

SUSTAINABILITY ASSURANCE AND STAKEHOLDER TRUST: A NEW PARADIGM IN CORPORATE REPORTING

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Abstract

The growing use of Environmental, Social, and Governance (ESG) reporting has increased the need for credible, comparable, and decision-useful sustainability information. This study examines how sustainability assurance can strengthen stakeholder trust and improve the quality of corporate reporting. A qualitative literature review was conducted using peer-reviewed articles, institutional publications, and international reporting and assurance standards. The review focuses on evidence concerning assurance quality, information credibility, stakeholder perceptions, independence, standardization, and implementation barriers. The findings indicate that independent assurance can reduce information asymmetry by increasing the perceived reliability, completeness, and consistency of sustainability disclosures. Assurance is particularly valuable when stakeholders face difficulties in evaluating non-financial information and when organizations operate across increasingly complex sustainability-reporting frameworks. The analysis also shows that assurance does not automatically create trust: its effectiveness depends on practitioner independence, appropriate assurance scope and level, transparent assurance statements, robust internal controls, and the use of recognized standards. The emergence of ISSA 5000 and the continuing development of GRI and ISSB reporting frameworks further highlight the need to align reporting and assurance practices. In emerging markets such as Indonesia, cost, expertise, regulatory consistency, and organizational readiness remain important constraints. The study proposes that sustainability assurance should be viewed not merely as a compliance activity but as a governance mechanism that connects reporting quality, stakeholder confidence, and corporate accountability.

Keywords: Sustainability Assurance, ESG Reporting, Stakeholder Trust, Corporate Transparency, Accountability

Introduction

The growing emphasis on sustainability has fundamentally changed the information expected from corporations. Organizations are increasingly evaluated not only through financial performance but also through their environmental, social, and governance impacts. Sustainability reports therefore serve as an important communication mechanism between management and investors, regulators, employees, communities, customers, and other stakeholders. The expansion of ESG disclosures, however, has created a parallel concern: whether the information presented is sufficiently reliable, complete, balanced, and comparable to support meaningful decisions.

Contemporary reporting frameworks have attempted to address this challenge. The revised GRI Universal Standards were published in 2021 and became effective for reporting from 1 January 2023, strengthening the structure of disclosures concerning organizational impacts, governance, and material topics (Global Reporting Initiative, 2021). In parallel, the International Sustainability Standards Board issued IFRS S1 and IFRS S2 in June 2023 to establish a global baseline for investor-focused sustainability-related financial disclosures. IFRS S1 emphasizes governance, strategy, risk-management processes, and performance concerning sustainability-related risks and opportunities (IFRS Foundation, 2023).

As reporting frameworks become more sophisticated, the credibility of the information becomes increasingly important. Stakeholders may not possess direct access to an organization's operational data and may therefore depend on reported indicators to assess environmental performance, social responsibility, governance quality, and long-term resilience. When information is difficult to verify, information asymmetry can persist and reduce the usefulness of reporting. Sustainability assurance has consequently emerged as a mechanism through which an independent practitioner evaluates selected information, processes, or reporting criteria and provides a conclusion intended to increase confidence in the information.

Earlier empirical research provides an important foundation for understanding this relationship. Hodge, Subramaniam, and Stewart (2009) found that assurance increased users' perceived reliability of sustainability information, with the level of assurance and practitioner type also affecting perceptions in particular circumstances. Simnett, Vanstraelen, and Chua (2009) similarly examined the determinants and implications of sustainability assurance and demonstrated that assurance has become an important component of corporate sustainability reporting. These findings suggest that assurance can contribute to credibility, but its value depends on how the engagement is designed and communicated.

At the same time, assurance may generate limited value when it is treated primarily as a symbolic or compliance-oriented exercise. O'Dwyer and Owen (2005) questioned whether conventional assurance statements always provide the transparency and accountability expected by stakeholders. Their analysis highlighted concerns regarding independence, stakeholder participation, and the extent to which management controls the assurance process. Later work by O'Dwyer, Owen, and Unerman (2011) further demonstrated that sustainability assurance is shaped by complex legitimacy relationships among assurance providers, commissioning organizations, users, and internal professional structures. These insights are relevant because stakeholder trust is not created solely by the existence of an assurance statement; it is influenced by the credibility of the underlying process.

