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European Sustainability Reporting Standards and Economic Implications on Companies and Assurance and Advisory Services in Austria

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Abstract

The purpose of this study is to examine the economic implications of the ESRS implementation on companies and assurance and advisory services, with a focus on changes in sustainability reporting under ESRS and its market perception. This examination draws upon legitimacy theory and signalling theory (Bilal et al., 2024; Del Gesso and Lodhi, 2025; Fatima and Elbanna, 2023; Hazaea et al., 2022; Klösch and Kasmanhuber, 2025; Nasreen et al., 2023; Velte, 2024). A qualitative research method of semi-structured interviews is applied to obtain the state-of-the-art of the topic and gather practical insights from the ESG experts, who are dealing with the sustainability reporting, especially ESRS (Kallio et al., 2016; Qu and Dumay, 2011). The qualitative data is analysed using the three-level code (Gioia et al., 2013). There are multiple economic impacts on companies and assurance and advisory services that are associated with the ESRS implementation, which also changes the perception of sustainability in the market, being in line with the legitimacy theory (Cepêda et al., 2025; Gerwing et al., 2022). Companies are sending multiple signals to the market while complying with the ESRS, and the implementation of the ESRS can increase or decrease information asymmetry between companies and stakeholders (Hummel and Jobst, 2024; Rouf and Siddique, 2023). Nonetheless, assurance and advisory services help to reduce the information asymmetry in the market. Results also provide practical insights into the costs, challenges, internal restructuring processes, and benefits that companies and assurance and advisory services face with the ESRS implementation. Additionally, results also indicate actions to overcome the challenges associated with the ESRS implementation for assurance and advisory services. Finally, the study allows for further presentation of costs, challenges and benefits that companies and assurance and advisory services face due to the dynamic legislation development and Omnibus implementation.

Keywords

European Sustainability Reporting Standards, Omnibus, Sustainability Reporting, Economic Implications, Companies, Assurance and Advisory Services, Legitimacy Theory, Signaling Theory, Semi-Structured Interview.

Kurzfassung

Der Zweck dieser Studie ist es, die wirtschaftlichen Auswirkungen der Umsetzung des ESRS auf Unternehmen und Assurance- und Beratungsdienstleistungen zu untersuchen, wobei der Schwerpunkt auf den Veränderungen in der Nachhaltigkeitsberichterstattung unter dem ESRS und dessen Marktwahrnehmung liegt. Diese Untersuchung stützt sich auf die Legitimitätstheorie und die Signaltheorie (Bilal et al., 2024; Del Gesso and Lodhi, 2025; Fatima und Elbanna, 2023; Hazaea et al., 2022; Klösch and Kasmanhuber, 2025; Nasreen et al., 2023; Velte, 2024). Es wird eine qualitative Forschungsmethode in Form von halbstrukturierten Interviews angewendet, um den aktuellen Stand des Themas zu ermitteln und praktische Erkenntnisse von ESG-Experten zu sammeln, die sich mit der Nachhaltigkeitsberichterstattung, insbesondere dem ESRS, befassen (Kallio et al., 2016; Qu und Dumay, 2011). Die qualitativen Daten werden anhand eines dreistufigen Kodierungsprozesses analysiert (Gioia et al., 2013). Die Umsetzung der ESRS hat vielfältige wirtschaftliche Auswirkungen auf Unternehmen und Assurance- und Beratungsdienstleistungen, was auch die Wahrnehmung von Nachhaltigkeit auf dem Markt verändert, was im Einklang mit der Legitimitätstheorie steht (Cepêda et al., 2025; Gerwing et al., 2022). Unternehmen senden vielfältige Signale an den Markt, während sie die ESRS einhalten, und die Umsetzung der ESRS kann die Informationsasymmetrie zwischen Unternehmen und Stakeholdern vergrößern oder verringern (Hummel und Jobst, 2024; Rouf und Siddique, 2023). Dennoch tragen Assurance- und Beratungsdienstleistungen dazu bei, die Informationsasymmetrie auf dem Markt zu verringern. Die Ergebnisse dieser Studie liefern auch praktische Einblicke in die Kosten, Herausforderungen, internen Umstrukturierungsprozesse und Vorteile, mit denen Unternehmen und Assurance- und Beratungsdienstleistungen bei der Umsetzung des ESRS konfrontiert sind. Darüber hinaus zeigen die Ergebnisse auch Maßnahmen auf, mit denen die Herausforderungen im Zusammenhang mit der Umsetzung des ESRS für Assurance- und Beratungsdienstleistungen bewältigt werden können. Schließlich ermöglicht die Studie eine weitere Darstellung der Kosten, Herausforderungen und Vorteile, denen Unternehmen und Assurance- und Beratungsdienstleistungen aufgrund der dynamischen Gesetzesentwicklung und der Umsetzung der Omnibus-I Verordnung gegenüberstehen.

Schlüsselwörter

European Sustainability Reporting Standards, Omnibus, Nachhaltigkeitsberichterstattung, Wirtschaftliche Auswirkungen, Unternehmen, Assurance- und Beratungsdienstleistungen, Legitimitätstheorie, Signaltheorie, Semi-Structured Interview.

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List of Abbreviations

B2B – Business-to-Business

B2C – Business-to-Consumer

CCF – Corporate Carbon Footprint

CSR – Corporate Social Responsibility

CSDDD – Croproate Sustainability Due Diligence Directive

CSRD - Corporate Sustainability Reporting Directive

DACH – Germany, Austria and Switzerland

DMA – Double Materiality Analysis

EFRAG - European Financial Reporting Advisory Group

ERP – Enterprise Resource Planning

ESG - Environmental, Social and Governance

ESRS - European Sustainability Reporting Standards

ETF – Exchange-Traded Funds

GRI – Global Reporting Initiative

IFRS – International Financial Reporting Standards

IRO – Impact, Risk, and Opportunity

KPIs – Key Performance Indicators

LCA – Life Cycle Assesment

MNEs – Multinational Enterprises

NDC - Nationally Determined Contributions

NFRD - Non-Financial Reporting Directive

NGOs - Non-governmental organisations

PET – Potential Evapotranspiration

SASB – Sustainability Accounting Standards Board

SFRD - Sustainable Finance Disclosure Regulation

SMEs - Small and Medium-Sized Enterprises

1. Introduction

Consistent with the development of sustainability goals, strategies, visions, and green transition of economies, sustainability disclosure legislation has also been evolving. The adoption of the Non-Financial Reporting Directive (NFRD) in 2014 was a significant step towards greater transparency in business activities and financial statement disclosure. The disclosure of non-financial information, focusing on Environmental, Social, and Governance (ESG) issues, is considered vital for achieving the goals set by the Paris Agreement and the European Green Deal (European Union, 2014). The NFRD was adopted in a non-prescriptive manner since it provides significant flexibility to member states. Indeed, member states are obligated to transpose the NFRD into national law (Fiandrino et al., 2022a). Large companies are defined under NFRD as publicly listed companies, banks, and insurance firms with more than 500 employees, who are obligated to adopt certain policies on disclosing non-financial information. These policies primarily focus on social responsibility, employee treatment, respect for human rights, anti-corruption and bribery, and diversity on company boards. In 2020, the number of undertakings that fell within the scope of the NFRD was 1.956 (Groen et al., 2022). However, due to the lack of legal enforcement, large undertakings had flexibility in implementing the policies and were not required to follow any specific standards, but could choose the most compelling one (European Parliament, 2021). Furthermore, academics have presented issues related to the NFRD, which include: lack of completeness, definition of materiality, clarity, comparability, consistency, accessibility, timeliness, reliability, and accountability (Fiandrino et al., 2022a). To address these issues, the European Commission agreed in 2022 on the final text of the Corporate Sustainability Reporting Directive (CSRD), which superseded the NFRD from the financial year 2024 onwards. Under this directive, companies must report non-financial information based on the European Sustainability Reporting Standards (ESRS) (European Parliament, 2022).

The goal of this study is to assess the economic implications of the ESRS implementation on companies and assurance and advisory services in Austria, with a focus on changes brought under ESRS in sustainability reporting and its market perception. Only a few countries implemented mandatory sustainability reporting and audits; therefore, the academic literature to date is scarce (Hazaea et al., 2022; Klösch and Kasmanhuber, 2025).

To address these gaps in the academic literature, a qualitative research method of semi-structured interviews is chosen to answer the following two research questions, which also draw upon legitimacy and signalling theories

RQ.1: What economic impact does the implementation of the ESRS have on companies?

RQ.2: What are the economic implications of the ESRS implementation on assurance and advisory services?

The qualitative data is analysed using a three-level coding scheme following the guidelines of Gioia et al. (2013). There are multiple economic impacts on companies and assurance and advisory services that are associated with the ESRS implementation, which also changes the perception of sustainability in the market, being in line with the legitimacy theory (Cepêda et al., 2025; Del Gesso and Lodhi, 2025; Fiandrino et al., 2022a; Hummel and Jobst, 2024). Companies are sending multiple signals to the market while complying with the ESRS, and the implementation of the ESRS can increase or decrease information asymmetry between companies and stakeholders (Del Gesso and Lodhi, 2025; Rouf and Siddique, 2023). Nonetheless, assurance and advisory services help to reduce the information asymmetry in the market. Results provide practical insights into the costs, challenges, internal restructuring processes, and benefits that companies and assurance and advisory services face when implementing the ESRS. First, the costs identified that are associated with the ESRS implementation and its economic impact on companies and assurance and advisory services: human resources, reporting costs, compliance costs, involvement of different departments, consulting and auditing costs, costs for technical expertise, certification costs, public relations, data systems and more. Second, the following challenges are secured based on the conducted interviews: human resources, stakeholders and questionnaires, whistleblowing system, double materiality analysis, data systems and data governance, and workload. Third, considering the internal restructuring processes, the following ones are identified and assessed: business implications, internal guidelines and policies, digitalisation, ESG teams and their collaboration and importance within the companies, and C-suite involvement. Fourth, the following benefits are outlined in this study: market recognition, increased trust, enhanced cooperation with stakeholders, cybersecurity, and dependency. Additionally, the results also indicate actions to overcome the challenges associated with ESRS implementation for assurance and advisory services (e.g., strategies for building and maintaining corporate knowledge, M&A, and collaboration with external partners, investments in IT systems, marketing, and employee branding). Finally, the study enables the further presentation of costs, challenges, and benefits that companies and assurance and advisory services face due to the dynamic development of legislation and the implementation of Omnibus (e.g., pause or postponement of projects, demand and changes, legal insecurity, and loss of trust). These findings provide practical insights and share the experiences of experts on a current dynamic topic, thereby contributing to academics and practitioners who can benefit from them.

The following citation is meant to evoke the interest of the reader to read and benefit from this study because the results and findings are beneficial for both academics and practitioners: *"I wish everyone the best of luck in working through all the EU documents and then understanding them. Good luck! They will not make it. You need a translator and something, a consultant, or something similar. So that you can still see the bigger picture, you have to say, hey, reporting is the tip of the iceberg. "* (Interviewee 16, Paragraph 28).

2. Literature Review

2.1. Sustainability Reporting & Theories

There is a significant number of different theories and theoretical frameworks that could be applied in the studies investigating sustainability reporting. The five most frequently discussed theories in academic literature regarding ESG and CSR activities are, in ascending order: stakeholder, legitimacy, institutional, agency, and signalling theories (Del Gesso and Lodhi, 2025; Nasreen et al., 2023). It is also consistent with the academic literature on social and environmental accounting, where the legitimacy theory is most of the time in the top three ranking of studies, and the signalling theory is often considered an emerging theory in sustainability reporting, hence with a call for future studies (Bilal et al., 2024; Fatima and Elbanna, 2023; Rouf and Siddique, 2023). Both legitimacy and signalling theories are complementary and applicable to the topic, as corporations strive for legitimacy to survive, thereby signalling their quality to the market or stakeholders (Connelly et al., 2011). There is no need to consider stakeholder theory in conjunction with legitimacy theory at the same time. Legitimacy theory states that corporations have social contracts with the society in which they operate. In line with these contracts, managers are incentivised to account for social values, norms and boundaries in their corporate activities (Velte, 2024).

Notably, since only a few countries have implemented mandatory sustainability reporting and audits, the academic literature to date is scarce (Klösch and Kasmanhuber, 2025). Therefore, there is little literature focusing on the ESRS and its economic implications for companies, as well as assurance and advisory services. Consequently, there are few studies discussing the role of assurance in sustainability reporting (Hazaea et al., 2022). Based on the existing gaps in the academic literature, this study aims to assess and address these gaps.

Legitimacy Theory

Legitimacy theory represents one of the theories on which academic studies rely to explain ESG or CSR reporting practices. Furthermore, it provides the theoretical foundation for assessing the company's legitimacy based on the use of sustainability reporting or non-financial disclosure (Del Gesso and Lodhi, 2025).

According to Suchman (1995), the legitimacy theory is defined as "a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions". It is also stated that it represents a reaction of observers to the organisations. Moreover, despite diverging dramatically from societal norms, organisations often preserve their legitimacy because the divergence goes unnoticed. It is also important to note some reasons why firms seek legitimacy. On the one hand, legitimate organisations are perceived by the audience as being more worthy, meaningful, predictable and trustworthy. On the other hand, there is a difference between passive acquiescence and active support, which the company is seeking. It measures the legitimacy demands on whether the company aims to achieve a specific threshold that a particular audience would leave it alone or seeks long-term audience intervention. Suchman (1995) also provides valuable information on the three types of organisational legitimacy. First, the "pragmatic legitimacy" indicates the presence of communication between the company and its audience. It is an exchange where the company gains support from the audience on the one hand, and on the other hand, the audience appreciates the company's actions since they meet their interest or benefit them. Second, the "moral legitimacy" states whether a firm's actions are seen as "the right thing to do" based on societal values rather than just benefiting specific individuals or groups, as is the case in pragmatic legitimacy. Third, the concept of "cognitive legitimacy" refers to whether a firm aligns with the audience's understanding of the world or not. In this case, if something is perceived as being rather too complex to comprehend, the company would struggle to gain acceptance (Suchman, 1995).

The legitimacy theory plays a key role in sustainability reporting, as companies seek to enhance their legitimacy by disclosing sustainability data, without necessarily changing their operational activities (Cepêda et al., 2025). Companies are increasingly exposed to disclosing non-financial information in response to societal pressures, thereby supporting their stakeholders (Fiandrino et al., 2022a). Furthermore, companies voluntarily provide sustainability reporting information to "gain, maintain or repair" their legitimacy (Hummel and Jobst, 2024). Therefore, companies operate within societies and must align their practices with societal norms, whereas ESRS embodies these expectations, as it is a regulatory mechanism with clearly defined goals. To remain part of the changing environment, companies disclose sustainability information to comply with regulations and also to maintain legitimacy in the eyes of society, the public, and various stakeholders (e.g., investors, financial institutions, NGOs, etc.). To maintain legitimacy, companies must invest money and resources to adapt to new practices under the ESRS or change their daily business operations, which is also costly. Therefore, the cost aspect plays a crucial role in legitimacy theory, which also outlines why this theory is appropriate for this study and how it is connected to the dynamic environment of sustainability legislation (Baboukardos et al., 2023).

Signaling Theory

Signalling theory, also called disclosure theory, is often combined with other theories and is rarely seen to be used solely (Del Gesso and Lodhi, 2025). Indeed, it is usually combined with theories such as stakeholder, legitimacy, agency, reputation, resource dependence or resource-based view theories. In line with the signalling theory, firms, to reduce the "information asymmetry" to others, opt to differentiate themselves using signals to convey information about their qualities or intentions. Therefore, it allows them to build trust in various contexts (Del Gesso and Lodhi, 2025).

According Connelly et al. (2011), there are several important key concepts in the management research on signalling theory. The key concept in management research includes signaler, signal, receiver, feedback and signalling environment. The "signalers" are insiders who possess information about an individual, product, or corporation which is unavailable to outsiders. The possessed information could be either positive or negative, but it would be valuable to outsiders. Notably, the signalling theory focuses mainly on actions taken by the insiders to intentionally communicate positive information to outsiders. Furthermore, the insider must decide whether to communicate this information, in the form of a "signal," to outsiders. Indeed, the signals are considered to be quality signs in the management research. The "receivers" of the signal are outsiders who lack the information but are interested in receiving it from the insiders. The receivers could be all possible stakeholders (e.g. shareholders, debt holders, investors, customers, employees, banks, profit and non-profit institutions, communities, etc.). The academic literature in management research also uncovered the importance of the information sent from the receiver back to the signaler in the form of "feedback" or "countersignals". That is the exchange of desire for information, as the signaler is also willing to obtain information about the receiver. The last part of the concept is the "signalling environment", which can be either within an organisation or between organisations and affects the extent to which signalling reduces information asymmetry. This can lead to the distortion of the signals by other receivers (Connelly et al., 2011).

The signalling theory offers valuable insights into sustainability reporting, as the company's disclosure sends specific signals to the market about its performance (Rouf and Siddique, 2023). Indeed, stakeholders such as investors, rating agencies, financial institutions, regulators, and consumers usually lack access to a company's sustainability performance. By complying with the ESRS, companies send a signal to the market that they are attempting to reduce the information asymmetry between a company and its stakeholders by disclosing sustainability information. Companies incur costs to disclose certain sustainability information or metrics to society and allocate significant resources to this effort. Moreover, assurance and advisory services play a crucial role in the signalling environment, as they help reduce information asymmetry (Gerwing et al., 2022). The assurance costs are also part of the company's willingness to comply with the ESRS, whereas it may also emphasise that companies want to differentiate themselves from competitors or even be pioneers in the sustainability field. On the other hand, providing expertise in ESRS for assurance and advisory services demonstrates competence and leadership in the developing market and environment. That is why signalling theory plays a valuable part in sustainability reporting. Moreover, signalling theory provides reasonable support for the legitimacy theory, hence making it a good option for the research on the ESRS implementation and its economic impact on companies and assurance and advisory services.

Table 1 provides a summary of academic literature applied in this study to provide a brief context for the topic and ensure a high-quality discussion of the findings, while also highlighting the relevance of the theoretical framework in the context of sustainability reporting.

Table 1. Sustainability Reporting & Theoretical Frameworks: Evidence of Legitimacy & Signalling Theories

Author	**Titel**	**Source Titel**
Cepêda et. al (2025)	Decoupling in Sustainability Reporting: A Systematic Literature Review	Corporate Social Responsibility and Environmental Management
Ching and Gerab (2017)	Sustainability reports in Brazil through the lens of signaling, legitimacy and stakeholder theories	Social Responsibility Journal
Connelly et. al (2011)	Signaling Theory: A Review and Assessment	Journal of Management
Del Gesso et. al (2025)	Theories underlying environmental, social and governance (ESG) disclosure: a systematic review of accounting studies	Journal of Accounting Literature
Fatima and Elbanna (2023)	Corporate Social Responsibility (CSR) Implementation: A Review and a Research Agenda Towards an Integrative Framework	Journal of Business Ethics
Fiandrino et. al (2022)	Sustainability materiality research: a systematic literature review of methods, theories and academic themes	Qualitative Research in Accounting & Management
Friske et. al (2023)	The impact of voluntary sustainability reporting on firm value: Insights from signaling theory	Journal of the Academy of Marketing Science
Rouf et. al (2023)	Theories applied in corporate voluntary disclosure: a literature review	Journal of Entrepreneurship and Public Policy
Suchman (1995)	Managing Legitimacy: Strategic and Institutional Approaches	The Academy of Management Review
Velte (2024)	A literature review concerning the non-carbon-related environmental goals of the EU Taxonomy Regulation and the European Sustainability Reporting Standards (ESRS)	Journal of Global Responsibility

2.2. CSRD & ESRS

According to European Parliament (2022), several differences are introduced with the CSRD superseding the NFRD. First, according to CSRD, the number of undertakings required to disclose non-financial information has increased significantly. The number of undertakings based in the European Union (EU) required to disclose non-financial information is about 48,000, since all large undertakings are subject to the same reporting obligation. Second, the consistency of reported non-financial information aligns with the implementation of ESRS, as prepared by the European Financial Reporting Advisory Group (EFRAG). Third, an extension of the reporting requirements for the undertaking's value chain (European Parliament, 2022). The ESRS provides a structured approach for disclosing non-financial information by undertakings while complying with the CSRD (Groen et al., 2022). Hummel and Jobst (2024) highlight several obligations that companies face with the ESRS implementation. First, the sustainability information must be integrated into the management report within the financial statement. This resolves the issue and the free choice of companies on whether to include the sustainability information in the financial report (integrated report) or prepare a non-financial report separately (separate report). Second, an external assurance is required. Indeed, it completely changes the reporting requirements, thereby imposing an evolution from voluntary to mandatory disclosure. Third, digital tagging of the reported information (Hummel and Jobst, 2024).

