufficient evidence such that the risk of their conclusion being in error is very low but not zero.
Review of information system	In order to assess how the management tackle sustainable development and the internal oversight (laws, regulations and code of conduct) the auditor conduct interviews with Chief Executives.	
Substantive testing A44 4.2	a. Requests and confirmation b. Analytical testing c. Reconciliation of information to documents and other primary sources d. Detailed assessment	a. Inquiring of management b. Analytical testing c. collecting and evaluating documentary evidence and management representations d.
Obtaining	A written statement from the	No such requirement

additional evidence	management where they confirm; its responsibility of the report's content; that the accounting policy has been applied in a satisfactory manner; and that the report contains all information that is essential for the users.	
Consideration of subsequent events	Provides guidance on dealing with events after year end that can have an impact on the report. In accordance with ISA 560 <i>subsequent events</i>	Does not refer to subsequent events
Documentation	All significant assessments and conclusions of the engagement must be documented in accordance with ISA 230 <i>audit documentation</i> .	Evidence and copies of relevant evidence, the assurance plan, material assessments and judgments made, and conclusions must be documented. Does not provide any guidance on how to obtain the evidence (KPMG, 2005)
The report	The auditor must clarify whether the report have been assured with reasonable certainty or limited certainty. Limitations to the scope of a disclosure or the assurance engagement must be addressed in the assurance statement (A52-A68)	Limitations to the scope of a disclosure or the assurance engagement must be addressed in the assurance statement (4.3.1)