The regulatory and professional environment has also evolved rapidly. The International Auditing and Assurance Standards Board issued International Standard on Sustainability Assurance 5000 (ISSA 5000) in 2024 as a stand-alone standard for sustainability assurance engagements. The standard is designed to apply across sustainability topics and reporting frameworks and is profession-agnostic, supporting both professional accountants and other qualified assurance practitioners (IAASB, 2024). This development is significant because sustainability information differs from conventional financial information in its subject matter, measurement methods, forward-looking elements, and involvement of multiple disciplines.

For Indonesia, these developments create both an opportunity and a challenge. The expansion of sustainability reporting creates demand for assurance capacity, while differences in organizational size, sector characteristics, reporting maturity, and professional expertise may result in uneven assurance practices. The central problem is therefore not simply whether companies should obtain assurance, but how assurance can be designed so that it produces information that stakeholders can understand, evaluate, and trust.

Based on this background, this study asks: (1) how does sustainability assurance influence the credibility of ESG disclosures; (2) through what mechanisms can assurance strengthen stakeholder trust; and (3) what institutional and organizational factors constrain the effectiveness of assurance, particularly in developing-market contexts? The study aims to synthesize the literature and develop a conceptual explanation linking assurance quality, information quality, stakeholder trust, and corporate accountability.

The contribution of this study is twofold. First, it consolidates the literature by treating sustainability assurance as a governance mechanism rather than merely an additional reporting service. Second, it connects assurance developments with the contemporary reporting architecture represented by GRI, ISSB, and ISSA 5000. This perspective provides a basis for understanding why assurance may strengthen trust in some circumstances while producing limited effects in others.

Methods

This study employs a qualitative research design using a literature review approach. The method is appropriate because the objective is to synthesize conceptual and empirical evidence concerning sustainability assurance, reporting credibility, and stakeholder trust rather than to estimate a statistical causal effect from a primary dataset. The analysis follows a structured thematic process consisting of source identification, relevance screening, thematic categorization, comparison of findings, and conceptual synthesis.

Secondary data were obtained from peer-reviewed journal articles, institutional reports, professional standards, and academic publications. The original manuscript focused on literature published during 2020–2025. To preserve the relevance of the review while recognizing foundational scholarship, seminal studies published before 2020 were retained when they directly established important evidence or theoretical arguments about assurance and stakeholder confidence. Current standard-setting materials from GRI, IFRS Foundation/ISSB, and IAASB were also considered because reporting and assurance frameworks are evolving rapidly.

The inclusion criteria were: (1) the source directly addresses sustainability assurance, ESG or sustainability reporting, stakeholder trust, reporting credibility, accountability, or related assurance governance; (2) the source is published by a reputable academic journal, professional standard setter, or recognized institution; and (3) the source provides evidence or conceptual arguments relevant to the relationship between assurance and information users. Sources with insufficient relevance to the research questions were excluded.

Table 1. Literature Selection and Analytical Criteria

Criterion	Operational description
Topic relevance	Sustainability assurance, ESG reporting, reporting credibility, stakeholder trust
Source quality	Peer-reviewed journals, standard setters, recognized institutions
Time focus	Primarily 2020–2025, with seminal earlier studies retained
Analytical focus	Assurance quality, independence, information quality, trust, accountability
Context	Global evidence with implications for Indonesia and emerging markets

The selected literature was analyzed through thematic content analysis. Each source was reviewed to identify evidence concerning five recurring themes: assurance and information quality; assurance and stakeholder perception; independence and assurance-provider characteristics; standardization and assurance scope; and implementation barriers. Findings from different sources were then compared to identify areas of convergence and tension. This process avoids treating individual studies as universally applicable and instead emphasizes recurring mechanisms supported across the literature.