One of the main objectives of the ESRS is to ensure standardised and measurable ESG reporting, with more transparency and comparability (Suta et al., 2025). Christensen et al. (2021) outline that the requirement for the assessment of double materiality by the reporting entity is a key component under ESRS. On the one hand, financial materiality provides the outside-in perspective and requires undertakings to disclose the effect of ESG on them. On the other hand, impact materiality provides the inside-out perspective. It requires undertakings to disclose information in their financial reporting on how the company's activities affect society and the environment, including the externalities they cause (Christensen et al., 2021).

The CSRD was adopted in November 2022, whereas the following phased-in applications were specified. Companies already subject to the NFRD are the first to report according to the CSRD and ESRS in 2025, covering the financial year 2024. In 2026, covering the financial year 2025, the large companies are required to report. Consequently, the small and medium-sized enterprises (SMEs) will first report in 2027, covering the financial year 2026 (European Parliament, 2022).

There are three categories in the scope of ESRS (European Commission, 2023a). First, the cross-cutting standards encompass general reporting requirements outlined in ESRS 1 and general disclosures outlined in ESRS 2. ESRS 1 focuses on the definition of double materiality, and ESRS

2 includes the information to be shared by companies at a general level across all sustainability matters in the reporting areas (i.e., governance, strategy, risk and opportunity management, metrics, and targets). Second, the topical standards comprise additional disclosure requirements for material sustainability topics, covering three key areas: environmental (ESRS E1 to E5), social (ESRS S1 to S4), and governance (ESRS G1). Based on the double materiality assessment, the specific sustainability matters and the material impacts, risks, and opportunities (IROs) must be disclosed according to the relevant standard. Notably, both cross-cutting standards and topical standards are sector-agnostic, meaning they apply to all companies, regardless of the sector in which they operate. Furthermore, this corresponds to the third category, sector-specific standards. This addresses impacts, risks and opportunities that are material to the company in a specific sector and that are not sufficiently covered by the topic-specific standards (European Commission, 2023b).

Table 2 displays academic literature used in the literature review and supports the discussion of the findings on sustainability reporting and the role of ESRS implementation.

Table 2. Sustainability Reporting & Role of ESRS Implementation

Author	Titel	Source Titel
Adams and Abhayawansa (2022)	Connecting the COVID-19 pandemic, environmental, social and governance (ESG) investing and calls for 'harmonisation' of sustainability reporting	Critical Perspectives on Accounting
Bilal et. al (2024)	A bibliometric review of corporate environmental disclosure literature	Journal of Accounting Literature
Christensen et. al (2021)	Mandatory CSR and sustainability reporting: economic analysis and literature review	Review of Accounting Studies
Hummel and Bauernhofer (2024)	Consequences of sustainability reporting mandates: evidence from the EU taxonomy regulation	Accounting Forum
Hummel and Jobst (2024)	An Overview of Corporate Sustainability Reporting Legislation in the European Union	Accounting in Europe
Mezzanotte (2023)	Corporate sustainability reporting: double materiality, impacts, and legal risk	Journal of Corporate Law Studies
Nasreen et. al (2023)	Sustainability reporting – a systematic review of various dimensions, theoretical and methodological underpinnings	Journal of Financial Reporting and Accounting
Singhania et. al (2025)	Sustainability accounting research over three decades: A scientometric meta-analysis	Corporate Social Responsibility and Environmental Management
Suta et. al (2025)	Dictionary-based assessment of European Sustainability Reporting Standard (ESRS) disclosure topics	Discover Sustainability
Wang et. al (2024)	How do ESG practices create value for businesses? Research review and prospects	Sustainability Accounting, Management and Policy Journal

2.3. Economic Implications on Companies

2.3.1. Voluntary and Mandatory Disclosure

Voluntary disclosure of sustainability information is of interest to the undertakings as long as the benefits of disclosure exceed the costs. Corporate disclosure reduces information asymmetry, being in line with the signalling theory, and benefits both the external parties and the company itself08/29/2025 17:14:00(Christensen et al., 2021). On the other hand, Hummel and Jobst (2024) highlight that voluntary disclosure aligns with legitimacy theory, as companies voluntarily provide sustainability information. Interestingly, the empirical evidence indicates that poor performers in sustainability activities often share positive information to shape market perception and society in general. Therefore, these actions are often perceived as greenwashing, as the negative information regarding sustainability activities is obscured by the positive information disclosed to the public. To address this issue, mandatory disclosure has been viewed as a necessary tool, and the assurance of sustainability information ensures the quality of the disclosed information, thereby reducing information asymmetry and improving the accuracy of sustainability reporting (Hummel and Jobst, 2024). Indeed, the evidence indicates that companies with weaker ESG results have their sustainability reports more foggy and less complete in terms of disclosure, whereas companies with better ESG results are more likely to disclose more information on ESG topics (Hummel and Schlick, 2016; Melloni et al., 2017). According to Wagenhofer (2024), the objective of financial reporting is to provide useful information for the decisions of existing and potential capital providers (i.e. investors, lenders, and other creditors) of the reporting firm. Therefore, financial reporting is seen as neutral, providing reports on the company's economic resources and the effectiveness and efficiency of their use over the reporting period. On the contrary, mandatory sustainability reporting is politically intended to affect management behaviour towards sustainability, hence pursuing ESG goals. This represents an indirect mechanism of influence on management through transparency, providing stakeholders with the information they can use to take action that could potentially affect the financial performance of the reporting company (Wagenhofer, 2024). The mandatory regime of non-financial information disclosure aims to encourage companies to pursue sustainable actions, hence fostering sustainable economic growth while assuring transparency. Academics agree that mandatory disclosure puts pressure on companies. Therefore, there is a need to invest considerable time and effort in improving the level of non-financial information disclosure (Fiandrino et al., 2022a).

2.3.2. Direct Costs

The direct costs are expenses that companies incur with the implementation of ESRS and can be associated with the costs for preparation, certification, and dissemination of accounting reports (Christensen et al., 2021). These costs can also be categorised into administrative and assurance costs (Groen et al., 2022).

Companies are expected to face administrative costs, both on a one-off and recurring basis. On the one hand, one-off costs are expected to be substantial but incur only in the first year, hence are defined as set-up costs. This presents a challenge when companies need to adopt sustainability goals within the organisation and among employees (Bielawska, 2022). Therefore, companies incur direct costs, such as training and education expenses, associated with increasing ESG awareness within the organisation (Rudžionienė and Brazdžius, 2023). The internal mechanisms for companies represent a burden, particularly in terms of data collection, as mandated by the CSRD, especially for the ESRS, where companies may opt for outsourcing services (Groen et al., 2022). This is further extended to the fact that companies must cooperate with the suppliers and retrieve the necessary data from them. This involves further cooperation with various stakeholders, which is costly (Bielawska, 2022). On the other hand, recurring costs will also be incurred in the first year but will be maintained in subsequent years, as they represent staff costs and are related to the yearly reporting process (Groen et al., 2022). It is expected that many undertakings will turn to external consultancies due to a lack of in-house expertise in sustainability reporting. Most of the administrative costs will be incurred for the first time in preparing an integrated sustainability report. There are also incremental costs associated with the administrative costs. These costs are additional expenses that, for instance, will impact large undertakings, as the scope of the sustainability data to be disclosed is significantly larger than it was under the NFRD. In other words, despite the fact of having experience with reporting under NFRD, companies will face sophisticated incremental costs due to the extension of the requirements. Therefore, the initial costs of reporting under the ESRS are considered higher than in subsequent years (Groen et al., 2022). Another direct cost associated with the ESRS implementation is the expense of developing and implementing new policies or programs to promote sustainability reporting and practices within companies (Rudžionienė and Brazdžius, 2023).

One significant difference between the CSRD and the NFRD is that under the CSRD, it is required to provide a general assurance to report on the sustainability information (European Commission, 2023b). Assurance costs cover the expected assurance costs for undertakings that comply with the requirements under the ESRS. These costs may vary depending on the type of assurance provided by the statutory auditor (i.e., limited or reasonable assurance) (Christensen et al., 2021). The initial idea is to start with limited assurance, which is more affordable, and companies need time and practice to prepare for reasonable assurance (European Parliament, 2022). The assurance costs differ for each company based on its size, complexity, and sector of operation. It is also true that the initial costs for assurance by independent auditors are higher in the first two to three years, based on the absence of reporting experience under the ESRS. According to the CSRD, the incremental costs also play a crucial role, as they will increase in line with the goal of achieving a similar level of assurance for financial and sustainability reporting. The costs will increase significantly when companies are obliged to move from limited to reasonable assurance, since the scope of disclosure will be more extensive (Groen et al., 2022). Therefore, there are costs associated with the sustainability reporting and auditing, which may include costs for preparation, certification, and dissemination of reports (Rudžionienė and Brazdžius, 2023).

2.3.3. Indirect Costs

According to the Christensen et al. (2021) and Groen et al. (2022), indirect costs include costs due to the trickle-down effect, litigation costs and costs resulting from the loss of competitiveness.

The trickle-down effect places a burden on SMEs operating within the value chains of large undertakings that are obligated to report under the ESRS. That is because of the expected information that is requested from large undertakings and the associated costs for SMEs. The administrative costs include one-off expenses that are only incurred in the first year, as well as recurring costs, since SMEs will need to ensure and prepare the data required under ESRS annually for large undertakings. Incremental costs are primarily associated with the new processes that SMEs must implement within their companies to provide the required data for large undertakings reporting under ESRS. Indeed, the incremental costs are associated with ESRS compliance (Groen et al., 2022). That represents another important change under the CSRD compared to the NFRD is the extension of the discd information regarding the company’s value chain (Hummel and Jobst, 2024). Moreover, preparers are required to report on sustainability due diligence in their own companies and their upstream and downstream value chains (European Commission, 2023b). Therefore, there are indirect costs due to collaboration with suppliers and engagement with stakeholders (Bielawska, 2022). Rudžionienė and Brazdžius (2023) identify further costs that can be associated with the engagement with external sustainability standards, organisations and initiatives.

Groen et al. (2022) outlines several arguments for litigation costs. On the one hand, companies that report and comply with the ESRS can reduce their litigation risk. The ESRS provides more standardisation, due diligence and transparency, hence allowing companies to reduce litigation risk. Consequently, this will be further improved because the sustainability information will be audited. On the other hand, the extension of the information to be disclosed can also result in greater scrutiny, leading to increased litigation costs. This is mainly due to the fact of the extension of the reported information and involvement of the supply chains. In fact, the reporting entity can also be held liable for ESG issues related to the performance of supply chain members (Groen et al., 2022). Furthermore, non-compliance with the standards will be penalised, which could be costly for the firms and lead to litigation processes (Fiandrino et al., 2022a).

Finally, there are potentially indirect costs on the competitiveness of the reporting entity in the market that could be affected by the ESRS (Groen et al., 2022). That is due to the necessity of reporting specific information, which could be corporate sensitive, thereby leading to a loss of competitive position. Corporate sensitive information could then be used by competitors, non-governmental organisations (NGOs), labour unions, regulators, tax authorities or other stakeholders, which could have consequences on the reporting entity and be related to potential risks (Christensen et al., 2021). Moreover, these impacts extend not only to the reporting entity but also to companies within the supply chain (Bielawska, 2022). Such corporate-sensitive information could include sector-specific risks and opportunities, information about profitable or non-profitable markets, value chains, and products or services. Notably, for the reporting entity, this could imply potential risks; however, for the other companies, it assures opportunities, as they have access to information that could be useful for their business operations (Groen et al., 2022). It emphasises the perspective of value creation and states that investing in ESG practices assures a competitive advantage in the market (Buallay, 2019).

2.3.4. Direct Benefits

The reporting entity is spending a significant amount of resources preparing and providing sustainability information to users upon request (Groen et al., 2022). That is the case, for example, with users such as rating agencies, financial institutions, NGOs, and third-party data providers that continuously inquire about specific information and data from large undertakings, especially listed ones (Fiandrino et al., 2022b). Under the ESRS, the reporting entity will provide more harmonised, standardised, and comprehensive information on sustainability performance (Adams and Abhayawansa, 2022; Baumüller and Sopp, 2022). According to Groen et al. (2022), it can reduce the inquiries from the different stakeholders, hence allowing for the cost savings for the preparers. Furthermore, these inquiries for additional information are associated with significant costs, as the reporting entity must extract specific information solely for one user, which may differ for others. Additionally, these requests are often associated with meetings, calls, or putting undertakings under pressure when they have to reach out to external services (e.g., consultants), thereby increasing administrative costs. Indeed, companies must respond to the requested information, as there could be potential reputational or rating-related damages (Groen et al., 2022). The following benefits are briefly introduced that companies can derive from the implementation of ESRS: market recognition, improved company image, increased trust, and enhanced cooperation with stakeholders (Rudžionienė and Brazdžius, 2023).

According to Groen et al. (2022), rating agencies and third-party providers spend significant resources on data collection and verification. Under the ESRS, the standardised reporting practices on the sustainability information will allow them to achieve cost savings. For investors, this will also reduce the amount of work required to find and make the reported information of the entities comparable. Additionally, this could reduce investors' reliance on third-party data providers for sustainability information, as comprehensive reported information is publicly available. On the other hand, third-party agencies could also provide better services and comparability at more competitive pricing for customers (Groen et al., 2022).

Last but not least, the implementation of the ESRS will facilitate its better integration into European legislation. This will enable better synergies with other sustainability policies, such as the Sustainable Finance Disclosure Regulation (SFDR) or the Taxonomy Regulation, and ensure that stakeholders receive more comprehensive information regarding the sustainability performance of the reporting entity (Groen et al., 2022). Overall, mandatory sustainability reporting improves information availability to the stakeholders (Christensen et al., 2021).

2.3.5. Indirect Benefits

Groen et al. (2022) define two main indirect benefits of the ESRS implementation, being behavioural changes and improved sustainability.

The behavioural changes in the companies under the CSRD and reporting in line with the ESRS can include an increased awareness of sustainability matters; improvements in internal processes and procedures; changes in policies, risk strategies and business model; revision in the value chain (Christensen et al., 2021; De Oliveira et al., 2023; Odobaša and Marošević, 2023). It is true that these changes may vary between reporting entities due to their size, industry, or whether they have previous experience with sustainability reporting, or if it is their first year of providing sustainability information (Groen et al., 2022). Further significant changes could be addressed to the profile of sustainability information within the company. This is the case since executives will become involved in processes such as the company's sustainability performance, legal obligations under the CSRD, and assurance activities (Thun and Zülch, 2023). Additionally, they will need to address potential questions from other stakeholders regarding the sustainability statements. It is also likely that the ESRS implementation will lead to changes in corporate strategy. Therefore, more integration with sustainability reporting and data preparation will likely influence the business model of the reporting entity. In the preparation of the financial statement, different departments are involved, and with the sustainability reporting, this could be extended (Groen et al., 2022). The changes within the reporting entities could also encompass some changes and the adoption of new internal policies. These policies may affect various areas, including those related to the environment, climate, social, employee, fundamental rights, bribery, and others. As companies under the ESRS must report on their value chain, it will also impact coordination and cooperation within the value chain, as reporting entities require sophisticated information to be provided by firms in the value chain. The potential changes within companies concerning standards also result in modifications to due diligence processes both internally and externally, driven by regulatory requirements (Groen et al., 2022).

Groen et al. (2022) highlight three categories classified as indirect benefits associated with the ESRS implementation. First, reducing systemic risks to the economy. That is because most of the investment decisions do not account for risks and opportunities related to sustainability. Second, increased capital flows to the reporting companies. This is mainly with the activities to address social and environmental problems. Third, the social contact between the reporting entities and society. Companies that report sustainability information perceived as relevant, comparable, usable, and reliable by stakeholders will enable different stakeholders to hold these companies accountable for their societal impact. Furthermore, this will increase trust in the company’s business operations and strengthen the social contract between reporting entities and citizens (Groen et al., 2022). The disclosure of non-financial information can lead to benefits for capital markets, including “improved liquidity, lower cost of capital, higher asset prices (or firm value), and potentially better corporate decisions” (Christensen et al., 2021). Consequently, Bielawska (2022) define further the following benefits for companies for disclosing non-financial information that can occur: improving organizational governance, facilitation towards a socially responsible enterprise, attitude towards its employees, improving image and reputation, customer loyalty, product differentiation and competitive advantage, pioneering position, enhanced commitment to sustainable development, overcoming public relations crises, regional development and local commitment, and transperency.

It is argued that one of the most significant benefits of corporate disclosure is to mitigate information asymmetries between the firm and its investors, as well as its stakeholders, which aligns with the signalling theory (Christensen et al., 2021).

Table 3 summarises the academic literature that supports the discussion of findings and provides essential background to the literature review.

Table 3. Economic Implications of ESRS Implementation on Companies

Author	Titel	Source Titel
Arif et. al (2022)	Regulating non-financial reporting: evidence from European firms' environmental, social and governance disclosures and earnings risk	Meditari Accountancy Research
Baboukardos et. al (2023)	The multiverse of non-financial reporting regulation	Accounting Forum
Baumüller and Sopp (2022)	Double materiality and the shift from non-financial to European sustainability reporting: review, outlook and implications	Journal of Applied Accounting Research
Bielawska (2022)	Socially Responsible Activity of Micro-, Small-, and Medium-Sized Enterprises—Benefits for the Enterprise	Sustainability
Buallay (2019)	Between cost and value: Investigating the effects of sustainability reporting on a firm's performance	Journal of Applied Accounting Research
De Oliveira et. al (2023)	A systematic literature review on corporate sustainability: contributions, barriers, innovations and future possibilities	Environment, Development and Sustainability
Fornasari and Traversi (2024)	The Impact of the CSRD and the ESRS on Non-Financial Disclosure	Symphonya. Emerging Issues in Management
Gerwing et. al (2022)	The role of sustainable corporate governance in mandatory sustainability reporting quality	Journal of Business Economics
Groen et. al(2022)	Cost-benefit analysis of the First Set of Draft European Sustainability Reporting Standards	Report: CEPS & Milieu
Helbig et. al (2021)	Strategic analysis of providing corporate sustainability open data	Intelligent Systems in Accounting, Finance and Management
Hummel and Schlick (2016)	The relationship between sustainability performance and sustainability disclosure – Reconciling voluntary disclosure theory and legitimacy theory	Journal of Accounting and Public Policy
Khan (2022)	ESG disclosure and Firm performance: A bibliometric and meta analysis	Research in International Business and Finance
Melloni et. al (2017)	Saying more with less? Disclosure conciseness, completeness and balance in Integrated Reports	Journal of Accounting and Public Policy
Meng-tao et. al (2023)	How does ESG disclosure improve stock liquidity for enterprises — Empirical evidence from China	Environmental Impact Assessment Review
Nielsen (2023)	ESG Reporting and Metrics: From Double Materiality to Key Performance Indicators	Sustainability
Odobaša and Marošević (2023)	Expected Contributions of the European Corporate Sustainability Reporting Directive (CSRD) to the Sustainable Development of the European Union	EU and comparative law issues and challenges series
Rudžionienė and Brazdžius (2023)	Cost and Benefits of Sustainability Reporting: Literature Review	Sustainable Performance in Business Organisations and Institutions
Thun and Zülch (2023)	The effect of chief sustainability officers on sustainability reporting—A management perspective	Business Strategy and the Environment
Velte et. al (2020)	Carbon performance and disclosure: A systematic review of governance-related determinants and financial consequences	Journal of Cleaner Production
Wagenhofer (2024)	Sustainability Reporting: A Financial Reporting Perspective	Accounting in Europe
Zhao et. al (2023)	Environmental, Social and Governance Performance: Analysis of CEO Power and Corporate Risk	Sustainability

2.4. Economic Implications on Assurance and Advisory Services

Entities subject to the CSRD are required to undergo mandatory audits to verify the accuracy and appropriateness of the information they publish. To address issues of greenwashing and increase the credibility and transparency of sustainability reporting, companies are now obliged to undergo the audit procedures, whereas auditors now bear the responsibility of validating companies' compliance with ESRS (Friske et al., 2023; Klösch and Kasmanhuber, 2025; Moratis and Van Liedekerke, 2024; Singhania et al., 2025). Therefore, assurance of sustainability reports plays a crucial role in mitigating environmental risks while ensuring companies' engagement and commitment to sustainability. Sustainability assurance focuses on three main characteristics: linking the measurable standards of the environmental assessment to performance, relying on an audit team that possesses sufficient accounting and financial experience, and issuing the reports (Hazaea et al., 2022). The role of auditors in the ensuring the assurance of sustainability reporting is significant, as it helps companies establish a suitable reporting infrastructure and enhance the quality of reported financial information (Friske et al., 2023; Singhania et al., 2025).

The phenomenon of the increasing demand for assurance services results from the importance of ESG activities to stakeholders and pressure for management to increase the credibility of the disclosed non-financial information (Maso et al., 2020). With the ESRS implementation, 48,000 companies in the EU fall under the scope, hence drastically increasing the demand for assurance and consulting services. Due to the lack of in-house expertise, it is expected that many undertakings will refer to the consulting services for further support, especially in the first years of reporting under the ESRS (Groen et al., 2022). Furthermore, Bawa et al. (2024) share insights into a growing consulting market and demand for consulting services, hence indicating potential revenue streams for auditing and consulting companies. Indeed, there is clear evidence about the existing growth of assured sustainability reports, but they are still considered an emerging event (Alsahali and Malagueño, 2021). Additionally, there is an increasing trend of published academic literature focusing on assurance and sustainability reporting (Hazaea et al., 2022; Khan, 2022). Some of the early studies published indicate the importance of the knowledge and expertise by providing auditing services, which incur training costs for auditing and consulting companies. Moreover, academics argue that to build up the necessary skills by providing assurance, it requires university curriculum updates and continuous professional development programs (Dachevski and Ackers, 2025; Knechel, 2021).