To strengthen analytical validity, the study applies source triangulation by comparing academic findings with institutional standards and professional guidance. This is particularly important in sustainability reporting because academic research may lag behind changes in reporting requirements. The combination of empirical literature and current standard-setting documents allows the analysis to distinguish established evidence from emerging institutional developments.

Results

The literature review identifies three broad findings. First, sustainability assurance generally improves the perceived quality and credibility of ESG information. Second, stakeholder trust is strengthened when assurance is perceived as independent, transparent, and sufficiently rigorous. Third, assurance effectiveness remains conditional on institutional capacity, standardization, cost, expertise, and the clarity of the assurance scope.

1. Sustainability Assurance and Information Quality

Sustainability assurance contributes to information quality by introducing an external evaluation of selected disclosures and the processes used to produce them. The assurance process can identify inconsistencies, unsupported claims, data-quality problems, weaknesses in internal controls, and gaps between reporting criteria and reported information. This is particularly important for ESG indicators because many are generated outside traditional financial accounting systems and may involve estimation, operational measurements, surveys, or qualitative judgments.

The literature suggests that assurance reduces information asymmetry because stakeholders receive an additional signal about the reliability of reported information. Hodge et al. (2009) demonstrated that assured sustainability reports were perceived as more reliable than non-assured reports. This finding supports the proposition that verification adds informational value even when users cannot directly inspect the underlying evidence.

Table 2. Conceptual Effects of Sustainability Assurance

Dimension	Without assurance	With effective assurance
Data reliability	Greater uncertainty	Higher perceived reliability
Transparency	Dependent mainly on management disclosure	Supported by independent evaluation
Error detection	May depend on internal controls	Additional external scrutiny
Comparability	Can be difficult across firms	Improved when common criteria are applied
Stakeholder confidence	Potentially moderate	Generally strengthened

However, assurance should not be interpreted as a guarantee that every disclosed figure is perfectly accurate. Assurance provides a conclusion based on defined criteria, scope, procedures, materiality, and level of assurance. Therefore, the usefulness of an assurance statement depends partly on whether users understand what was actually assured. Limited assurance and reasonable assurance involve different levels of evidence and work effort, and these differences should be communicated clearly rather than allowing stakeholders to assume that all assurance provides the same degree of confidence.

The transition toward ISSA 5000 reinforces the importance of clearly defined assurance engagements. IAASB describes ISSA 5000 as a comprehensive, stand-alone standard applicable to sustainability information across topics and reporting frameworks. The standard's profession-agnostic design is particularly relevant because sustainability assurance can require expertise that extends beyond conventional accounting, including environmental science, engineering, human rights, data analytics, and sector-specific measurement.

2. Stakeholder Trust and Perception

Stakeholder trust represents a central pathway through which assurance creates value. Investors may use ESG information to evaluate long-term risk and opportunity, regulators may use it to assess compliance or policy outcomes, while communities and civil-society organizations may use it to evaluate corporate impacts. When these users perceive that reported information has been independently scrutinized, the information can become more credible.

The relationship can be conceptualized as a signaling mechanism. Management possesses more information about internal operations than external stakeholders. By voluntarily obtaining credible assurance and disclosing the scope and conclusion of that engagement, an organization sends a signal that its sustainability information is sufficiently robust to withstand independent scrutiny. The signal is more persuasive when the assurance provider is demonstrably independent and when the assurance statement provides understandable information about criteria, scope, materiality, and procedures.

Nevertheless, stakeholder trust is multidimensional. Trust may depend on the perceived competence of the assurance provider, the reputation and independence of the practitioner, the level of assurance, the transparency of the assurance statement, and the organization's broader conduct. An organization cannot compensate for contradictory behavior merely by adding an assurance statement to a sustainability report. Assurance is therefore better understood as one component of a broader accountability system.

The literature also raises the issue of stakeholder participation. O'Dwyer and Owen (2005) observed that traditional assurance practice can remain strongly controlled by management and may not fully address the concerns of different stakeholder groups. This suggests that the usefulness of assurance depends not only on technical verification but also on whether the assurance process is responsive to the information needs of intended users.