Table 4 portrays academic literature that serve as a guideline while discussion the findings of economic implications of ESRS implementation on assurance and advisory services and allows to provide brief sumary of literature used.

Table 4. Economic Implications of ESRS Implementation on Assurance & Advisory Services

Author	Titel	Source Titel
Alsahali and Malagueño (2021)	An Empirical Study of Sustainability Reporting Assurance: Current Trends and New Insights	SSRN Electronic Journal
Bawa et. al (2024)	Green Quadrant: ESG And Sustainability Consulting 2024	Report: Corporate Sustainability & Climate Change Services
Dachevski and Ackers (2025)	Sustainability Reporting and Assurance: A New Challenge for the Audit Profession in Europe	Audit Financiar
Hazaea et. al (2022)	Sustainability assurance practices: a systematic review and future research agenda	Environmental Science and Pollution Research
Klösch and Kasmanhuber (2025)	How Sustainability Audits Impact Audit Effort Choices	International Journal of Auditing
Knechel (2021)	The Future of Assurance in Capital Markets: Reclaiming the Economic Imperative of the Auditing Profession	Accounting Horizons
Li et. al (2018)	The impact of environmental, social, and governance disclosure on firm value: The role of CEO power	The British Accounting Review
Lu et. al (2023)	Using the Same Provider for Financial Statement Audit and Assurance of Extended External Reports: Choices and Consequences	Auditing: A Journal of Practice & Theory
Maso et. al (2020)	Implications of the Joint Provision of CSR Assurance and Financial Audit for Auditors' Assessment of Going-Concern Risk	Contemporary Accounting Research
Moratis and Van Liedekerke (2024)	Materiality in sustainability reporting according to the European Sustainability Reporting Standards - (What) does it matter?	SSRN Electronic Journal
Simpson et. al (2022)	Assurance of environmental, social and governance disclosures in a developing country: perspectives of regulators and quasi-regulators	Accounting Forum

3. Methodology

3.1. Semi-Structured Interview

The core information source comprises in-depth interviews. The data collection is obtained by conducting semi-structured interviews with ESG experts who deal with sustainability reporting, especially those involved with ESRS. Indeed, this is one of the most widely used interviewing formats for qualitative research methods (DiCicco-Bloom and Crabtree, 2006). The semi-structured interviews aim to capture the relevant experiences of participants, typically engaging with them in person and observing their emotions and attitudes. They also involve preparing and sharing open-ended questions with participants in advance, giving them time for preparation (Qu and Dumay, 2011).

Qu and Dumay (2011) outlines three types of interviews. First, the structured interviews where the interviewer asks a series of pre-established questions, which allows only for a limited number of response categories for the interviewee. Therefore, the findings of structured interviews are straightforward, and the deviation from the response categories is deemed to be as small as possible. Second, the unstructured interviews proceed with the assumption that the interviewee does not have all the questions in advance. In line with the unstructured interviews, the interviewer develops, adapts and generates the follow-up questions. Third, semi-structured interviews, which are the most common of all qualitative research methods, involve a prepared interview guide that identifies themes consistently and systematically, leading to more elaborate responses (Qu and Dumay, 2011).

The qualitative research method of the semi-structured interview is used to obtain both retrospective and real-time accounts of the topic. According to Gioia et al. (2013), both guiding research questions and the interview play a crucial role in the study at the initial stage. In fact, for conducting good qualitative research, multiple data sources are employed; the striking point, however, is the semi-structured interview, which is the "heart" of this kind of study. Furthermore, particular attention is paid to the initial interview guide to ensure that the questions align with the research questions of this study and do not contain "leading-the-witness" questions (Gioia et al., 2013). Notably, the inductive approach assumes that the empirical data is extracted from interviews without a rigorous analysis of the existing literature, thereby avoiding confirmation bias (Kallio et al., 2016). However, it is also true that one is aware of the literature and is not considered to be uninformed about prior works, but one is still ignorant of previous theorising in the domain of interest (Gioia et al., 2013).

According to Sutton and Austin (2015), the goal of the qualitative study is to assess the thoughts and feelings of the interviewee and to safeguard them and their data. The information for safeguarding must be assured and provided before gathering the data. Indeed, it is about the voices the researcher is trying to hear that will be interpreted and reported, so others can learn from it (Sutton and Austin, 2015).

3.2. Ethical Considerations

According to Qu & Dumay (2011), the following ethical considerations are considered when conducting the interviews. First, "impose no harm" with the idea of protecting the multiple and interdependent interests of the person. Additionally, consent for recording the discussion is obtained from each interviewee and assured that the participation in the interview was based on freely volunteering with the possibility to withdraw at any time or to refuse to answer any questions (see Appendix). Second, "relationship-based ethics", which ensures that the data will not be used to harm the interviewee. Third, "disclosure of research intent", where the interviewee has received the interview guide via email to have the ability and time to familiarise themselves with the topics of discussion. Finally, the "right to privacy and confidentiality" is assured to all participants, meaning the data collected is anonymised.

3.3. Interview Guide

According to Kallio et al. (2016), there are five steps one can follow to construct an interview guide for semi-structured interviews. The first phase is "identifying the prerequisites for using semi-structured interviews", which aims to evaluate the appropriateness of the semi-structured interview in relation to the determined research questions and topics. Indeed, semi-structured interviews are considered an appropriate method for assessing participants' perceptions and opinions. The second phase is called "retrieving and using previous knowledge", which is an essential step since the researcher must be aware of the topic and the existing literature. The third phase is "formulating the preliminary semi-structured interview guide", where an interview guide is formulated and used as a tool for interview data collection. The interview guide is defined as a list of questions that leads the conversation towards the research topic and aims to extract valuable insights from the interviewee. The fourth phase of conducting the semi-structured interview is "pilot testing of the interview guide", a logical step in confirming the coverage and relevance of the content that has been formulated. Moreover, it is also directed toward possible reassessment and reformulation of the questions in the interview guide. The fifth, and final phase considered is called "presenting the complete semi-structured interview guide," with the goal of producing a clear, finished, and logical semi-structured interview guide for data collection (Kallio et al., 2016).

The five steps based on Kallio et al. (2016) are followed in this study to ensure a thorough and precise structure of the semi-structured interview guide to reach the ultimate goal of providing valuable information on the research topic and answering the research questions. The pilot testing of the interview guide was conducted in the field with the supervisor and co-supervisor, as well as other students. Consequently, no significant changes in the main questions were made. The created interview guide (see Appendix) is designed with pre-determined questions while allowing the flexibility to ask follow-up questions. The follow-up questions are asked, focusing on the interviewee's field of expertise, allowing for the extraction of more valuable insights. The interview begins with a short briefing and presentation of the topic and research questions of the thesis, while also providing instructions for the interview (e.g. everything is anonymised, open-ended questions, ask for audio recording, etc.). On the one hand, the introductory questions are important to start the conversation and not directly dive into the topic, where general background information is asked (Walsham, 2006). Further, the interview guide is divided into three main parts. First, the are questions on the sustainability reporting and role of the ESRS, whereas different perspectives of the interviewee are asked, especially their opinion on the market, stakeholders, and internal and external influences. For instance, the following questions allow for retrieving information and experts' insights on the changes brought with the ESRS implementation on the market while also being in line with the legitimacy theory, since it allows for assessing the sustainability reporting and role of the regulations: *What is the role of ESRS towards companies' commitment to sustainability? How ESRS change the perception of sustainability reporting in the market? How the implementation of ESRS changed the way companies approach sustainability reporting?* Second, questions directly related to the first research question are considered, while the opinions of interviewees are gathered regarding the economic impacts of ESRS implementation on companies. Indeed, the following questions are asked to get insightful information on the costs: *What are the costs that companies are faced with ESRS implementation? What are the challenges that companies are faced with ESRS implementation? What is the role of ESRS in internal restructering processes within companies?* Additionally, the last question and a follow-up question aim to get practical experience on the signaling theory: *What are the benefits for companies by complying with ESRS? What are the potential effects for non-compliance with ESRS? What signals does it incorporate to the market and stakeholders?* Third, questions are asked that focus on the second research question to gain insight into the economic impacts of ESRS implementation on assurance and advisory services. For example, the following are asked to dive deeper into the economic impacts of ESRS implementation: *What are the costs audit and consulting companies are faced with ESRS? What are the challenges for auditing and consulting firms with ESRS implementation? What are the benefits of the ESRS implementation for auditing and consulting companies?* Moreover, the following question is asked to gather practical insights on actions and strategies that can help to overcome the challenges associated with ESRS implementation: *What are the actions that audit and consulting companies can take to overcome the challenges associated with ESRS?* Finally, the closing part of the interview aims to debrief the interviewee and highlight some of the key points discovered throughout the interview, while also asking if there is anything the interviewee would like to add. Notably, while discussing and recapitulating the main points with the interviewees, each of the sixteen interviews provided valuable insights into the Omnibus-I Directive, allowing this study to also share practical insights on Omnibus implementation and the economic impacts on companies and assurance and advisory services. Indeed, it allows for providing further information on costs, challenges and benefits associated with the Omnibus implementation.

3.4. Sampling Method

According to Mayring (2021), there are five existing sampling strategies in quantitative and qualitative research methods. First, the randomisation strategy is considered the most legitimate sampling strategy, where the group about which the researcher wants to conclude is unknown, and a sample is drawn from this population by chance. However, this strategy is rarely used in qualitative studies due to the problematic implementation. Therefore, quantitative and qualitative research have developed alternative strategies to randomisation, such as stratification, clustering, convenience samples or purposeful sampling. Second, in the stratification strategy, the population is divided into subgroups, and the sampling is conducted separately within these groups. Third, the clustering strategy follows the idea that a whole group (e.g. community, students, school class, etc.) is subjected to the sample. Fourth, the convenience strategy, also called ad hoc strategy, where small samples are built up by direct involvement of the researcher, calling for participation or using the snowballing strategy. The last one is the purposeful sampling strategy, which is recommended for conducting qualitative studies. This follows the strategy of including interviewees in the study, thereby building a sample that can represent the population (Mayring, 2021). A purposeful sampling technique is used to collect empirical data to extract meaningful information from interviews, since it allows us to get illuminative and rich information (Patton, 2015). Furthermore, Alam (2020) states that a purposeful sampling strategy lays the groundwork for gaining insights into the economic impact of ESRS implementation on companies and assurance and advisory services, thereby aligning with the research purpose of this study and answering the research questions. Admittedly, the convenience sample strategy is also used and limited to the snowball strategy since it enhances the search for corresponding participants (Alam, 2020). Secondary data sources, such as personnel contacts within the work and university, company websites, and the social network platform LinkedIn, are used to identify potential participants. This facilitates the sampling and ensures the corresponding level of expertise in sustainability reporting.

The selection criteria for the participants are based on the following three aspects. First, the participant's professional role in the company. Second, their professional years of experience. Third, the participant's involvement with the ESRS topic. These criteria specify the target group and enhance the collection of empirical data.

Table 5 presents sixteen interviewees (I1-I16) who have participated in the study, whereas all interviews were conducted online over April and June 2025, using advanced technologies for audio recording (i.e. Zoom). Interestingly, online interviewing is considered to enable the transcendence of time and space boundaries, allowing for reach beyond the constraints of face-to-face interviews (Edwards and Holland, 2013). Nine males and seven females participated in the study, resulting in a total of 850 minutes spent on interviews, with an average interview duration of 53 minutes. In total, approximately 220 pages of interview transcripts were generated. The majority of interviewees have an educational background, either bachelor’s or master’s or PhD in natural sciences (e.g. natural resources and life sciences, climate change, environmental sciences, geography and landscape geology, chemistry, and molecular biology), whereas the minority in business administration or politics. Indeed, almost all interviewees are currently working in assurance and advisory services with the following positions: two interviewees have staff or assistant positions; six interviewees have senior positions; five have manager positions; one has a partner position; and two are involved in other activities related to sustainability reporting and are ex-partners in assurance and advisory services. Professional years of experience vary across interviewees, where 2 years is the minimum and 35 years the maximum working experience.

Table 5. Profile of Interviewees

Nr.	Gender	Duration (minutes)	Position at the company	Professional years
I1	M	50	Self-employed, member of several boards, lecturer	> 35
I2	F	55	Senior Consultant at Assurance & Advisory Company	>15
I3	M	65	Manager at Assurance & Advisory Company	>12
I4	M	50	Manager at Assurance & Advisory Company	>12
I5	M	40	Partner at Assurance & Advisory Company	>25
I6	M	45	Senior Consultant at Assurance & Advisory Company	>7
I7	F	55	Senior Consultant at Assurance & Advisory Company	>5
I8	F	45	Manager at Assurance & Advisory Company	>7
I9	M	55	Staff at Assurance & Advisory Company	>2
I10	M	80	Staff at Assurance & Advisory Company	>5
I11	F	45	Manager at Assurance & Advisory Company	>15
I12	F	50	Senior Consultant at Assurance & Advisory Company	>3
I13	M	55	Manager at Assurance & Advisory Company	>10
I14	F	45	Senior Consultant at Assurance & Advisory Company	>5
I15	M	55	Senior Consultant at Assurance & Advisory Company	>5
I16	F	60	Chair of the Senate for Corporate Reporting, lecturer	>35
	Average	**53**		
	Total	**850**		

Table 6 represents the professional background and ESRS involvement of interviewees. Indeed, there are two ex-partners in assurance and advisory services, both of whom are Certified Public Accountants (CPAs). Five interviewees have industrial experience (e.g., sustainable design, sustainable food, health sector, United Nations, diverse experience working in biological and ecological offices, and teaching experience in ESG-related matters) prior to joining assurance and advisory services. Interviewees are differently involved with the ESRS (e.g. audit and consulting of financial statements with different focuses, carbon accounting, etc.).

Table 6. Professional background & ESRS involvement of interviewees

Nr.	Professional Background	ESRS Involvment
I1	Ex-Partner at Assurance & Advisory Services, CPA	Oversees the process and ensures that sustainability reports of several companies are prepared according to the standards.
I2	Sustainable design, sustainable foods, health sector	Deals with the sustainability reguations and standards (TSFD, GRI, SDG, ESRS)
I3	Assurance & Consulting Services	Audit and consulting of financial statements and sustainability reports
I4	Product manager in ESG and corporate sustainability in the manufacturing company	Directly involved with the sustainability standards and consuting services
I5	Consulting Services and teachning with the focus on sustainabiity reporting	Has a big picture of the ESRS standards developments.
I6	Sustainability consulting	Involved in the Carbon Accounting (e.g.calculation of PET (Potential Evapotranspiration), LCAs (Life Cycle Assesment) and Corporate Carbon Footprint and Life Cycle Analysis)
I7	Worked at biological and ecological offices, focusing on environmental assessments	Involved in sustainability reporting assurance and advisory services
I8	Consulting Services	Involved in Carbon Accounting (carbon footprint calculations and spesialisation in E1, E5 and E6 of the ESRS)
I9	Assurance Sevices	Involved in assurance of sustainability reports (GRI, EU-Taxonomy and ESRS)
I10	Audit and Consulting Services, teaching activities with the focus on ESG and worked at United Nations.	Involved in audit and consulting of sustainability reports (EU Taxonomy, CSDDD, GRI, and especially ESRS)
I11	Consulting Services	Involved in sustainability reporting (GRI, Climate Disclusre Project (CDP) and CSRD), stakeholder engagement and involvment, circular economy, , decarbonisation
I12	Consulting Services	Involved in sustainability reporting (GRI, CSRD and ESRS), double materiality analysis and the supply chain involvment around companies.
I13	Audit and Consulting Services, teaching activities with the focus on ESG and sustainability reporting	Involved in assurance and advisory of sustainability reporting (GRI, CSRD, ESRS and EU-Taxonomy)
I14	Consulting Services, teaching ESG related topics and work at United Nations focusing on the ESG matters	Inovlved in advisory of sustainability reporting and topics such as culture and communication.
I15	Consulting Services	Involved in sustainability reporting with the focus on CSRD and ESRS, especially data governance.
I16	Ex-Partner at Assurance & Advisory Services, CPA	Expertise in the Sustainability Reporting, especially on CSRD, EU-Taxonomy on the national level.

Based on the selected sampling method and the criteria for the possible participants, a suitable sample of experts in sustainability reporting, especially those with expertise in the ESRS, is ensured. The diverse experience from both industrial and assurance and advisory services is secured. In contrast, interviewees have different educational and professional backgrounds related to the sustainability reporting and are currently involved with the ESRS. Finally, the audio-recorded interviews were transcribed verbatim, marking the beginning of the data coding process.

Consequently, the method of conducting semi-structured interviews is used in this study. First, it provides a good structure for the researcher to ensure consistency across all participants by following the predefined interview guide and focusing on the economic impacts of the ESRS implementation on companies, as well as assurance and advisory services. Second, it offers participants the opportunity to elaborate on issues they deem most significant, while also allowing the research to ask follow-up questions to gain more insights on specific topics. Overall, semi-structured interviews allow for exploring both predefined topics (i.e. costs, challenges, internal restructuring processes and benefits) and unexpected practical experiences (i.e. associated costs, challenges and benefits with the Omnibus). It is also true that the researcher may encounter some challenges with the selected method. In this study, one of the challenges was to reach out to appropriate participants that have experience and expertise with sustainability reporting. Second, to interview with an expert while also challenging them. Indeed, not all interviewees w initially wanted to share their practical experiences, but after following the guidelines and considering ethical implications, most of them became open and shared their experiences. Moreover, some of the interviewees could speak for more than 10 minutes since they were really engaged and had a lot of practical insights that they were willing to share. Third, to transcribe and translate the transcripts from German to English without missing the main points outlined by the interviewee. In fact, not all thoughts expressed in German have the same meaning in English, and thus, it took more time to understand these interviewees. Fourth, to manage extensive data while providing promising structural findings and not missing valuable points of interviewees. After analysing the data and comparing it with the existing academic literature, the researcher begins to connect the results with the academic literature or unexpected thoughts and experiences shared by the interviewees that are not found in the literature. Indeed, this part intrigues the researcher the most and makes it clear that one has to sow before one can reap. Overall, the semi-structured interview method is deemed suitable for the evolving topics such as ESRS and its economic impacts on companies and assurance and advisory services.

4. Qualitative Data Analysis

4.1. Data Analysis Strategy

The empirical data collected from the interviews is analysed using an inductive approach based on grounded theory, which is primarily used to derive concepts, themes, or models through interpretations of the raw data and does not come “off the shelf” but rather is generated from data from participants (Creswell and Poth, 2025; Thomas, 2006). The interpretive research is made posterior and is built upon events that have already occurred, with the aim not to capture some preexisting or ready-made world but to understand the process of worldmaking (Isabella, 1990; Prasad and Prasad, 2002). Consequently, the explorative design is used to answer broad, open research questions. It is often considered within academic fields with little previous research, hence aiming to answer new aspects in the field and new dimensions (Mayring, 2021).

The coding of data through semi-structured interviews plays a significant and logical role, as it provides the foundation for how data interpretation is approached and what information is extracted. The process consists of three phases of coding, starting with open coding(1st-order codes), followed by axial (2nd-order themes) and selective coding (3rd-order aggregated dimensions). In the open coding phase, the transcribed text from the interview is analysed to reduce the database to a small set of categories. Subsequently, in the coding process known as axial coding, the database is reviewed to provide insights into the categories that emerged during the open coding, while the central phenomenon is identified. The information is then organised in the so-called coding paradigm, and a theory is generated. In selective coding, propositions or statements are generated based on the theory that interrelates with the categories in the coding paradigm (Creswell and Poth, 2025).

The initial familiarisation with the interview transcripts involves reading each transcript several times to grasp the answers and interpretations of ESRS and its economic implications for companies and assurance and advisory services. Furthermore, the summary was elaborated on for each interview transcript, and field notes were made to preserve the main ideas, as the gap in time between an interview, transcription, and coding can result in memory bias that may affect the interpretation of data (Sutton and Austin, 2015).

Following Gioia et al. (2013), in the 1st-order codes, the search for similarities and differences among the categories is performed. Indeed, the categories are labelled and assigned with the names or phrasal descriptors. There are four main 3rd-order aggregate dimensions identified, which are: Sustainability Reporting and Role of ESRS, Economic Implications on Companies, Economic Implications on Assurance and Advisory Services, and Omnibus.

Figure 1 represents the three-level code for Sustainability Reporting and Role of ESRS. The following 1-st order codes are identified: Regulatory Framework, ESRS as Smart Classification Model, Sustainability Behaviour, Sustainability Reporting and Comparability, Voluntary and Mandatory Reporting, Deadlines, ESRS in Comparison and Double Materiality Analysis, Greenwashing, Investors, Financial Institutions, Rating Agencies, NGOs, Employees, Society, Supply and Demand, Audit and Consulting Services. The 1st-order codes are further grouped into 2nd-order codes, thereby generating the following theoretical themes: Role of ESRS and Companies' Commitment to Sustainability, Changes for Companies and Sustainability Reporting, Perception of Sustainability Reporting in the Market, ESRS Implementation and Stakeholders, and Assurance and Advisory Services.

Figure 1. Sustainability Reporting & Role of ESRS

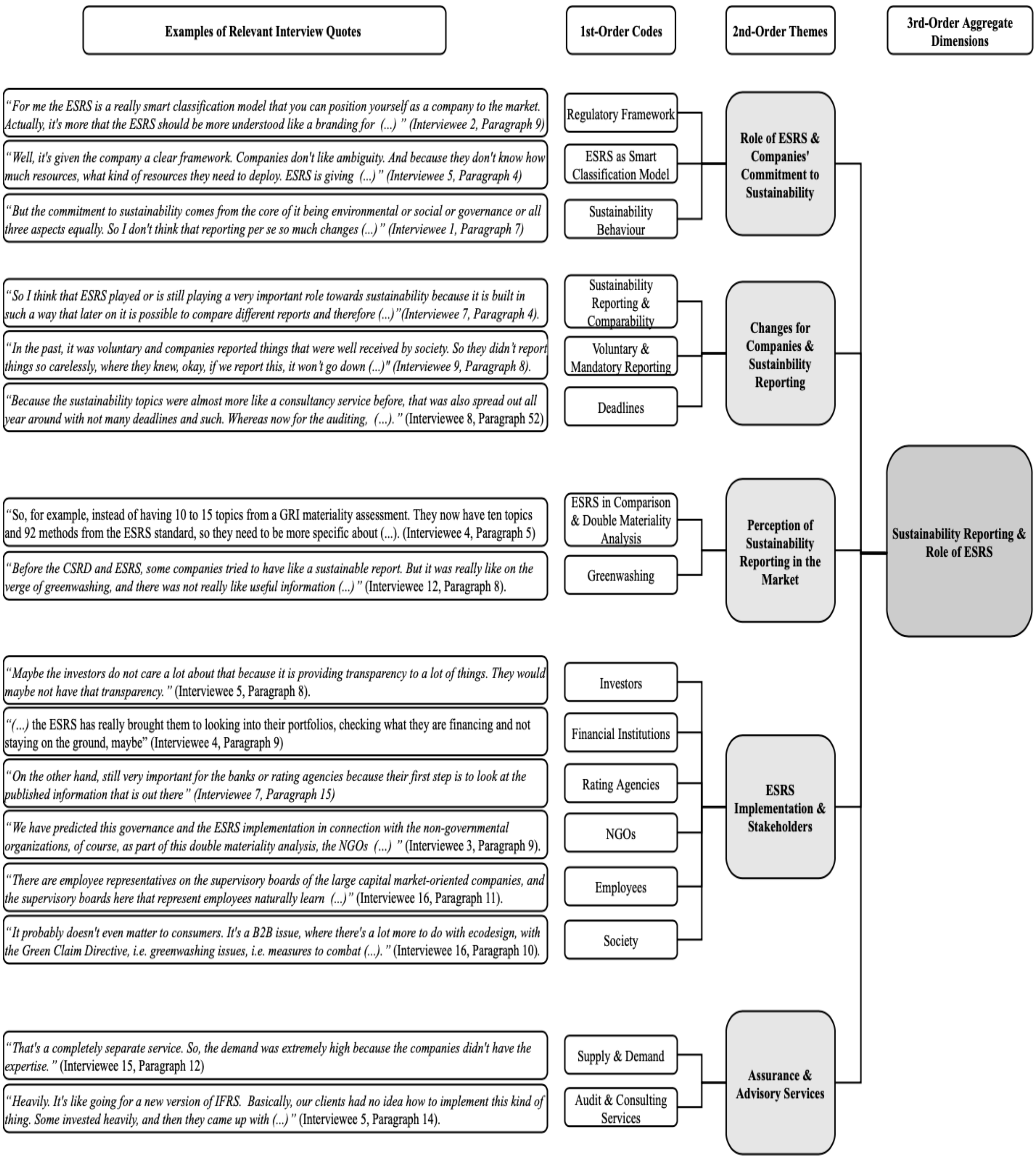


Figure 2 displays the three-level code for Economic Implications of ESRS Implementation on Companies. The following 1st-order codes are identifited: Internal Costs, External Costs, MNEs and SMEs, Materiality Analysis, Data Collection Systems, Human Resources, ESRS, Data Systems, Governance, Workload, Business Implications, ESG Team & Departments, Information

Value & ESRS, Market Comparison, Pubic Perception, Pioneer, Start-Ups, , Compliance, Non-Compliance, Efforts, Challenge and Commitment, Stakeholders, Peer Pressure, Information Asymmetry. The 1st-order codes are further grouped into the 2nd-order codes, hence identifying the following theoretical themes: Costs for Companies, Challenges for Companies, Internal Restructuring Processes within Companies, Benefits for Companies, Compliance and Non-Compliance with ESRS, and Signals to the Market. This allows for a further merge of 2nd-order themes into higher-order or 3rd-order aggregate dimensions.

Figure 2. Economic Implications of ESRS Implementation on Companies

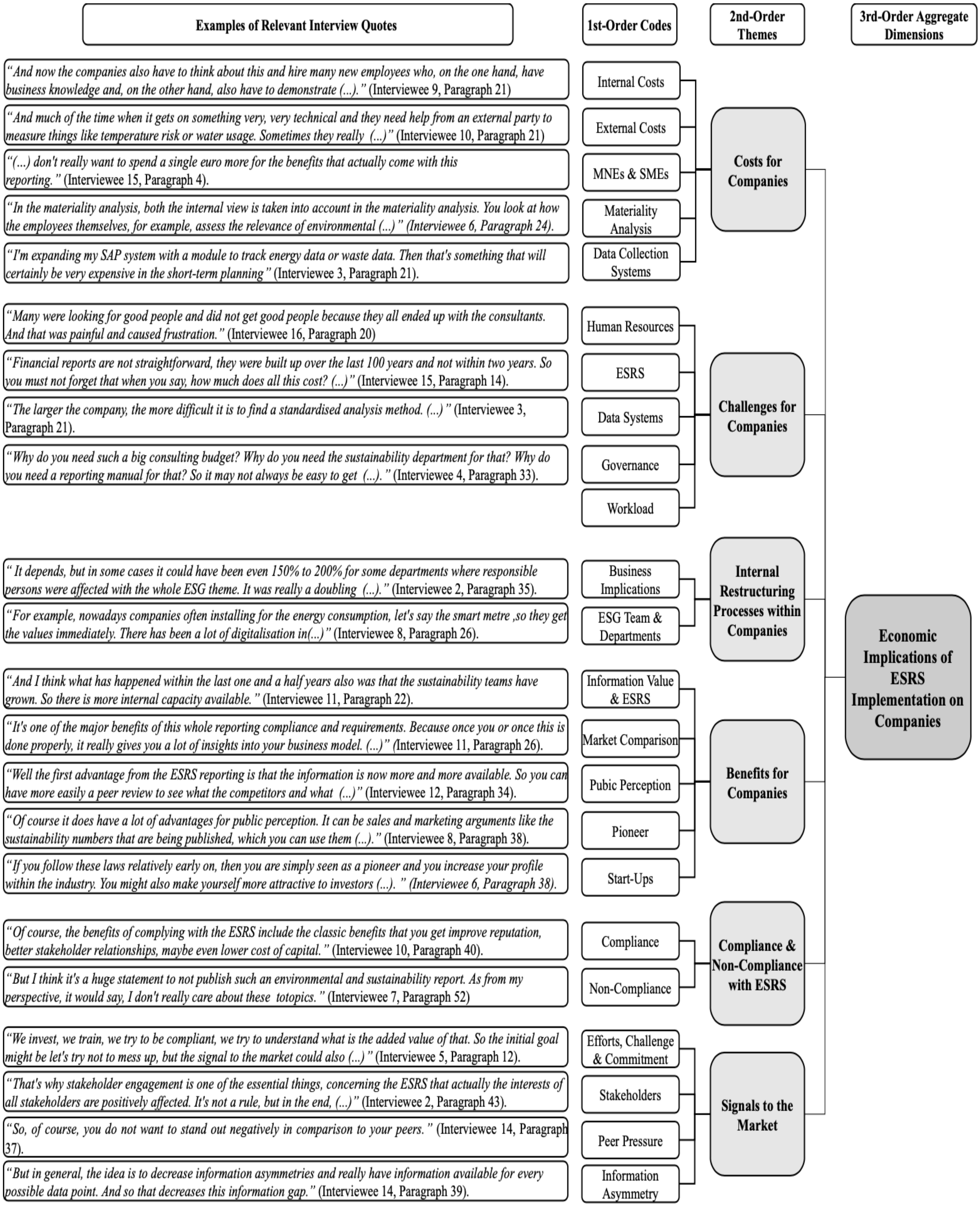


Figure 3 illustrates the three-level code for the Economic Implications of ESRS Implementation on Assurance and Advisory Services. The following 1st-order codes are identified: Human Resources and Knowledge, Digital Solutions, License Fees, Global Presence, Human Resources, ESRS Interpretation, Expertise in the Market, Workload & Processes, Maintenance and Loss of Experience, Work and Adaptation to Clients' Needs, New Service Line, Role of ESG Manager, Recruitment Process, Human Resources, Business Strategies and Investments, New Service Line, Demand and Financial Profit, Availability of Information, Work Environment, Reshape the Business, Financial and Non-Financial Reporting, Education and Professional Law, Environmental Consultancy, Companies not under ESRS, and Global Tendency. Subsequently, these first-order codes are grouped into the 2nd-order codes, resulting in the identification of the following theoretical themes: Costs for Assurance and Advisory Services, Challenges for Assurance and Advisory Services, Internal Restructuring Processes within Assurance and Advisory Services, Actions to Overcome Challenges, Benefits for Assurance and Advisory Services, and the Future of Assurance and Advisory Services.

Figure 3. Economic Implications of ESRS Implementation on Assurance & Advisory Services

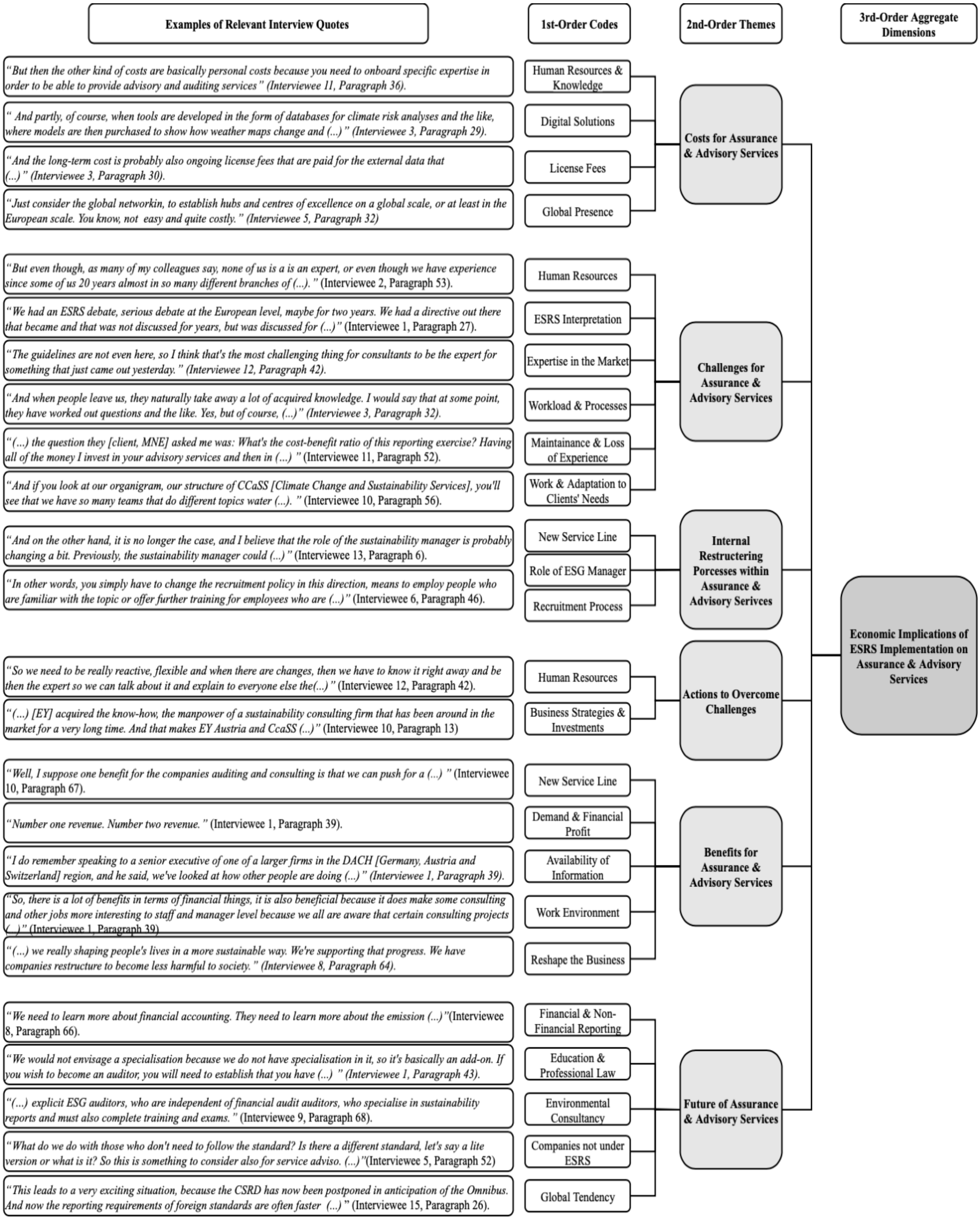
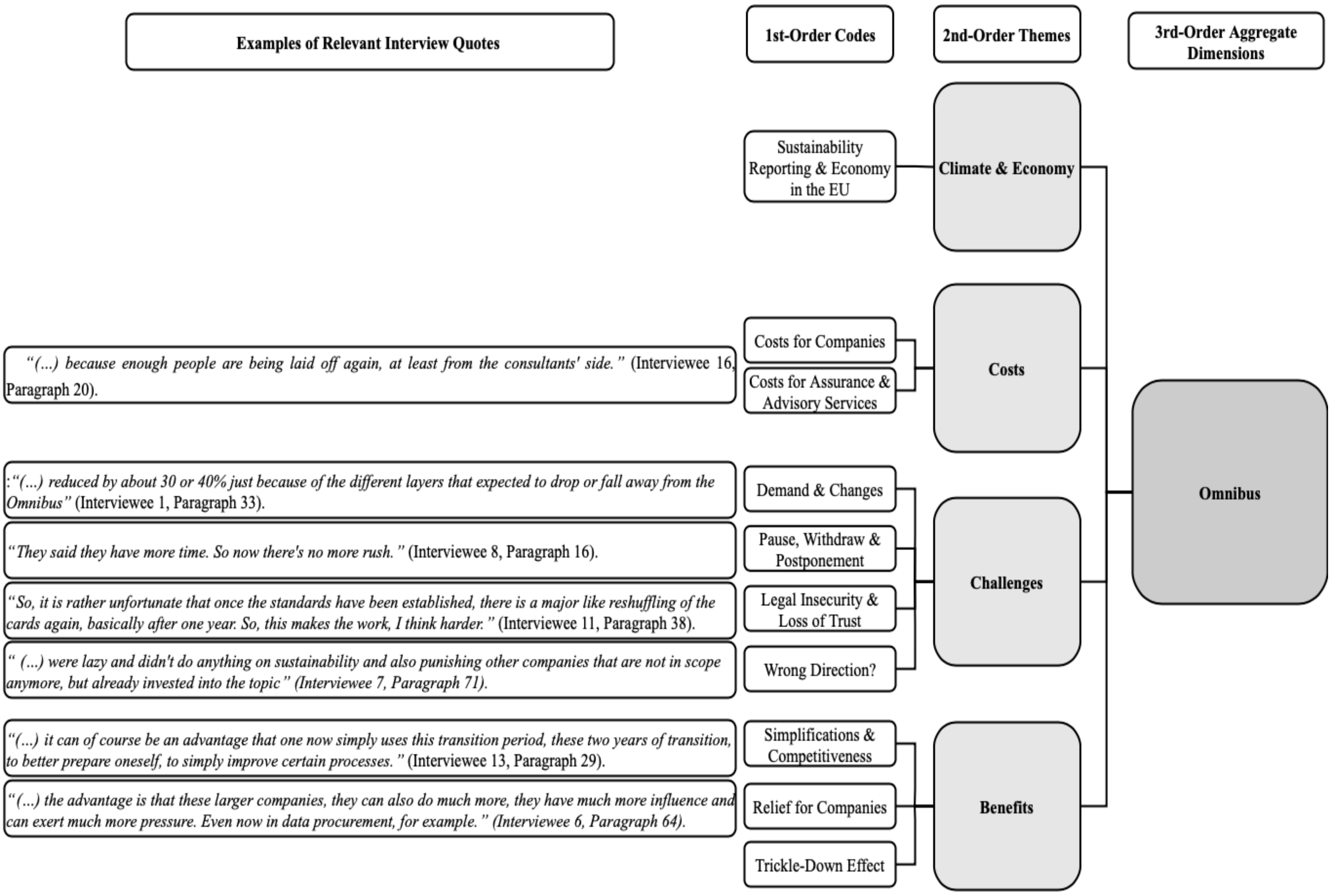


Figure 4 portrays the three-level code for Omnibus. The following 1st-order codes are identified: Sustainability Reporting and Economy in the EU, Costs for Companies, Costs for Assurance and Advisory Services, Demand and Changes, Pause, Withdraw and Postponement, Legal Insecurity and Loss of Trust, Wrong Direction?, Simplifications and Competitiveness, Relief for Companies, Trickle-Down Effect. The 1st-order codes are subsequently grouped into 2nd-order codes, thereby identifying the following theoretical themes: Climate and Economy, Costs, Challenges, and Benefits.

Figure 4. Omnibus



After the initial stages of analysis, the emergent data, themes, concepts, and dimensions are reconciled with the existing academic literature. This is performed not only to see whether the finding has precedents but also to determine if there are newly discovered concepts.

5. Presentation of Results

5.1. Sustainability Reporting and Role of ESRS

5.1.1. Role of ESRS & Companies' Commitment to Sustainability

Regulatory Framework

ESRS is considered to provide a clear framework to the market, especially for undertakings obligated to report the non-financial information under the CSRD (Interviewee 5, Paragraph 4). Interviewee 14 highlights the importance of the ESRS, which ensures the CSRD implementation in two ways, by noting: *"On the one hand, by taking the outside in perspective that companies usually have in their risk management, which looks at how ESG risks from the environment and society can impact your financial performance. And then on the other hand, it also really emphasises the inside-out perspective where you have to consider how your company actually impacts society and the environment."* (Interviewee 14, Paragraph 11). Interviewee 13 notices the importance of the ESRS implementation on the European level, while also emphasising the role of the European Green Deal by stating: *"I believe that, first and foremost, the question was how to standardize the entire reporting requirement. I believe that was the major goal, to really for the first time with the ESRS, it was really successful, to establish European standards for sustainability reporting for the first time. […] Which, of course, then contributes to the overarching goal of the EU Green Deal. Therefore, making Europe climate-neutral by 2050, where it is just as important to direct certain private capital flows more towards sustainability."* (Interviewee 13, Paragraph 4).

Several key aspects are identified in the interviews that the interviewees deem relevant regarding the ESRS and its role as a regulatory framework. First, Interviewee 13 highlights that one of the key aspects of the ESRS is the standardisation of the reporting (Interviewee 13, Paragraph 4). Second, being the harmonisation of the reported information by the undertakings: *"Well, I think the ESRS are standards to make standardisation of reporting and harmonisation of the information that the companies are publishing."* (Interviewee 12, Paragraph 6). Third, Interviewee 10 explains metaphorically the essence of the comparability that ESRS brings to the market, by stating: *"We try to make it so that we have these numbers comparable. In classical economics, we always say that this is a kind of like an apples to apples comparison, or a way to compare units in a more similar way. You cannot really compare reports if everyone reports differently."* (Interviewee 10, Paragraph 7). Fourth, the ESRS can also be seen as a framework providing transparency to the market (Interviewee 10, Paragraph 7). Furthermore, Interviewee 13 highlights that such uniform standards as ESRS naturally play a significant role when it comes to the transparency (Interviewee 13, Paragraph 4). Last but not least, the compliance with the regulation is deemed to have a great impact on the sustainability reporting, hence motivating and requiring companies to report sustainability-related topics and deal with impacts, risks and opportunities (Interviewee 11, Paragraph 8).