3. Conceptual Relationship

The review supports a sequential relationship in which sustainability assurance affects information quality, which in turn affects stakeholder trust and ultimately strengthens corporate transparency and accountability. The relationship is not strictly linear, because organizational governance, reporting standards, assurance-provider independence, and stakeholder characteristics can moderate each stage.

Table 3. Conceptual Pathway from Assurance to Accountability

Stage	Mechanism	Expected outcome
Sustainability reporting	Disclosure of ESG impacts and risks	Information becomes available
Assurance	Independent evaluation against defined criteria	Credibility signal
Information quality	Improved consistency, completeness and reliability	Lower information asymmetry
Stakeholder trust	Higher perceived credibility	Greater confidence in disclosures
Accountability	Improved scrutiny and governance	More transparent corporate conduct

Figure 1 can therefore be expressed as: Sustainability Reporting → Sustainability Assurance → Information Quality → Stakeholder Trust → Corporate Transparency and Accountability. The pathway also includes feedback: stronger stakeholder expectations can increase demand for higher-quality reporting and assurance, while better assurance practices can improve organizational reporting systems.

4. Standardization and the Emerging Assurance Architecture

One of the most important developments is the increasing interaction between reporting standards and assurance standards. GRI provides an impact-oriented reporting architecture, while IFRS S1 and S2 emphasize sustainability-related financial information useful to investors. These frameworks do not make assurance identical, but they increase the need for organizations to maintain clear reporting boundaries, reliable data processes, and consistent definitions.

ISSA 5000 represents a complementary development on the assurance side. A common assurance standard can improve consistency in engagement planning, evidence gathering, evaluation, and reporting. Standardization can also make assurance conclusions more understandable to users and facilitate the development of professional competencies. For Indonesia, alignment with global developments can support comparability and reduce uncertainty for organizations and investors participating in increasingly international capital markets.

Discussion

The findings support the view that sustainability assurance should be understood as part of corporate governance rather than as a purely technical reporting add-on. Agency theory provides one explanation: managers generally possess more information about organizational activities than external stakeholders, creating information asymmetry. Independent assurance can reduce that asymmetry by introducing external scrutiny. Signaling theory offers a complementary explanation because assurance can signal management's willingness to subject sustainability claims to independent evaluation.

However, assurance has limits. The first limitation concerns independence. If an assurance provider is too closely connected to management, stakeholders may question whether the engagement can challenge reporting decisions objectively. Independence must therefore be supported not only by formal requirements but also by organizational safeguards, professional ethics, transparent engagement arrangements, and clear reporting of the practitioner's responsibilities.

The second limitation concerns scope. Sustainability reports contain a wide range of indicators, but an assurance engagement may cover only selected information. A stakeholder reading a report may incorrectly infer that all information has received the same level of assurance. Consequently, organizations should disclose the boundaries of the engagement in clear language. Assurance statements should help users understand what was examined, against which criteria, at what level of assurance, and with what limitations.

The third limitation concerns measurement. Some sustainability indicators are inherently more difficult to measure than financial transactions. Carbon emissions, biodiversity impacts, social outcomes, human-rights risks, and supply-chain conditions can involve estimates and complex methodologies. Assurance can evaluate the application of criteria and the reasonableness of evidence, but it cannot eliminate the underlying uncertainty of every sustainability measurement.

5. Implementation Challenges

Despite its potential benefits, sustainability assurance faces several implementation barriers. Cost is a major issue, especially for smaller organizations that may have limited sustainability-reporting infrastructure. Assurance requires professional time, data preparation, internal controls, documentation, and potentially specialized external expertise. Organizations may therefore perceive assurance as an additional cost unless the long-term governance and capital-market benefits are clearly recognized.