To conclude this chapter, a rhetorical question is posed by Interviewee 5, by gauging whether the appreciation comes from the companies' side: *"It's not that fully developed and fully implemented [related to the ESRS], but it's a very good starting point and companies appreciate that. The question would be, do they appreciate having to report based on the ESRS? That's a different question."* (Interviewee 5, Paragraph 4).

ESRS – Smart Classification Model

An interesting and thought-provoking definition of the ESRS is presented by Interviewee 2. The multiple views and perspectives of the ESRS, either negative or positive aspects that one can derive from it: *"The ESRS is a really smart classification model that you can position yourself as a company to the market. The ESRS should be more understood like a branding for your company as well, because the ESRS is a model where you can bring out your best practices from the company, your chances as well your risks. (...) Actually, it's sometimes more about stability than sustainability because you see, on which points your company is going through scenarios in the future that can have a negative effect on your company. It gives you as a company, a very close look at what facts you should concentrate on and focus on and where you should work."* (Interviewee 2, Paragraph 9).

Sustainability Behavior

However, one can also argue the role of the ESRS and put a question mark on whether the sustainability reporting requirments change the companies' behavior towards sustainability: *"[ESRS influence on sustainabiliy reporting and behavior] Limited I should say because the attitude and the way businesses operate, around the sustainability criteria or sustainability goals is not so much driven from what is reported. Reporting and what is communicated is sometimes more driven by what the market does and what is perceived to be expected. (...) But the commitment to sustainability comes from the core of it being environmental or social, or governance, or all three aspects equally. So I do not think that reporting per se so much changes the actual behaviour."* (Interviewee 1, Paragraph 7). Furthermore, due to the fact of being on the early or recent stage of the ESRS, one can argue about the future of sustainability reporting:

"We're not yet there where some companies, like in the financial accounting area, know how to circumvent certain regulations and standards and report compliant, but still let's say shady. (...) So, you know, we're not yet there because let's say give it, give it 5 or 10 years, then companies will have found out how to circumvent even the ESRS standards. But right now, I would see it rather positively associated with them trying to be compliant. They adhere to strict regulations, and we can trust what we see." (Interviewee 5, Paragraph 28).

Overall, the ESRS has raised the focus and attention of sustainability, where a lot more companies and people are dealing with this topic, and as a result, people involved can look at companies' performance now and how it was a year ago. (Interviewee 6, Paragraph 6).

5.1.2. Changes for Companies & Sustainability Reporting

A valuable insight into the sustainability reporting is emphasised by Interviewee 9. Indeed, one has to be aware and not forget about the initial goal of the companies. The following statement highlights the essence of the sustainability reporting one should not forget about: *"Firstly, I think we always have to remember that companies are profit-oriented organisations. They probably see ESRS reporting as an opportunity. And of course, they will also try to formulate the reports in such a way that it is not so much of a disadvantage for them, and so the main goal is of course, that they fulfil their legal obligations with the laws. But the other objectives are probably that you somehow see this as an opportunity, and that you work to ensure that this is in the interests of companies and that they win, or that the company is well-received by stakeholders. I would report that as a company's goal."* (Interviewee 9, Paragraph 14).

Sustainability Reporting & Comparability

As previously stated, the comparability is considered one of the key aspects of the ESRS. Due to the prominence of the semi-structured interviews and the opportunity to gain state-of-the-art and practical experience of the experts in the field of sustainability reporting, it allows for sharing more details on the comparability and what it indeed offers to the market. Interviewee 8 highlights the experience of companies' sustainability reports before the ESRS implementation by providing an example of emission accounting, where companies would only calculate emissions for the data they already had, resulting in different approaches and calculations by companies, which made this metric non-comparable. Therefore, Interviewee 8 outlines the role of the ESRS: *"(...) whereas the ESRS made the picture much more complete and more comparable, like what companies* *needed to do, much more structured."* (Interviewee 8, Paragraph 14). The ESRS are considered a more thorough and more in-depth regulation with multiple data points, which allows for offering a better comparability between companies*"* (Interviewee 6, Paragraph 42). What is more underneath the comparability of the reports and comparison between companies is that it also build peer pressure: *"So I think that ESRS played or is still playing a very important role towards sustainability because it is built in such a way that later on it is possible to compare different reports and therefore also like building a little peer pressure"* (Interviewee 7, Paragraph 4). Following the depth of the comparability, Interviewee 13 briefly summarises some of the advantages that comes from comparability and which companies can use to their advantages: *"Especially when it comes to comparability, so that companies can compare themselves on certain topics, which of course should create certain incentives, because the whole sustainability topic is a very big positioning topic, where it is of course also about certain competitive advantages through cost savings from efficient energy management systems to work talent, because it is then just in the employee recruitment, of course, sustainable companies are clearly better ranked than non-sustainable companies"* (Interviewee 13, Paragraph 4). It allows to draw conclusions of other undertakings based on their decision, whether to disclose certain non-financial information or not and deal with the negative or positive consequences of published sustainability reports (Interviewee 13, Paragraph 4). Consequently, the depth of comparability creates fear that drives companies to action while also having the transparency in mind: *"Already the fear of having the transparency, knowing that something is material, and then disclosing that you have no policy, target or action on that already, the fear of kind of admitting to not having anything. It gives an incentive to move on with ESG measures and increase the ESG management maturity."* (Interviewee 4, Paragraph 12).

However, an important notice is mentioned by Interviewee 5 by pointing out the early stages of the ESRS and that overall some companies reported under ESRS once or twice: *"So there's not that much comparison and not much feeling. What are the ups and downsides of the ESRS based reporting? So that's a difficult question to answer. The initial goal was to meet compliance and to be compliant with regulations. The further needs will develop over time."* (Interviewee 5, Paragraph 10).

Voluntary & Mandatory Reporting

One of the considerable changes brought with the ESRS under CSRD is the mandatory reporting. Therefore, the following statement describes an important aspect that should be assessed: *"I think* *we need to differentiate the starting point of the companies. Have they already had a mandatory reporting requirement before? So, were they affected by the non-financial reporting directive? That is one differentiation. And the second one is, do they do voluntary reporting before? So were they already following GRI or SASB or whatever voluntary standards previously?"* (Interviewee 4, Paragraph 4). Subsequently, the ESRS brings different changes to the companies, based on the fact whether they had previous experience in sustainability reporting or not. That makes it clear that the sustainability reporting under ESRS might be a burden for some undertakings and not for those with experience (Interviewee 7, Paragraph 8). Based on the aforementioned statements, one can derive that ESRS creates mostly a burden for companies that were neither under the scope of NFRD nor disclosed the non-financial information voluntarily. The following is true for more mature and experienced undertakings regarding the sustainability reporting: *"So for those companies who are kind of ESG pioneers or who already had quite a mature sustainability management even before ESRS, it did not radically change. They had to professionalise a little bit, pay a bit more attention to double materiality and realign their KPI landscape a little bit. So it had reporting implications, but not so many implications on the overall ESG management"* (Interviewee 4, Paragraph 13).

Interviewee 13 argues that the incentives towards more sustainability topics within the undertakings must be elevated by certain disclosure requirements (Interviewee 13, Paragraph 4). Even so, there is an opposite side to the mandatory reporting that has been experienced and whereas the motivation for providing non-financial information changes from intrinsic motivation, for instance, which is triggered by the stakeholders, to the motivation which is seen as "compliance exercise" (Interviewee 11, Paragraph 10). Additionally, one of the prominent changes is the content of the disclosed information in the sustainability report, since: *"In the past, it was voluntary and companies reported things that were well received by society. So they did not report things so carelessly, where they knew, okay, if we report this, it will not go down well and it will damage our reputation, but with ESRS, they are much more obliged to report things that are also unpleasant because there are certain requirements."* (Interviewee 9, Paragraph 8). It is true that under ESRS, companies have to accept the changes and narrative of what has to be reported, which is highlighted by Interviewee 4 by stating: *"So it's getting harder to just have a kind of shiny PR [Public Relations] report where you just have a best practice collection of certain lighthouse project."* (Interviewee 4, Paragraph 15). To conclude, based on the ESRS complexity, Interviewee 16 argues that the spirit of sustainability reporting is now under pressure, based on the strict guidelines companies have to follow and the effort needed to present a great sustainability report: *"But in my words, it reads like a package insert for a medication. The spirit is completely gone.*

The readability is completely gone too (...). Focusing is very difficult for someone who is not thematically involved in the structure of the ESRS. On the other hand, there are examples that deal with it differently; they have written great reports in a way that explains what materiality is, the way they worked on it to get to the essential topics and explain them." (Interviewee 16, Paragraph 30).

Deadlines

Another compelling aspect that is brought through the ESRS is clearly defined deadlines for reporting (Interviewee 8, Paragraph 52). This is because the non-financial information is now integrated into the financial statement, particularly in the management report. Interviewee 8 highlights these changes for the companies, assurance and advisory services: *"Because the sustainability topics were almost more like a consultancy service before, that was also spread out all year around with not many deadlines and such. Whereas now for the auditing, of course, there are clear deadlines, which are normally always at the beginning of the year, and it restructures the work progress (...)."* (Interviewee 8, Paragraph 52). This sets clear deadlines for the companies and adds on additional work for both auditing and consulting services. Consequently, the deadlines ensure more effort from both sides to reduce the time spent on the project (Interviewee 8, Paragraph 14).

5.1.3. Perception of Sustainability Reporting in the Market

ESRS in Comparison & Double Materiality Analysis

Sustainability reporting is not new, and there has been a voluntary opportunity for companies to choose a standard or framework for the reporting of non-financial information. The semi-structured interviews and the sampling techniques followed in this study allow for getting insights into the experience with reporting standards before the ESRS. This is in line with an initial motivation for reaching out to experts in the ESG field, especially sustainability reporting. Consequently, it offers an opportunity to share practical experience on the comparison of the ESRS and other reporting standards, initiatives or frameworks. The following statement clearly emphasised the magnitude of the ESRS compared to the Global Reporting Initiative (GRI): *"So, for example, instead of having 10 to 15 topics from a GRI materiality assessment. They now have ten topics and 92 methods from the ESRS standard, so they need to be more specific about their* *impacts and risks and opportunities, especially in the materiality assessment. So much more thorough materiality assessment."* (Interviewee 4, Paragraph 5). Moreover, Interviewee 4 argues that ESRS introduced regulatory complexity in the new KPIs that were not established previously by GRI (Interviewee 4, Paragraph 7). Consequently, the double materiality analysis under the ESRS is extended with the financial materiality analysis or outside-in perspective in addition to the inside-out perspective. The following statement explains the meaning of the financial materiality and its value: *"(...) what has been added is this double materiality perspective (...). This means that companies have only looked at the impact of the company on the environment and society, and now it has been added that the environment and society have an impact on the company. In the best case, also evaluated financially. That is almost a new perspective that has been added, which, of course, has presented challenges for many companies in that they have to essentially redo this materiality analysis in principle."* (Interviewee 13, Paragraph 14).

Based on the previous definitions of the double materiality analysis and its relevance, it is important to share practical examples and thoughts to deepen the understanding of it. It is a valuable opportunity to assess the thoughts and understanding of the interviewees on the double materiality analysis and the first practical experiences they gathered. According to Interviewee 3, once the data for conducting the double materiality analysis is gathered, the status quo of the company can be derived for further analysis. The following statement can display the train of thought: *"But once you have worked out the issues, when you collect data for the first time, you can see where you stand, what is the status quo of the company? Then I think that the ESRS can certainly raise the level of ambition (...). Okay, I'm in a water-stressed area, how could we reduce the key figure? Can I go from blue water to grey water, etc.?"* (Interviewee 3, Paragraph 7). Subsequently, the double materiality analysis poses a lot of questions for the businesses considering different pillars of the ESRS (i.e. biodiversity, scope 1-3, social, labour and supply chain): *" Where do they [companies] have pollution? Water? Where do they withdraw water, or where do they release water back into the environment? Then also on biodiversity, where do they have their impacts on biodiversity, for example, land use or land recordation or species loss. Then, also raw materials what kind of raw materials are they using? So, the inflow of the resources and the outflow of the resources, what kind of waste are they producing? And then also on the social topics, on their employee and like all the different topics on workers' adequate wages and also work-life balance, and also human rights topics. For the workers in the supply chain, which I think is also a very important step of this double materiality assessment, because I think it was a little bit maybe neglected in the past. (...) And then we have governance topics, for example, the* *suppliers and supplier engagement, but also, like typical corruption incidents and stuff."* (Interviewee 7, Paragraph 49).

Overall, the double materiality analysis will accompany the reader in the later chapters as it is a significant change for the reporting companies as well as a challenge for undertakings, auditing and consulting firms.

Greenwashing

One of the facts that the ESRS is also dealing with is the reduction of greenwashing, where companies have to be transparent about what they are really doing and what they are not, hence report the non-financial information as it is (Interviewee 12, Paragraph 8). This is the matter and also portrays the change brought with the ESRS, which is underlined by Interviewee 12: *"Before the CSRD and ESRS, some companies tried to have like a sustainable report. But it was really like on the verge of greenwashing, and there was not really useful information, but more marketing-oriented."* (Interviewee 12, Paragraph 8). Indeed, it is widely believed that consumers are becoming more aware of their consumption and habits. The demand for the new products should be preserved accordingly and not through false statements*: "And because issues like greenwashing or the push for more green products and services, and therefore the possibility that they may not be as green as people think, are rising, there is still an increasing demand for it."* (Interviewee 10, Paragraph 18).

5.1.4. ESRS Implementation & Stakeholders

The prerequisites for the involvement of stakeholders are defined by the double materiality analysis: *"Because during DMA [double materiality analysis], there is a certain element to stakeholder consultation that we also recommend interviewing stakeholders. I feel that that reflects positively on the companies who do it because already just involving stakeholders in the DMA process gives them a positive perception fn taking sustainability seriously."* (Interviewee 4, Paragraph 9).

Investors

A significant involvement of the double materiality analysis provides a kind of relief for the investors. The following statements are communicated by Interviewee 4, stating also the difference between GRI and ESRS regarding ESG analysts and investors: *"I think that in the older times, especially with an NFRD implementation, everybody could choose their own KPIs freely. Then the GRI was a bit more uniform, but I feel it now, since many E1 and S1 impacts are material for most companies, it gets easier to compare performance between companies. So I feel that that's a good thing for an ESG analyst from an investor side that, if the landscape of ESG KPIs is more homogenous, it is easier to compare companies, and I feel that is the case with ESRS."* (Interviewee 4, Paragraph 11). Allowing for the deeper analysis of the ESG KPIs, Interviewee 14 states that it is an advantage for the investors because they can extract much more comprehensive data from the sustainability reports than ever before the ESRS (Interviewee 14, Paragraph 13). Interviewee 6 also states that the topic of sustainability becomes more relevant for investors generally, and it could also be a reason why they withdraw their investments from companies that are not perceived as sustainable and shift to other companies that are more sustainable (Interviewee 6, Paragraph 8).

However, contrary statements are also secured with the investors since the provided transparency could make them more reluctant: *"Maybe the investors do not care a lot about that because it is providing transparency to a lot of things. They would maybe not have that transparency."* (Interviewee 5, Paragraph 8). The following argument also supports the contradictory view of the investors regarding the ESG risks: *"How far is he [investor] willing to take on entrepreneurial risk here? Does he [investor] see the opportunities or does he see the risks when making an investment here that has many ESG attributes? (...) Investors are extremely conservative, even if there is talk of a very high risk appetite. I do not know where that appetite lies, but certainly not in the direction of ESG. Not at all. It's somewhere else entirely. Difficult, partly understandable, but that's the way it is."* (Interviewee 16, Paragraph 8).

Financial Institutions

Financial institutions play an influential role within the ESRS and its adoption to the market, and are considered to be a necessary agent for the transition to the green economy (Interviewee 16, Paragraph 9). Furthermore, the ESRS brought granularity for the financial institutions, where *"(...) the ESRS has really brought them to looking into their portfolios, checking what they are financing and not staying on the ground, maybe"* (Interviewee 11, Paragraph 12). Sustainability reporting is a considerable indicator for the banks since they need to ensure that their portfolio is green enough, hence paying more attention to their investment activities (Interviewee 8, Paragraph 12). A supportive argument is posed by Interviewee 9: *"But it is very interesting for banks because the* *loan conditions are now linked to these ESG targets. And if the companies achieve these targets and can deliver good key figures in this area, they will also get more favourable credit conditions on the capital market."* (Interviewee 9, Paragraph 8).

Overall, the financial institutions are considered to be a driver for the green economy (Interviewee 8, Paragraph 12). The Corporate Carbon Footprint (CCFs) is one of the key metrics in investment decisions or credit loans by financial institutions: *"They [banks] also have to calculate CCFs, for example. And if they provide capital, for example, or grant loans, then this is also reflected in Scope 3.15 of the banks and therefore higher CO2 emissions. This can also be a reason for banks to withdraw the investment and invest in another company."* (Interviewee 6, Paragraph 8).

Rating Agencies

Rating agencies are also the ones who can profit from the published information since it allows them to assess the sustainable performance of the company quickly. Interviewee 7 mentions rating agencies in the context of their first step that they take to get the non-financial information: *"On the other hand, still very important for the banks or rating agencies because their first step is to look at the published information that is out there"* (Interviewee 7, Paragraph 15).

Non-Governmental Organizations

NGOs are also the ones who may profit from the disclosed non-financial information in the financial statements, hence having a solid basis to compare players in the market (Interviewee 5, Paragraph 8). NGOs are a valuable stakeholder that could be involved by assessing the stakeholder perspectives under the double materiality analysis, which is highlighted by Interviewee 3: *"(...) of course, as part of this double materiality analysis, the NGOs can also be selected as a key stakeholder and then subsequently interviewed. (...) It's always a good format to get the people around the table so that you can get the different points of view. Of course, this will not lead to short-term changes, but it will certainly feed into long-term considerations, and it is always an advantage when new perspectives are discovered through an exchange."* (Interviewee 3, Paragraph 9). Interviewee 16 sheds light on the NGOs and their attitude toward the ESRS before the Omnibus by mentioning their incredible commitment (Interviewee 16, Paragraph 13).

Employees

The financial statements provide supportive metrics for potential employees on whether to apply for a certain company or not, based on the published information. Nonetheless, Interviewee 10 portrays an interesting and detailed perspective on how potential employees may also benefit from the published non-financial information: *"And with sustainability reports, sometimes people come to me and they say, but does anyone read this? I would read it. For example, under social sustainability, you get things like the turnover rate. Would you want to work for a company, for example, that has a turnover rate of over 100%? That means that on average, you would not have a long-term relationship with the company. So it has to be transparent there. If I were a potential employer and were to see that, it would be alarming for me. And the idea is that because these reports are made available and they are supposedly comparative, you can make better decisions, whether it is you as an employee, a potential employee, as an investor, as a supplier, and so on."* (Interviewee 10, Paragraph 7).

Regarding the actual employees, Interviewee 16 raises the importance of the ESRS since it equips employee representatives on the supervisory boards, by stating: *"There are employee representatives on the supervisory boards of the large capital market-oriented companies, and the supervisory boards here that represent employees naturally learn a great deal from this. They are also very well informed and are usually quite well-versed in the topic, so to speak, and the ESRS certainly helps them in their role in their supervisory duties. "* (Interviewee 16, Paragraph 11).

Society

The opinions on the changes that ESRS brought into society vary across the interviewees, hence generating two perspectives.

On the one hand, there is a clear identification of the growing public interest considering sustainability and that an average consumer would like to choose the products of more sustainable companies that are operating in Europe (Interviewee 10, Paragraph 70). What is also raised in this context is that European consumers have the opportunity to choose more sustainable products, whereas for the developing countries, this is seen as a "status symbol" (Interviewee 10, Paragraph 70). Interviewee 8 shares the experience where consumers are considered as the drivers for the change by contacting companies and posing questions on their products, clients and other value chain partners (Interviewee 8, Paragraph 12). Interviewee 10 provides a thorough example on how the consumers presence may drive the sustainability reporting and challenge companies based on the disclosed information: *"Imagine you as the consumer or the investor can call that company* *up through their person and ask, hey, why is this issue not material for you when your competitor on the in the same industry from the other company in their report says it's material and you both operate in the same locations, you both operate in the same geographies, but for them it's a material issue and for years it's not. Please explain."* (Interviewee 10, Paragraph 9).

On the other hand, there is a clear statement that an average consumer would not even look into the sustainability report and generally that the society is not deeply involved in the topic (Interviewee 9, Paragraph 8). Interviewee 14 also mentions that due to the complexity of the ESRS, it is difficult to comprehend the sustainability report under ESRS for an average consumer (Interviewee 14, Paragraph 13). Following the opposite side of the consumer involvement, Interviewee 15 argues that consumers are not affected at all and do not notice that something like the ESRS even exists (Interviewee 15, Paragraph 10). Finally, Interviewee 16 provides an argument explaining the fact that ESRS is more business-to-business (B2B) issue rather than a business-to-consumer (B2C) by stating the following: *"It probably does not even matter to consumers. It's a B2B issue, where there's a lot more to do with ecodesign, with the Green Claim Directive, i.e. greenwashing issues, i.e. measures to combat greenwashing. There's a lot more that's oriented towards B2C."* (Interviewee 16, Paragraph 10).

5.1.5. Assurance & Advisory Services

Supply & Demand

According to CSRD, the reporting under ESRS includes mandatory assurance. The following brief statements describe well the situation considering the demand for the audit and consulting services: *"(...) especially for the consulting part it is very overwhelming"* (Interviewee 7, Paragraph 19); *"The demand for services is just so massive."* (Interviewee 10, Paragraph 70); *"That is a completely separate service. So, the demand was extremely high because the companies did not have the expertise."* (Interviewee 15, Paragraph 12); *"So let's put it this way, we had a very quick return on investment when we did some training and looked at it closely. There were ten customers queuing up who wanted exactly this information, and we then passed it on to them."* (Interviewee 15, Paragraph 28); *"So there was kind of mandatory, it was not really mandatory consulting, but practically, yes."* (Interviewee 4, Paragraph 19). Admittedly, the demand for the sustainability reporting is not only due to the ESRS implementation, but also based on the other regulations which are explained by the Interviewee 13: *"It is precisely through the CSRD, which is accompanied by the ESRS, but also by other sustainability regulations, which of course go hand in hand with sustainability reporting, the EU Taxonomy, CSDDD, the EU Deforestation*

Regulation, etc. These are all certain frameworks that have naturally increased demand." (Interviewee 13, Paragraph 6). The following is emphasized related to the demand for the auditing services: *"And so therefore we got in a lot of new project for the consulting part but the assurance part for this period, it more or less stayed the same as the companies who were reporting the last couple of years are obliged to report, but only because in Austria the CSRD is not implemented international law and the NADiVeG is still in place. So it was the same companies as the previous years, the same number of companies. We expect a huge increase in auditing firms over the next years as the audit is getting mandatory"* (Interviewee 7, Paragraph 19). Consequently, Interviewee 9 perceives the ESRS implementation as a blessing for auditing and consulting firms since the reports have to be audited, and to make the report auditable, clients are seeking support from consulting services*"* (Interviewee 9, Paragraph 19).

Auditing & Consulting Services

The role of assurance and advisory services in the implementation of the ESRS is tremendous. Based on the high demand for services, these firms have to be able to provide the necessary expertise. Interviewee 5 shed light on the reason the consulting services are supportive for the client and why it is necessary to provide an external perspective and make the published information auditable: *"Heavily. It's like going for a new version of IFRS. Basically, our clients had no idea how to implement this kind of thing. Some invested heavily, and then they came up with some understanding of their own. But you would always need to challenge that and provide them some outside perspective and some comparison with other companies. So in the end, the demand was huge, both to do the reporting for some companies because they simply did not have the resources or the understanding and at the same time to audit what they did."* (Interviewee 5, Paragraph 14). Interviewee 4 emphasised that it is almost impossible to read the standards in all the extra ethics and guidance without the consultancy, and companies with a low sustainability maturity are forced to take the services since nobody knew how to proceed (Interviewee 4, Paragraph 19). Additionally, Interviewee 3 highlights that consulting companies help companies to show the tangible role of ESRS, which goes beyond the compliance requirements (Interviewee 3, Paragraph 11).

5.2. Economic Implications of ESRS Implementation on Companies

5.2.1. Costs for Companies

Internal Costs

The following chapter deals with the internal costs, which allow for the following classification: human resource, reporting costs, compliance costs and involvement of different departments.

Human Resource

It is widely believed that human resources are one of the most significant sustainable assets a company could possess. Interviewee 7 states that it is indeed a first step that the company need to invest in, since it is not a “one-man job anymore” and requires a full-time person committed to it or a sustainability team, depending on the size of the company (Interviewee 7, Paragraph 21). Therefore, there is a need to invest in manpower (Interviewee 10, Paragraph 23). Moreover, this certainly creates costs when having an additional person in the administration (Interviewee 3, Paragraph 18). Based on the existing difference between company size and complexity, MNEs incur higher costs than SMEs since completely new departments emerge that did no exist before (Interviewee 9, Paragraph 21). This is a clear identification of the complexity of the topic, especially considering the ESRS implementation and its economic impact on companies.

The following human resource costs of a company are identified based on the conducted interviews: hiring costs, and upskill & training costs.

Hiring Costs

Interviewee 10 states that there is a decision to be taken within a company, whether to hire some kind of specialists or use internal existing manpower or turn to external services (Interviewee 10, Paragraph 23). This statement is also supported by Interviewee 3, whereas the hiring costs are further associated with the personal management (Interviewee 3, Paragraph 18). Therefore, *“You're probably going to incur costs also for hiring new people.”* (Interviewee 10, Paragraph 24). The search for an appropriate candite is demanding based on the requirments of a such position whereas companies may need both theoretical and practical experience: *“And now the companies also have to think about this and hire many new employees who, on the one hand, have business knowledge and, on the other hand, also have to demonstrate sustainability knowledge. And I think personnel costs have risen as a result.”* (Interviewee 9, Paragraph 21).

Upskill & Training Costs

An important aspect is highlighted by the Interviewee 16, whereas there is a cost of building up your resources within the company (Interviewee 16, Paragpragh 20). Moreover, this type of cost is further taken apart, whereas the decision on upskilling current people or even whole departments may take place: *"Or will you upskill and train one of your current C-suite managers and go through. Like, could you handle this also, or will the department, the accounting department, also upskill so that they know how to do that, which some companies and some workers do not necessarily like?"* (Interviewee 10, Paragraph 24).

Despite the decision the company make either to hire new people or build up the knowledge within the existing personnel, the issue of the people remains. Interviewee 5 clearly expresses the state of the art regarding finding the right people in the market at the time ESRS were implemented: *"Of course, to make sure we have the right people, which is a people issue. You need to find the people in the market. There was nobody around. It might be a bit better now. But at that time, you could not find anybody who did it for you."* (Interviewee 5, Paragraph 20).

Compliance Costs

Another important aspect within the ESRS implementation is the compliance cost, which is based on the firms' motivation to be compliant. Interviewee 1 provides practical insights with costly decisions companies may be faced with, complying with the ESRS: *"The second part of it is the cost of compliance. That is, if there are certain elements on ESRS, such as spending less time on aeroplanes, and taking more time on trains. At first glance, the train ticket is cheaper, but they need an extra night. You're losing several hours of more or less productive time. There's the cost of, you know, maybe adjusting certain production processes to avoid having a supply chain that may be viewed critical. That could be insourcing, that could be outsourcing to different partners, putting higher quality criteria on outsourcing partners, which may result in higher costs."* (Interviewee 1, Paragraph 15).

The topic of companies' compliance and non-compliance will be assessed in detail in the chapter "Compliance & Non-Compliance". At this stage, it was necessary to emphasise that such costs exist by providing practical experience.

Internal Reporting Costs

The reporting costs are specifically outlined since the reports are generated using the manpower and Information Technology (IT). First, it is an internal cost of deciding what to report and how to report the collected information, which should also be verified (Interviewee 1, Paragraph 15). Furthermore, Interviewee 14 argues the importance of manpower and that it is considered to be the main cost factor for organisations, while preparing a sustainability report: *"It is very labour intensive and it finds a lot of resources within your organisation from a human resource perspective, because it's not only the project management that gets soaked up by implementing this report, but also you know all the topic owners and the septic areas that have to provide data and have to draft texts and that might be responsible for one of the standards."* (Interviewee 14, Paragraph 19). Interviewee 10 shares practical insights when further personnel hours might be used by preparing the reports, especially when the new legislation is introduced and requires sort of adaptation from KPIs reported previously to the new one under ESRS (Interviewee 10, Paragraph 27).

The reporting costs can also be classified as external costs and hus is presented in the subchapter "External Reporting Costs".

Involvement of Different Departments

Another insightful experience is shared by Interviewee 1 by gauging the extent of personnel engagement in the sustainability reporting at the time the ESRS was introduced in a major retail chain: *"So these projects [ESRS], I've observed this in one major retail chain. This became a nightmare. We had, I'd say about 400 people that we would probably consider management. We had almost half of them involved one way or the other in ESRS projects. Taken away time from, I'd say other necessary management decisions, not talking day to day operations. (...) There was a time when the CEO and also guided by the board members, came in and said, now we need to reduce this, and restructure that a little bit. So this is a significant cost aspect and the consequences thereof."* (Interviewee 1, Paragraph 17).

Interviewee 7 highlights the importance of collaboration between different departments since it is obvious that the sustainability department alone cannot write the report without the help of different departments (Interviewee 7, Paragpragh 21)

External Costs

The following chapter deals with the external costs, which allow for the following classification: consulting costs, auditing costs, technical expertise, certification costs, public relations costs, NGOs & Cost, and external reporting costs.

Consulting Costs

The simple truth is that many companies simply need advice (Interviewee 6, Paragpragh 21). The consulting services create a major cost that a company faces, based on the fact that the costs for consulting services, especially ESG-related matters, have risen (Interviewee 9, Paragraph 21). One of the reason for companies seeking the support for consulting services is clearly defined by the Interviewee 12: *"I've heard also that with the evolution, more companies are going through consultancy for support because they do not have the human resources, there will kind of outsource the whole process of constructing the sustainable process and procedures internal in the company in a consulting firm that they will do that for them."* (Interviewee 12, Paragraph 10). Subsequently, companies are seeking support on different topics and the consulting firm may operate as a "sparring partner" for certain issues or to the extent where a wholly new process is accompanied by them (e.g. how to report according to ESRS or automation processes through certain data collection tools) (Interviewee 13, Paragraph 10). Therefore, it does not always have to be a comprehensive consulting service: *"It can also be a consulting option in the form of a sparring partner. That means a consulting firm presents the topics, then hands over work packages, which are then processed by the companies, then you get back to the company, give feedback, and so on. So it does not always have to be full service."* (Interviewee 3, Paragraph 18)

The expense that is associated with the consulting services may vary based on the services required. For instance, it may be a six-figure sum when there is a high demand for different services such as explained by Interviewee 3: *"So that's certainly a six-figure sum or more. If you now say, I have a double materiality analysis, I have a greenhouse gas balance, which then has to be prepared with the upstream and downstream value chains. There may have been questions of interpretation regarding individual key figures: climate, transition plan, climate, risk analyses, all of these things (i.e. physical climate risks, transitory climate risks), where you tend to get support, simply to have all the model calculations and the like.*" (Interviewee 3, Paragraph 18).

Auditing Costs

Since the sustainability reporting under ESRS is mandatory, so will the costs be incurred for the auditing. The following is particularly defined by the Interviewee 10: *"And the auditing service is also not inexpensive in the sense that, of course, companies know and they pay for a traditional financial audit. But then, on top of that, they would also need to look at their sustainability reports. So that means that you're going to have to incur costs for consultants and for auditors"* (Interviewee 10, Paragraph 23). Interviewee 11 also highlights the auditing costs as being the second cost after the consulting costs (Interviewee 11, Paragraph 18).

Technical Expertise

Another cost factor for the companies could be the use of technical expertise for certain topics. This valuable insight is clearly defined by the Interviewee 10, by stating the difference of such service that could be required by the company despite the one of consulting and auditing services: *"And much of the time when it gets on something very, very technical and they need help from an external party to measure things like temperature risk or water usage. Sometimes they really would have to hire an external source, which is not necessarily an auditor, not necessarily a consultant, but also some technical expert."* (Interviewee 10, Paragraph 29).

Certification Costs

Another prominent cost factor that companies face is certification costs. Thanks to the valuable insights of Interviewee 10, the following is mentioned in regard of the certification costs that companies may incur with the sustainability reporting, especially under ESRS: *"And that's not even getting into potential costs that might come from certifications. Like a lot of what's done in the ESRS and in the taxonomy, they can, or even with other safeguards and standards, can be covered through certain certifications as well, which many companies, admittedly, in Europe already kind of do because it's already kind of expected from the industry standard."* (Interviewee 10, Paragraph 25).

Public Relations Costs

Interviewee 1 also outlines the public relations costs that companies potentially can face with sustainability reporting (Interviewee 1, Paragpragh 15).

NGOs & Cost

Interviewee 16 highlights another possibility for companies to work with NGOs in the ESG-related topics, hence upskilling your employees: *"There's another possibility, there's another way through cooperation, that you can work together with NGOs in a kind of roundtable knowledge transfer to acquire this knowledge in a rather lean team."* (Interviewee 16, Paragraph 20). The costs that are associated with the NGOs are based on the labour hours the company would invest in the personnel to organise and attend the meetings with the NGOs, if not agreed on something else.

External Reporting Costs

Despite the aforementioned internal reporting costs, there are also external reporting costs that companies may face. Interviewee 14 highlights the costs for the reporting tools that are needed for the reporting (Interviewee 14, Paragraph 19). Moreover, the cooperation and networking with different deparments and stakeholders create the external reporting costs, as is brought up by the Interviewee 16 by stating: *"So this network, what is needed for the implementation of this kind of reporting, where you have to get all areas of the company on board, you have to instruct them, regardless of whether it is purchasing, HR, sales, product-oriented or deeply environmentally friendly, here with CO2 emissions, so many departments are affected and I do not know who actually keeps records of the hourly investment, the time investment in such a large project, which requires the cooperation of many departments in order to capture the time."* (Interviewee 16, Paragraph 21 - 22).

MNEs & SMEs

It is true that there is an existing difference in strategies and approaches that MNEs and SMEs implement to tackle sustainability reporting. Interviewee 3 shares practical experience where MNEs may hire another person or build a new team to deepen their expertise in ESG topics, as large multinational enterprises are naturally pursuing a long-term commitment to sustainability (Interviewee 3, Paragraph 20). However, SMEs may refrain from establishing a person or ESG team, preferring to purchase consulting services (Interviewee 3, Paragraph 20). Interviewee 7 further provides recommendations for SMEs and MNEs by stating: *"I guess in smaller companies it is also a good strategy then not to have an entire department, but to have certain people within the different departments who are working also on sustainability topics. Not entirely, but their job is also to track the KPIs over the year and to take different measures and to further develop the* *policies and stuff. Whereas in big companies, it is very mandatory, I guess, to implement an entire sustainability team."* (Interviewee 7, Paragraph 29).

There is a clear indication that there is a difference between undertakings that have previously reported the non-financial information and those that have not (Interviewee 11, Paragraph 18). For instance, for companies that reported under GRI, the transition to ESRS is well manageable, and they have to recognise the new differences and find the best ways to deal with them (Interviewee 15, Paragraph 4). Moreover, the commitment to sustainability was already there (Interviewee 15, Paragraph 18). For the companies that are new in the scope of CSRD and are obliged to report the non-financial information under ESRS face in the short term a lot of costs because for them the topic is entirely new and they still have to build it from nothing by implementing new systems and processes (Interviewee 12, Paragraph 10). That brings companies' awareness of the complexity of sustainability and the anticipated costs associated with the ESRS implementation. Some of the companies are a bit sceptical of the commitment and want just to be regulatory compliant and *"(...) do not really want to spend a single euro more for the benefits that actually come with this reporting."* (Interviewee 15, Paragraph 4).

Materiality Analysis

The materiality analysis as such can be considered as a separate cost that is associated with the ESRS based on its complexity and time effort finding out what is indeed material, which is associated with significant short-term costs (Interviewee 6, Paragraph 22). Therefore, this includes, for instance, the following processes that a company will undergo: *"In the materiality analysis, both the internal view is taken into account in the materiality analysis. You look at how the employees themselves, for example, assess the relevance of environmental problems, and then you also interview the stakeholders, for example, and ask about their view of environmental problems that the company causes."* (Interviewee 6, Paragraph 24).

Data Collection Systems

The data collection and data collection systems present significant costs that companies are facing tp report the non-financial information. This chapter includes the following costs identified based on the semi-structured interviews that are associated with the data management systems: data management, collection and centralization, module extension, license fees and databases, plausibility checks, excel as a short-term solution, internal and external tools.

Data Management, Collection & Centralization

To get the required data is costly, especially while implementing the ESRS, since there are new topics, new requirements, and companies may need new data collection processes or tools (Interviewee 13, Paragraph 10). Overall, ESRS leads to collecting more data, knowing how to deal with it, how to get the data into the system and how to analyse it (Interviewee 3, Paragraph 21). The data collection causes short-term costs since the data is sometimes very scattered throughout the company. This could be the case because some data points are in procurement and others in sales departments (Interviewee 6, Paragraph 22). Additionally, Interviewee 3 provides a practical example with the Human Resource (HR) systems: *"Yes, because the practical example is, it cannot be the case that there is an HR system that already collects a lot of information, but has not yet analysed it at the push of a button. That means you then consider how you could generate reports so that this analysis is available at the click of a button. This is, of course, always difficult when you focus on HR metrics, the different country-specific circumstances, what falls under fixed-term employment or permanent employment in which country, and so on."* (Interviewee 3, Paragraph 21).

Consequently, this represents a problem if the data is not being centralised, whereas this creates additional costs of data optimisation, digitalisation and centralisation as stated by Interviewee 11: "*So centralising data flows, going in the direction of IT solutions, automated actions and digitalisation, and what it has also done in terms of costs was a kind of bringing companies to the effort of inventoryization of their costs for their actions taken. So this would also be one of the points, and then also allocating financial resources for implementation measures."* (Interviewee 11, Paragraph 18).

Module Extension

Companies may decide on module extension within their existing data management and collection systems, which is also associated with costs (Interviewee 9, Paragraph 21). Interviewee 8 elaborates on the SAP system, noting that it can be adopted and extended, but this comes with a significant initial investment. However, once a process has been established and data can be collected with a few clicks, the costs decrease over time (Interviewee 8, Paragraph 22). Moreover, Interviewee 3 provides a practical example of how the module extension in SAP may look like: *"I'm expanding my SAP system with a module to track energy data or waste data. Then that's something that will certainly be very expensive in the short-term planning"* (Interviewee 3, Paragraph 21).

Interviewee 1 provides a detailed comparison between financial and environmental data that now must be gathered with some adjustments: *"So far, businesses were used to collecting euro data, for their external reporting level. Hardly ever that non-euro-denominated units measures were reported to the outside world, and needed to get assurance on. All of a sudden, things like kilowatt hours, miles driven, number of sick leaves and so on, had to be collected and made reportable. So the systems, the financial reporting systems, were not designed or are not designed to meet this, the concept of making sure that you include all data, but do they do double counting, have uniform measures, and understand what's included in which category? "* (Interviewee 1, Paragraph 19).

License Fees & Databases

Depending on the data systems and Enterprise Resource Planning (ERP) software that organisations are implementing, there may be further small but long-term costs based on the contract, either fees or subscription costs or something similar (Interviewee 3, Paragpragh 21). Interviewee 3 elaborates further in detail on license costs: *"In the long term, there might be a few additional license fees since you buy database access in order to have the latest emission factors and the like every six months, but these are much lower than the initial model calculation."* (Interviewee 3, Paragraph 19).

Another costly factor for the companies is disclosed by Interviewee 8, by providing a practical example, hence highlighting the variety of different data sources the company may choose while gathering the required data for the reporting: *"If companies want to do their own calculations, they normally need access to databases, for example, emission factor databases, which are also not free. So also there's another additional source of costs."* (Interviewee 8, Paragraph 20).

Plausibility Checks

Another potential cost that depends on the data systems a company is using may arise in the form of yearly plausibility checks that must be carried out. Interviewee 3 elaborates on this matter from the consulting perspective, sharing a practical example of plausibility check: *"(...) for the long-term costs, perhaps there are annual plausibility checks. So you give the company a model calculation for its greenhouse gas balance, and the following year, you build on that, and then a kind of plausibility check is carried out."* (Interviewee 3, Paragraph 19).

Excel as a Short-Term Solution

While some companies may choose to invest in long-term solutions for their data collection systems, some may still be working with Excel Sheets and be fine with it. Interviewee 6 shares insights on this regard: *"In the short term, many tend to rely on temporary solutions like Excel. That's a very short-term solution. Yes, in the long term it's often third-party solutions that are used."* (Interviewee 6, Paragraph 32).

Internal & External Tools

Organisations choose different strategies for the data collection systems, either to build them on their own or refer to external resources. Interviewee 6 argues that in the short term, companies may choose to rely on temporary solutions like Excel and then refer to the third-party solution that potentially can be implemented in the company (Interviewee 6, Paragraph 32). Nowadays, with the evolution of Artificial Intelligence (AI), many companies are building their own solution (Interviewee 8, Paragraph 28). Interviewee 7 shed light on a different perspective, whereas most of the companies are buying tools for data collection and management and then implement them into their existing systems (Interviewee 7, Paragraph 41). In addition, Interviewee 9 explains how companies may use different data sources for the reporting: *"Always very different tools actually. They are often turned around. Approach third-party providers who analyse the risks in the supply chain, for example. And then you take the data from them or they also use reporting tools for reporting that are based on AI, and yes, different tools."* (Interviewee 9, Paragraph 23).