Table 4. Key Implementation Challenges and Responses

Challenge	Implication	Strategic response
High cost	May discourage smaller organizations	Risk-based and proportionate assurance
Limited expertise	Weak data and assurance processes	Training and multidisciplinary teams
Framework complexity	Inconsistent reporting boundaries	Clear mapping of reporting criteria
Data quality	Unreliable ESG indicators	Stronger controls and data governance
Independence concerns	Lower stakeholder confidence	Transparent practitioner safeguards
Regulatory gaps	Uneven adoption	Clear national guidance and supervision

Expertise is another constraint. Sustainability assurance requires competencies that combine assurance methodology with knowledge of environmental, social, technological, and sector-specific issues. Professional education should therefore move toward multidisciplinary capability. Data analytics can support assurance by identifying unusual patterns, testing large datasets, and tracing information across reporting systems, but technology should complement rather than replace professional judgment.

Discussion

From an Indonesian perspective, the development of sustainability assurance should be connected with the maturity of corporate reporting systems. Organizations with weak data governance will find it difficult to produce reliable ESG information even when external assurance is available. Assurance can identify weaknesses, but it cannot substitute for management responsibility for the underlying data. Internal controls, clear accountability for sustainability metrics, documented methodologies, and cross-functional governance are therefore prerequisites for effective external assurance.

Regulators and professional bodies also have an important role. Clear reporting expectations can reduce uncertainty about the scope of disclosures, while assurance guidance can increase consistency among practitioners. Professional development is needed to expand the pool of qualified assurance providers and specialists. Universities can contribute by integrating sustainability accounting, ESG measurement, assurance standards, data analytics, and professional ethics into accounting and business curricula.

Companies should also reconsider the strategic meaning of assurance. If assurance is viewed only as a requirement at the end of the reporting cycle, its potential governance value is limited. In contrast, when assurance considerations are incorporated into the design of data systems and reporting processes, assurance can become an instrument for improving organizational information quality. This approach may create a feedback loop in which better controls produce better disclosures, better disclosures facilitate more effective assurance, and credible assurance strengthens stakeholder confidence.

6. Proposed Governance Model

Based on the synthesis, this study proposes a governance model with five interconnected layers. The first layer is reporting criteria, which establishes what the organization intends to disclose and how materiality is determined. The second layer is data governance, covering ownership, collection, validation, documentation, and retention of sustainability information. The third layer is internal control, ensuring that data flows are subject to review and authorization. The fourth layer is independent assurance, which evaluates selected information and processes against defined criteria. The fifth layer is stakeholder communication, through which the organization explains the assurance scope, conclusion, limitations, and implications.

The model emphasizes that stakeholder trust is an outcome of the entire system rather than of assurance alone. An assurance statement attached to weak reporting processes may have limited credibility. Conversely, a well-designed reporting and control system supported by independent assurance can improve the reliability of information and strengthen accountability.

Conclusion

This study concludes that sustainability assurance can play a significant role in strengthening stakeholder trust by improving the credibility, reliability, and transparency of ESG disclosures. The literature indicates that independent assurance reduces information asymmetry and provides stakeholders with an additional basis for evaluating non-financial information. Its effectiveness is particularly strong when the assurance provider is independent, the scope and level of assurance are clearly communicated, and the engagement is based on recognized criteria and rigorous evidence.

Nevertheless, assurance should not be treated as an automatic guarantee of trust. Its value depends on reporting quality, organizational controls, practitioner competence, independence, standardization, and stakeholder understanding. The emergence of ISSA 5000, together with the continuing development of GRI and ISSB standards, provides an opportunity to create a more coherent global architecture for sustainability reporting and assurance.

For Indonesia, the policy priority should be to strengthen organizational readiness, professional expertise, data governance, and regulatory consistency. Companies should integrate sustainability data into internal control systems rather than treating ESG reporting as a separate communication exercise. Regulators and professional bodies should encourage proportionate but credible assurance, while higher education institutions should develop multidisciplinary sustainability-assurance competencies.

Future research should move beyond literature synthesis by examining Indonesian firms across sectors and comparing stakeholder responses to different assurance levels and provider characteristics. Quantitative studies could test whether assured reporting is associated with measurable outcomes such as cost of capital, investor response, reputational indicators, or financing access. Case studies could also examine how ISSA 5000 implementation changes internal reporting controls and assurance practices.

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