The following software providers for sustainability data were mentioned by interviewees. Interviewee 14 mentions Workiva, Tagetik and Lucanet as potential external tools companies can refer to. Interviewee 7 shares a practical example with the tool called Sphera and its benefits for the data collection, tracking and for future auditing procedures: *"For example, Sphera has a good tool on ESG data management where, as I just explained, these different catalogues of questions and documents are then only send to the people that are responsible for these data and it automatically calculates the data. And it is also very good for auditing processes, as for example, it can also track the person who is collecting the data and then also the date a person who is validating the data. So this is well tracked. And you can, for example, you have to give a reason if the number is changing more than 20% compared to the last year, or something. So these tools definitely help companies during the data collection and calculation."* (Interviewee 7, Paragraph 43).

5.2.2. Challenges for Companies

Human Resources

Being a costly factor for the companies, human resources also poses a challenge for the companies. Interviewee 16 presents in a short statement the challenge behind the human resource at the time companies were hiring and looking for an appropriate candidate: *"Many were looking for good people and did not get good people because they all ended up with the consultants. And that was painful and caused frustration."* (Interviewee 16, Paragraph 20)

ESRS

The ESRS pose a challenge for the companies where the following classifications are identified: ESRS requirements, double materiality analysis, stakeholders and questionnaires, whistleblowing systems, scope 3 - upstream and downstream data, supply chain, ESRS – still a communication tool?

ESRS Requirements

The ESRS requirements as such create a big challenge for the companies, whereas it is difficult for some companies to understand these requirements that are not always clearly formulated, hence making the key figures difficult to comprehend (Interviewee 6, Paragraph 26). Another challenge with the ESRS requirements is that there are a lot of data points that one has to assess, leaving a lot of room for interpretation (Interviewee 7, Paragraph 31). Furthermore, Interviewee 8 argues that the ESRS are written from an academic or scientific point of view, and sometimes it feels like it is out of the real world (Interviewee 8, Paragraph 24). Interviewee 11 supports the complexity and rather theoretical role of the ESRS than a practical one while also highlighting the repetitiveness, difficult interconnections and rigidity, by stating: *"I think the major challenge is the complexity of the standard with these more than thousand data points and just what the companies often relate to as the standard being (...) well being out of the world, you know, so that they are not practical enough. (...) And then on an operational level, we often see companies struggling with the repetitiveness, within the standards and the interconnections and the rigidity."* (Interviewee 11, Paragraph 20). Interviewee 10 summarises the challenge behind the ESRS that requires an investment in engineering, environmental and know-how, while also making a hint that standards should be readable for normal people and allow them to make a decision based on the written sustainability report (Interviewee 10, Paragraph 29).

Admittedly, Interviewee 15 brings up the practical comparison between financial statements and non-financial information, indicating the fact that the evolution comes with time and sustainability reporting will be enhanced over time: *"Financial reports are not straightforward, they were built up over the last 100 years and not within two years. So you must not forget that when you say, how much does all this cost? Ultimately, it is a reporting obligation that they are now finally fulfilling, so to speak."* (Interviewee 15, Paragraph 14). Furthermore, Interviewee 5 provides a practical example within the financial accounting principles and outlines that ESRS has to be prepared from scratch whereas the financial principles are continuosly being modified and companies can adapt better (Interviewee 5, Paragraph 22). Interviewee 8 highlights further the challenge behind the ESRS since companies have to get disclosure requirements and numbers that they never collected before (Interviewee 8, Paragraph 26).

Another clear challenge represented by ESRS is that there are defined deadlines, as it is with the financial statements. Interviewee 12 elaborates on challenges companies have to tackle to prepare the report on time: *"So there is this big challenge to have ESRS confirm reports on time because, as I said, they do not have the resources. And at first, they also did not have the budgets, or they did not think that it would cost so much to build the whole report."* (Interviewee 12, Paragraph 14). Last but not least, Interviewee 16 briefly summarises the main challenge behind the legislation and the reason companies need to refer to consulting services: *"I wish everyone the best of luck in working through all the EU documents and then understanding them. Good luck! They will not make it. You need a translator and something, a consultant, or something similar. So that you can still see the bigger picture, you have to say, hey, reporting is the tip of the iceberg. "* (Interviewee 16, Paragraph 28).

Double Materiality Analysis

One of the major challenges that companies face under ESRS is double materiality assessment. Indeed, it is tricky to derive what information is material and what is not to decide whether to collect the data or not (Interviewee 4, Paragraph 33). Followingly, Interviewee 4 outlines topics such as supply chain, downstream and upstream impacts, biodiversity, affected communities and so on, that could be difficult to asses (Interviewee 4, Paragraph 31).

Interviewee 8 provides a practical example of the collaboration with the consulting services and the challenge based on the information that the company deems material and the consultant, by stating: *"I felt that, first, people [employees in companies] select very few topics. Then the consultants explained, suddenly select all topics [companies], which of course, is also not good. So then, to find a common middle ground is difficult. There's a good amount of scepticism towards* *the methodologies or something because the more qualitative it gets and the less quantitative, the more people feel that this is subjective, or this can be seen one way or another."* (Interviewee 8, Paragraph 36). Another example is provided from the consulting perspective, where Interviewee 11 shares the experience on how some companies are confused with the ESRS: *"I'm not thinking because just today we had a client reaching out to us (...) There are very like profound differences in material topics. And why is it so? And what do we think? And I'm also like reflecting now on if this is also a signal that still the double materiality assessment were done with the lack of proper guidance on how to do it and where to set the materiality threshold and why some companies have 250 IROs [impacts, risks, and opportunities] and why some have 120. And what does it mean?"* (Interviewee 11, Paragraph 30). Furthermore, the actual or potential IROs have to be linked to the sustainability report with certain policies, actions, and targets, so-called PETs, which creates a significant challenge for the companies (Interviewee 13, Paragraphs 14-15).

Stakeholders & Questionnaires

While conducting the double materiality assessment, there is a requirement to integrate the stakeholders by reaching out to them (Interviewee 12, Paragraph 22). By doing so, companies seek to understand the key impacts also for their stakeholders (i.e. suppliers, customers, investors, partners in general and others) by getting into a dialogue with them (Interviewee 14, Paragraph 29).

One of the possibilities to get into a dialogue with your stakeholders is through questionnaires that companies send to them, trying to get the data as precisely as possible while also enhancing the cooperation with them (Interviewee 6, Paragraphs 10, 13 and 16). Interviewee 8 shares a practical example of the fact that some companies have procurement questionnaires which are then sent to the suppliers, whereas suppliers can only participate if they can fill out the questionnaire (Interviewee 8, Paragraph 12). Since there is a lot of room for interpretation, some companies refer to their HR department to represent the employees (Interviewee 9, Paragraph 29).

Some companies are eager to contact actual or potential stakeholders to hear their opinion on the ESG topics. However, some of them are also afraid of possible negative outcomes and avoid starting a dialogue with them (Interviewee 12, Paragpragh 20). From the perspective of stakeholders, there are also ones that are not even aware of ESRS and are reluctant to share any information, which is also very challenging for the companies: *"And sometimes some stakeholders that are not in Europe will not understand and will not agree on giving data. But that's a really big challenge that a lot of companies face, where suppliers are not agreeing to collaborate on giving data."* (Interviewee 12, Paragraph 20). Interviewee 4 also argues that having the right people, motivation, and the budget for the reporting might still not be enough if the stakeholders do not cooperate because they have some other problems they deem more valuable than the reporting (Interviewee 4, Paragraph 33).

Whistleblowing System

Interviewee 12 provides thorough information on the whistleblowing tool companies could implement to give an anonymous possibility for stakeholders such as their own employees, employees in the supply chain, consumers or end-users, and affected communities to contact them (Interviewee 12, Paragraph 26).

Scope 3 - Upstream and Downstream Data

Interviewee 2 outlines the challenge behind the data management and collection related to the scope-3 by indicating that companies have a variety of suppliers which collect the data in different ways, creating a big issue for data harmonisation (Interviewee 2, Paragraph 31). Interviewee 6 provides a practical example of assumptions that have to be made within the company, considering the downstream data collection: *"All the data that is generated downstream. For example, when I sell a product, I often do not know exactly what happens to that product. You are not usually interested in that. It's a bit difficult to grasp, which means I first have to assume, what happens to it? How is it processed? How is the product disposed of? That's data that you cannot really collect. You have to make short-term assumptions."* (Interviewee 6, Paragraph 28).

Supply Chain

When it comes to the materiality analysis, the supply chain is tied to ESRS, CSRD and Corporate Sustainability Due Diligence Directive (CSDDD), whereas companies have to look where are certain impacts, risks, and opportunities (Interviewee 13, Paragraph 15). Interviewee 12 argues that the first challenging step in the supply chain is to start a dialogue with the suppliers and to gather them (Interviewee 12, Paragraph 16). In addition, Interviewee 7 states the challenge for the companies to get to the source, which makes it difficult for sustainability managers to make the supply chain more transparent (Interviewee 7, Paragraphs 35, 37). Furthermore, Interviewee 7 provides a practical brief example of the complexity of this process, by identifying another challenge, being traceability: *"The traceability, I think. So, for example, let's take a retailer, a food retailer. So his first supplier is another big retailer that sells, for example, fruits. Taking into* *account the materiality, you need to go back to the supplier and then really knowing from where they get their berries from, where they get their apples from? And then tracing that back even further, maybe they are like in between suppliers and then really getting to the source can be very challenging."* (Interviewee 7, Paragraph 33). Interviewee 16 supports the challenge of the traceability of the raw materials and shares insights of the trickle-down effect where big companies pass the reporting requirements to the small companies, and it sticks with the small one (Interviewee 16, Paragraph 12). Another challenge is represented by Interviewee 8, outlining the challenge of foreign companies in the supply chain: " *And of course, if you have your suppliers outside of Europe, they are not that concerned with the ESRS. So there is a big problem with why they suddenly have to follow the crazy ideas of European people."* (Interviewee 8, Paragraph 34).

Interviewee 13 provides insights from the consulting perspective where some companies do not even address the supply chain topic, hence are not able to act now on the impacts, risks and opportunities (Interviewee 13, Paragraph 15). Interviewee 15 goes even deeper with sharing practical experience where companies do not even have a sketch of their value chain and have to dig deeper into that to grasp who is involved and where the products come from (Interviewee 15, Paragraph 16). Moreover, from the auditing perspective, companies that are reluctant to the topic of supply chain will fail to receive a confirmation statement, which highlights the complexity and importance of supply chain as well as the consequences for the companies (Interviewee 13, Paragraph 15).

Interviewee 9 shares a thorough example of a supportive tool, being "Integrity Next", for gathering the data in the value chain by stating: *"Otherwise, when it comes to risks in the supply chain, there are tools such as software like Integrity Next that are used, which many companies also make use of. Country analyses are carried out, and it is shown whether there are human rights risks in the countries, for example, and then the company assesses whether we are active in these countries at all and whether something needs to be reported or not. So it always varies how the supply chain analysis works in practice. But that's probably one of the biggest challenges for companies."* (Interviewee 9, Paragraph 27).

ESRS - Still a Communication Tool?

Interviewee 11 argues the role of the ESRS and the challenge companies may be faced with since the ESRS is not a communication tool to different stakeholders anymore but a compliance product where the datapoint have to be strictly followed: *"One of the major challenges for those companies who already have reported, which we have observed was (...) that the current non-financial* *statements are not a communication tool anymore. They are rather a compliance product and can hardly be used for communication purposes."* (Interviewee 11, Paragraph 20).

Data Systems

The data systems represent a huge part of the costs that come with the ESRS implementation. Nevertheless, there are also challenges that are associated with the data collection and management, considering the practical examples shared by the interviewees. The following challenges with data collection systems and their management can be classified based on the interviews conducted with the participants: data availability and quality, holding and subsidiaries – data governance, operational strategy, and governance.

Data Availability & Quality

To be really compliant with all requirements of ESRS, companies need to have the database available (Interviewee 5, Paragraph 20). Furthermore, it is challenging to understand what data means, what the frameworks are and how to apply them, where the data comes from within the organisation, and how accurate and qualitative the data is (Interviewee 5, Paragraph 22). Interviewee 6 deepens the understanding behind the data collection and data usage, whereas some data might not be accessible at all, and companies have to make assumptions, which is very difficult and challenging for the companies (Interviewee 6, Paragraph 26). Internally, it creates a problem since companies do not have the necessary processes and do not know how to access the data, which is also a short-term issue and a long-term challenge for them that the companies will be faced with in the next years (Interviewee 9, Paragraph 23).

Holding and Subsidiaries – Data Governance

Interviewee 12 outlines the challenge behind contacting all subsidiearies worldwirde by stating: *"That is also really a big challenge to once gathered information that are not here yet to try to contact every subsidiary sometimes worldwide and explain them sensibilities and have really training session with them to have the correct data and the exact data that they need"* (Interviewee 12, Paragraph 16). Companies operating worldwide need uniform definitions of the data collection points, whereas a unified tool would be a potential solution (Interviewee 13, Paragraph 12). Interviewee 3 briefly defined the problematic big companies are faced with by stating: *"The larger* *the company, the more difficult it is to find a standardised analysis method. Yes, there are certainly difficulties."* (Interviewee 3, Paragraph 21). Nonetheless, some companies are using unified tools and Interviewee 7 shares insights to this process: *"We see that companies that are using data platforms to collect their data, where they have like standardised forms that they are sending to their different locations and their different operating sites, which are very standardised and very well explained. And then the responsible person at the site just needs to implement their data, and then it is automatically sent back and implement it into the system and calculate automatically."* (Interviewee 7, Paragraph 39).

This leads us to the challenge of data governance in companies, which should be structured and defined (Interviewee 15, Paragraph 16). Having the right tool in place would allow for the governance within companies: *"And of course, a tool can support this by simply ensuring the quality of the data, for example, by defining the individuals who collect the data. Then I have other individuals who review the data again in the sense of a four-eyes principle, for example, and validate this data. Then there are again persons who can release it."* (Interviewee 13, Paragraph 12). It would allow for appropriate documentation and set an audit trail for every single key figure (Interviewee 15, Paragraph 16).

Consequently, this type of challenge for the companies leads to a call for a harmonised ESG data collection system since there is no coherent system in Europe, and each country collects the data differently (Interviewee 2, Paragraph 33). This leads to the following statement considering ESRS implementation: *"Actually, this should have been maybe one of the first points after ESRS implementation or after CSRD was coming up."* (Interviewee 2, Paragraph 33).

Operational Strategy

Interviewee 10 defines questions that companies face with the data collection and management based on the ESRS requirements: *"And because of these interfaces, companies internally also face little changes in the sense that who holds this [data]? What, who, and where does it make sense for the person to hold it? Should the people who are holding, for example, this IT system come from the finance part, or does it make more sense to give it to the people responsible for, say, waste management? Who holds the data there? Who should be the one who keeps track of this? Who should have access to it? Who should check it? That's certainly an internal system that needs to change (...)"* (Interviewee 10, Paragraph 34). It further highlights the fact that the responsibility has to be given and someone must be responsible if something is reported wrongly: *"Who takes ultimate responsibility if something goes wrong or if the reporting is incorrect? Who in the board of directors or who in the leadership with that responsibility has a chief sustainability officer*

(CSO) who takes it as an example? Or does the get escalated to the board if something were to happen?" (Interviewee 10, Paragraph 35). A practical example of how serious the responsibility could be is outlined further by Interviewee 10: *"Furthermore, the nature of sustainability, I would not call them violations, but sustainability reporting consequences if you do report that needs to be defined, that needs to be clear. If your company works in a high-risk industry like construction or engineering, where asks or risks and accidents happen. Who becomes responsible if the fatalities are not reported correctly, for example?"* (Interviewee 10, Paragraph 36).

Governance

The challenge for the management is to decide on how to tackle the reporting under ESRS, to decide whether to build up a new ESG department and its consequences on the data management, as well as the number of people involved in the process (Interviewee 2, Paragraph 29). Additionally, Interviewee 15 elaborates on the importance of the highest management in the ESG topic: *"Another point that stands out is not just the data structures, but also the ESG structures in general, where you say, okay, if you need a climate transition plan, then someone at the highest management level has to be involved. They have to sign it off, they have to guarantee that it will be implemented, and so on."* (Interviewee 15, Paragraph 16).

Interviewee 4 provides an insightful practical example of the challenge to get the management's attention on the ESG topic, hence to get the budget for it: *"Why do you need such a big consulting budget? Why do you need the sustainability department for that? Why do you need a reporting manual for that? So it may not always be easy to get management attention, to get budgets for the implementation, because especially the first report, of course, has lots of upfront costs when you set up something from scratch."* (Interviewee 4, Paragraph 33). Interviewee 2 further emphasises the importance of creating an ESG culture in the company and to "bring all the people in the boat" who will accompany you with the transformations (Interviewee 2, Paragraph 31).

Workload

Companies should be aware of the amount of resources needed to ensure that CSRD is implemented, including good governance, well-defined processes and strategies, responsibilities and people who review and approve the report (Interviewee 14, Paragraph 21). Last but not least, the workload is also considered to be a challenge within the companies, and that is a change that comes with the ESRS implementation. Interviewee 2 briefly portrays the situation with the ESRS implementation and the workload changes within a company: *" It depends, but in some cases it* *could have been even 150% to 200% for some departments where responsible persons were affected with the whole ESG theme. It was really a doubling in a way. So a lot, a lot of resources have to come to be as a plus. And this is the governance problem if you do not see this, necessarily, and how much it is related to HR. You have huge problems."* (Interviewee 2, Paragraph 35).

5.2.3. Internal Restructuring Processes within Companies

Business Implications

The first internal restructuring processes within companies that could be derived based on the interviews are the business implications. These are further classified as sustainability and corporate strategy, business model, nature strategy, internal guidelines and policies, and digitalization.

Sustainability & Corporate Strategy

Interviewee 13 states that under ESRS, companies must link sustainability strategy with corporate strategy and describe whether corporate strategy has been adopted, which can lead to the change of certain corporate goals or strategies based on the sustainability information. Furthermore, Interviewee 13 argues that an important role is played by ESG risks and their allocation, whereas companies identify risks in the sustainability area and can derive their implications for their strategies and corporate goals. Consequently, the change in the sustainability and corporate strategy can lead to the reorientation of business models (Interviewee 13, Paragraph 17).

Business Models

Interviewee 13 provides an example by taking information from sustainability reporting, data collection and ESG risk management and linking it to investment decisions (Interviewee 13, Paragraph 17). Interviewee 3 highlights the fact that the changes in business models are not especially from ESRS but from the legislation and regulatory perspective, but also indicates that goals and strategies are revalued and used as an opportunity (Interviewee 3, Paragraph 23).

However, Interviewee 5 argues that it is too early to derive the consequences on the business models since it is: *"Too early stage. It's this a bit too early, I would say. Might be in, you know, right now it is all overlaid with the economic development. (...) It's very difficult to identify what is business-related and what other reasons."* (Interviewee 5, Paragraph 24).

Nature Strategy

Interviewee 7 identifies and provides thorough practical experience on nature strategy and different angles companies are perceiving these topics, hence being part of an internal restructering processes or companies' reorientation: *"For example, in the nature part, some companies have an overall nature strategy where they commit to certain climate targets, for example, pollution or water resources. Others have specific policies for each of the different topics. So, for example, a biodiversity strategy and a climate strategy, where they then explain how they are dealing with the topic, what kind of measurements they have and which targets they are setting and how they want to reach the targets they have set for themselves."* (Interviewee 7, Paragraph 6)

Internal Guidelines & Policies

The ESRS asks for companies' improvement over the years, whereas this drives companies to start committing to a new policy section target, and this has also been seen by them (Interviewee 14, Paragraph 31). Interviewee 13 shares an experience where new guidelines are implemented within a company's supply chain and procurement and states that, depending on the company's commitment, companies can align their entire "procurement apparatus" with ESG criteria if they only wish (Interviewee 13, Paragraph 17).

Interviewee 9 shares a practical example of a company regarding the waste topic: *"One company referred to the waste hierarchy as a concept that was specified by the EU. But they did not have an internal guideline. And they were then told that they also had to put this in writing internally and have an internal strategy or an internal concept on the subject of waste. Which deals with the impacts, risks and opportunities in relation to ESG."* (Interviewee 9, Paragraph 33). Another practical example is presented by Interviewee 11 where policies have existed within a water supply company but not introduced before the ESRS implementation: *"One is a smaller regional water supply company where basically the middle management used the iShares [is a collection of exchange-traded funds (ETFs)] as touching point with all of the actions, plans for decarbonisation. They have already prepared and have somewhere on their tables and they have already prepared the code of conduct. Until ESRS, it was never asked by the management to introduce it. Or they might have already created some suppliers' code of conduct, and it was never put into practice and used this basically as the door opener to implement sustainability."* (Interviewee 11, Paragraph 48). Therefore, Interviewee 8 states that some companies have procurement questionnaires where suppliers can only participate if they can fill them out (Interviewee 8, Paragraph 12). This can lead to a strategic shift for the companies, where

Interviewee 6 shares practical experience on companies' decisions within the procurement stage: *"In other words, if my products in the upstream chain are relatively emission-intensive, then this also has a large share of my CCF and many or some companies. I have not seen it often, but some companies actually buy products from other suppliers that are a little less emission-intensive. So that sometimes has an impact on procurement here and there."* (Interviewee 6, Paragraph 34).

The idea is that under CSRD, it is a continuous process of reworking, rethinking and adapting (Interviewee 14, Paragraph 31). However, it is also seen that some of the companies have no strategies, concepts, and internal guidelines, but will have to adopt it in the future since this changes come with ESRS implementation (Interviewee 9, Paragraph 31).

Digitalization

Interviewee 8 points out digitalization as another internal restructuring change that comes with the ESRS: *"For example, nowadays companies often install for the energy consumption, let's say the smart metre,so they get the values immediately. There has been a lot of digitalisation in procurement and systems and such like additional columns have to be added to procurement to also account for emission categories and such."* (Interviewee 8, Paragraph 26).

ESG Team & Departments

The second change in internal restructuring processes within companies is the fact that new ESG teams and departments have emerged. This leads to the following classification: new teams, departments and collaboration, importance of ESG team, and C-suite involvement.

New Teams

New teams and departments emerged that did not exist a few years ago before ESRS implementation (Interviewee 6, Paragraph 10). Interviewee 8 states that before the emergence of the new teams, employees from departments such as marketing, health or safety prepared something for the ESG and not as now that suddenly companies build their departments (Interviewee 8, Paragraph 20). Interviewee 1 indicates a restructuring process that changes within the companies, where companies walk away from having everything in "one big bubble" that collects and processes all the data, hence they set up an ad hoc task force (Interviewee 1, Paragraph 21). This organisational realignment is considered to also be part of corporate strategy (Interviewee 13, Paragraph 17). Consequently, there is a growth in the sustainability departments: *"And I think* *what has happened within the last one and a half years also was that the sustainability teams have grown. So there is more internal capacity available."* (Interviewee 11, Paragraph 22).

Departments & Collaboration

Based on the fact that new teams and departments are established, another change is the collaboration between different departments since the sustainability reporting moves to a central position where it has to be published with the financial reporting. Furthermore, there is a need now for the data exchange between departments that normally have not communicated (Interviewee 8, Paragraph 30). Interviewee 11 states that communication between different departments pushes employees to discuss topics which they might have perceived from different angles, hence allowing them to create a common sense on the matter (Interviewee 11, Paragraph 22).

Importance of the ESG Team

ESG departments are getting more visible within companies, moving one level up in importance and are directly under the Chief Executive Officer (CEO) or Chief Financial Officer (CFO). Furthermore, Interviewee 7 adds that the level of importance is raised owing to the inclusion of the non-sustainability information in the annual report and not as a standalone report anymore (Interviewee 7, Paragraph 45). Interviewee 11 explain the shift to the financial topic and its anchoring under the CFO by sharing practical experience: *"(...) sustainability used to be either anchored at environmental departments at one point or on this other side IT communication and PR departments, now we have seen also the shift that sustainability is becoming also a financial topic and is often in terms of line on command, anchored somewhere under the CFO. So, we have seen also this structurally that sustainability should then have the same status or value as financial reporting."* (Interviewee 11, Paragraph 22).

Interviewee 12 states that now sustainability departments gain more responsibilities, and a responsible employee has more evidence to ask for more resources, such as more budget and people (Interviewee 12, Paragraph 30). Interviewee 2 shares personal opinion on the importance of responsibilities within companies for the sustainability reporting, stating: *"And that's why for me, it's one of the biggest chances as well that you have to build up so many different kinds of infrastructures about responsibilities. (...) It's communication infrastructure as well like to be really connected and how to exchange information the most effective and smart way."* (Interviewee 2, Paragraph 39). Consequently, responsibilities are a very important first step that companies should build up to support the whole reporting processes (Interviewee 2, Paragraph 37).

C-Suite Involvement

Interviewee 4 highlights that ESRS brought management attention to sustainability topics within companies while also emphasising the necessity to professionalise ESG management (Interviewee 4, Paragraph 14). Owing to the fact that higher measures are taken within the organisations to implement the ESRS, the whole topic must be dealt with on a high level (Interviewee 6, Paragraph 36). Therefore, it is paramount to get the attention and awareness in upper places, especially at C-levels (Interviewee 7, Paragraph 21). Additionally, Interviewee 7 outlines the importance of trainings that have to be done for the upper levels: *"On the other hand, I see that there's still a lot of training that needs to be done for them to get these awarenesses, because I think there's a huge difference between companies where the upper board members are more aware of sustainability and where they have a higher knowledge, they much more support their sustainability teams and see the importance of acting on sustainability topics compared to board members that have basic or no knowledge on sustainability. They see it more as a regulatory burden and as only costs, but no benefits."* (Interviewee 7, Paragraph 23). Interviewee 8 provides a practical example from the consulting side where the board of directors of some companies have a keen interest to the ESG topics (Interviewee 8, Paragraph 10). Interviewee 10 shares further insights that there are many cases where ESRS becomes an agenda topic in many of the board meetings (Interviewee 10, Paragraph 38). Overall, there are clear highlights that: *"The CSRD has definitely been the occasion where sustainability has rung also on the C-levels. So maybe also for the first time. So we see the involvement of the C-level has increased."* (Interviewee 11, Paragraph 24).

Interviewee 8 also outlines a prime aspect one must bear in mind: *"And the bonus of directors, for example, depends on reaching the sustainability goals. So there is a much more increased interest there that they are kept up to date about the progress."* (Interviewee 8, Paragraph 30). Furthermore, Interviewee 13 also states the fact that in many companies, the executive compensation is to a certain extent dependent on the sustainability performance since it has to be disclosed in the ESRS to ensure more transparency (Interviewee 13, Paragraph 17).

5.2.4. Benefits for Companies

Information Value & ESRS

Despite the costs and challenges brought by ESRS, there are certain benefits for companies with ESRS implementation. Based on the analysis and methodology conducted in this thesis, the following subcategories fall under the information value and ESRS: double materiality assessment, dependency and recognition, cybersecurity, economic gain, data management, and risk awareness.

Double Materiality Assessment

Companies go through the whole ESRS process by assessing impacts, risks and opportunities they have on the environment and vice versa, which allows them to gather a lot of information with great value (Interviewee 2, Paragraph 41). Interviewee 4 outlines the high value of the information companies gathered in the scope-3, which can be seen as an "eye opener" to know the initial source of your raw materials in the downstream or to compare how big the carbon emissions are in the upstream compared to their emissions (Interviewee 4, Paragraph 35). The double materiality assessment helps companies usually find their gaps and with the information gathered, they can analyse, assess and address these gaps by implementing new guidelines, policies and measures (Interviewee 7, Paragraph 13). Consequently, Interviewee 11 highlights the importance of conducting the double materiality assessment properly: *"It's one of the major benefits of this whole reporting compliance and requirements. Because once you or once this is done properly, it really gives you a lot of insights into your business model. It's vulnerability and resilience can lead really to a strategic decision."* (Interviewee 11, Paragraph 26).

Interviewee 3 shares insights that by engaging with companies' business environment, companies can determine areas where they are resilient and where certain adjustments are needed, hence preparing better for future challenges (Interviewee 3, Paragraph 24). Interviewee 14 is convinced that there are certain benefits for companies where they get an extensive view of inside-out and outside-in perspectives, which can make them more successful in the long term, since it is a complex topic and very costly to achieve certain benefits in the short run. Indeed, companies will be better equipped to respond to the environmental risks and the risk of climate change (Interviewee 14, Paragraph 33).

Dependency & Recognition

Interviewee 7 emphasises that with the upstream analysis, companies realise how strongly they are dependent on certain materials and can, for example, take into account the fact that certain materials will not be available in such quantities in the future due to climate change and biodiversity loss (Interviewee 7, Paragraph 47). It allows companies to reassess their strategies and pivot, for example, to other materials or other sustainable ways of product procurement. Interviewee 3 argues that based on the conducted analysis and collected data, companies have a profit from the data and become more resource-efficient (Interviewee 3, Paragraph 24).

Cybersecurity

Interviewee 11 brings attention to a practical experience where cybersecurity risk is identified during the materiality assessment and demonstrates the vulnerability of the company: *"I have another company in my mind where the double materiality for the first time brought up like cybersecurity as a topic and made the company aware of how vulnerable they are. And I know that there is some action planning behind it."* (Interviewee 11, Paragraph 48)

Economic Gain

There are certain economic gains for companies based on the data collected and decision-making. Interviewee 15 states that companies that are integrated in the double materiality assessment and invest in it, do profit since the KPIs improve and they may save costs (Interviewee 15, Paragraph 20). Interviewee 8 provides a brief practical example of these improvements: *"Companies often discover during the data collection process inefficiencies or things to improve because, for example, you want to reduce emissions, you suddenly start finding ways to reduce energy consumption, which can also save considerable amount of money. (...) So there's a huge information gain normally."* (Interviewee 8, Paragraph 38). Another economic gain is shared by Interviewee 12, where companies, by reducing their impact on the environment, save costs in the long run baceuse they will not be sanctioned or have reputational damage (Interviewee 12, Paragraph 34).

However, Interviewee 16 argues that no such significant changes were identified since this is all entirely company-specific, stating: *"I could not say that product development has progressed differently because of this, or that energy efficiency has simply improved significantly, or that* *suppliers have perhaps been scrutinized more closely to perhaps eliminate one or two sensitive issues."* (Interviewee 16, Paragraph 28).

Data Management

Interviewee 11 argues the importance of the data and data management and its benefits when processed appropriately, since: *"(...)it forces you to understand what data you have available. How plausible are the data? Where are the vulnerabilities in the data and what do they say?"* (Interviewee 11, Paragraph 26).

Risk Awareness

Another aspect that comes with the information value is companies' risk awareness. Under the ESRS and guidance from the consulting, companies can better assess the impact on their operation and business, where: *" (...) the ESRS implementation helped companies to transition from ambiguity and threat to a known risk and a known impact."* (Interviewee 5, Paragraph 6)".

Interviewee 15 shares a practical example from the consulting perspective and emphasizes potential benefits that some companies simply do not see: *"And in some cases the awareness is simply not there. They simply say, yes, we are a chemical company that gets its raw materials primarily from the oil sector, but we do not actually see any risk in decarbonization and perhaps losing our raw materials. So they are very relaxed or blind to it. And that was sometimes really frightening that the companies are actually not that prepared for it or have never really thought about it before."* (Interviewee 15, Paragraph 16). Another example that outlines the significance of risk awareness by companies: *"And I think the biggest advantage, which is not yet fully recognized, is this risk management aspect, that you simply have to think about whether my warehouse will float away because it is 100 meters from the Danube or not. Climate risk analyses, all these things, these are huge advantages, but of course they do not see them that way because, as I said, there is surprisingly little risk awareness among companies, at least in Austria."* (Interviewee 15, Paragraph 20).

Market Comparison

Another benefit for the companies is that the market comparison comes with the ESRS. Interviewee 12 points out the benefit of data availability and peer comparison: *"Well the first advantage from the ESRS reporting is that the information is now more and more available. So* *you can have more easily a peer review to see what the competitors and what the sector is doing. That is also nice to see where you stand and where the sector is standing."* (Interviewee 12, Paragraph 34). Interviewee 8 shares insights that companies see a possibility to compare to competitors and find it interesting since a lot of sustainability data is very quantitative, making it easy to compare (Interviewee 8, Paragraph 10).

Public Perception

Despite the benefits of the double materiality assessment, there are other benefits that are identified while conducting the interviews. Interviewee 11 shares insights where a lot of companies that reported under ESRS for the first time and engaged with the stakeholders, indeed influenced companies' local involvement (Interviewee 11, Paragraph 48). Interviewee 8 shed light on the public perception by sharing the advantages of published reports: *"Of course, it does have a lot of advantages for public perception. It can be sales and marketing arguments like the sustainability numbers that are being published, which you can use in many ways."* (Interviewee 8, Paragraph 38). Interviewee 9 highlights another benefit that comes with the public perception, whereas companies that show good KPIs and meet requirements can probably get better credit conditions on the capital market. Additionally, Interviewee 9 points out that it can also be better perceived by other stakeholders (e.g. rating agencies, customers, NGOs and others) (Interviewee 9, Paragraph 36).

Pioneer

Interviewee 6 highlights the benefits that come with being a pioneer, stating: *"If you follow these laws relatively early on, then you are simply seen as a pioneer and you increase your profile within the industry. You might also make yourself more attractive to investors if you are listed on the stock exchange. If you are very fast, if you implement these requirements relatively quickly, then you can also create precedents. In other words, your reporting becomes a model for other companies in the sector"* (Interviewee 6, Paragraph 38).

Start-Ups

AI and digitalization represent a great opportunity for the sustainability reporting under ESRS, and that is also the beginning of the emergence of many start-ups that commit to supporting the reporting with a variety of tools (Interviewee 16, Paragraph 24).

5.2.5. Compliance & Non-Compliance with ESRS

Compliance

The initial goal for the companies under ESRS is to meet requirements and avoid getting into any problems, and pay fines (Interviewee 5, Paragraph 10). The benefits for compliance could be summarised as follows: *"Of course, the benefits of complying with the ESRS include the classic benefits that you get improve reputation, better stakeholder relationships, maybe even lower cost of capital."* (Interviewee 10, Paragraph 40). Overall, having a good ESRS report can also provide advantages that companies can build on and leverage (Interviewee 14, Paragraph 37).

Interviewee 6 shares practical consulting experience while working with the clients and outlines that some companies only want to fulfil the legal requirements of ESRS, and that is all (Interviewee 6, Paragraph 50). Another aspect that companies are pursuing is not to look worse than the competitors by doing the minimum to meet the requirements (Interviewee 8, Paragraph 42). Furthermore, Interviewee 8 shares practical experience where clients are complying with the ESRS at the bare minimum and are not willing to commit more if they will not be fined (Interviewee 8, Paragraph 44). This is also considered as one of the strategies or approaches companies are choosing under the ESRS is when they are transparent about disclosing and admitting a bad ESG management, but respect and follow thoroughly the ESRS (Interviewee 4, Paragraph 41). Having a bad report would also lead to a negative impact on the market (Interviewee 14, Paragraph 37).

Non-Compliance

It is argued that the fear of non-compliance is the main driver in the ESRS: *"But I still think that this whole block is more driven by the fear of non-compliance. Not so much from a regulatory perspective in terms of getting sued or getting penalties one way or the other for non-compliance. The biggest concern is being on a name-and-shame list. In terms of look at them, they still have, they still use, I do not know, only old diesel trucks, although they could have effectively done something else. They are still having no safe workplace. They are still involved in all kinds of dubious lobbying and transactions, all the way to major scandals. So that is the most significant part of it, the reputational risk, which leads to monetary risks, of course, non-compliance is the key driver."* (Interviewee 1, Paragraph 23). Therefore, there are also risks such as reputation damage, which come along with the regulatory costs (Interviewee 5, Paragraph 30). Indeed, there is also a risk of being fined when the company is not compliant with the regulation (Interviewee 6, Paragraph 38). Followingly, it could open up huge litigation cases that would be damaging companies' reputation and financial performance over the years (Interviewee 10, Paragraph 41). Consequently, it is a big decision when companies decide not to disclose any information: *"But I think it's a huge statement to not publish such an environmental and sustainability report. As from my perspective, it would say, I do not really care about these topics."* (Interviewee 7, Paragraph 52).

However, Interviewee 16 outlines an important aspect in this context, that there is not enough evidence yet and a lot of aspects will come with time (Interviewee 16, Paragraph 30). It remains to be seen, how important the stakeholders are and who the users of the sustainability report are (Interviewee 4, Paragraph 41).

5.2.6. Signals to the Market

Being in line with the theoretical framework applied in this study, the following order presents the findings according to the signaling theory and information asymmetry: effort, commitment and challenge, stakeholders, peer pressure, information asymmetry, and role of assurance and advisory services in information asymmetry.

Effort, Commitment & Challenge

The bare minimum or the first signal that companies are providing to the market is that they follow the rules and are committed to the topic (Interviewee 10, Paragraph 50). The signals to the market are generally perceived to be positive for companies that voluntarily or mandatorily submit sustainability reports under the ESRS since the market is aware, how much effort goes into it (Interviewee 3, Paragraph 24). Companies know how difficult and challenging it is to provide the required information, which also emphasises the effort companies are investing into reporting under ESRS (Interviewee 3, Paragraph 25). Additionally, companies are showing commitment, when despite the challenge to get their reporting "back on its feet in such a short space of time", companies are publishing their reports (Interviewee 3, Paragraph 25). Furthermore, companies share positive remarks by providing the sustainability information that they look for their employees, the supply chain is deemed important for them, and they have low CO_2 emissions or are on the path to reduce it (Interviewee 9, Paragraph 17).

Interviewee 5 argues the role of ESRS as a regulatory obligation and shares the insights into what signals are sent to the market, stating: *"We invest, we train, we try to be compliant, we try to understand what is the added value of that. So the initial goal might be let's try not to mess up, but* *the signal to the market could also be that my competitors are going for that and maybe they see something I do not see yet or at least we have to catch up not to fall behind."* (Interviewee 5, Paragraph 12).

Stakeholders

Companies want to be well-received by the stakeholders in the market, hence are sending signals such as they are a social and ecological company that complies with the regulations (Interviewee 9, Paragraph 17). Admittedly, not all stakeholders are interested in the published sustainability KPIs and information, but some will react pretty positively since it indicates willingness to comply, transparency and commitment (Interviewee 5, Paragraph 26). On the one hand, companies are sending positive signals to the finance sector and to customers when they rethink or redesign the product more sustainably, hence clearly indicating their commitment to sustainability (Interviewee 2, Paragraph 43). The company could be seen as future-proof by complying with regulations, which also sends a positive signal to investors (Interviewee 6, Paragraph 44). Consequently, Interviewee 2 summarises the positiveness of complying with the ESRS and its effect on the stakeholders: *"That's why stakeholder engagement is one of the essential things, concerning the ESRS, that actually the interests of all stakeholders are positively affected. It's not a rule, but in the end, if you do develop your company concerning ESRS, all your stakeholders will have a positive impact in the end."* (Interviewee 2, Paragraph 43).

A compelling fact is that when a sustainability report is audited, it provides certain signals to the market and stakeholders, where rating agencies would grant extra points for it, hence indicating a clear measurable benefit (Interviewee 4, Paragraph 45).

Peer Pressure

Another important signal that the market is receiving is that companies are building up peer pressure with their transparency and commitment to the ESRS. Interviewee 7 provides an example of such peer pressure where a company is transparent on their sustainability performance, impacts, actions, and targets, stating: *"I would not go as far as working towards sustainability, but at least being transparent about it, which then obviously builds peer pressure. So if there is a company that publicly announces, well, I do have a biodiversity impact, but I do not have any policies, I do not have any measures, and I do not really set any targets. It is a huge statement that you are putting out there and I think this creates then hopefully some peer pressure to do something."* (Interviewee 7, Paragraph 52). Interviewee 15 further highlights that even the courage to write that company “do not have anything”, provides a peer pressure (Interviewee 15, Paragraph 48). Furthermore, Interviewee 8 outlines that many companies want to be a front runner and signal to the market that they have overcome the challenges and costs related to the ESRS implementation and despite the fact of not having the best report, they finish their task and they complete the report (Interviewee 8, Paragraph 42). This leads to the following statement, which concerns almost every company: *“So, of course, you do not want to stand out negatively in comparison to your peers.”* (Interviewee 14, Paragraph 37).

Interviewee 15 argues that published information could be profitable for other companies operating in the same field, but does not pose a great risk for the company since there is no obligation to share sensitive information and companies can argue that some information may be a trade secret, hence will not publish it (Interviewee 15, Paragraph 26).

Information Asymmetry

Information asymmetry is one of the key concepts within the signaling theory, hence an important notice was taken of it while conducting the interviews. Based on the opportunity to gather practical insights through semi-structured interviews, the opinion about the role of ESRS and information asymmetry is twofold. On the one hand, the reporting requirements under ESRS contribute to the decrease of the information asymmetry because once a report is published, it is available for everybody (Interviewee 11, Paragraph 34). Interviewee 15 highlights the importance that key figures, data and knowledge are then shared publicly, which also plays a role in the reduction of the information asymmetry (Interviewee 15, Paragraph 24). Subsequently, Interviewee 14 emphasizes that: *“(…) the idea is to decrease information asymmetries and really have information available for every possible data point. And so that decreases this information gap.”* (Interviewee 14, Paragraph 39).

However, Interviewee 13 argues that ESRS may be counterproductive since companies must follow certain rules and requirements while preparing the sustainability reports under ESRS and be aware that not all information that they want to publish can be published under ESRS. Furthermore, Interviewee 13 shares a through example of how it might look like when considering rating agencies and willing to commuincate with them through the sustainability report: *“Perhaps the other ESG requirements need for ratings, they may not be found in the report, because as I said, the company cannot simply go and say I want this and that information voluntarily report and do that, but I have to derive it from this double materiality analysis. So, in the end, there must be a thread, and I cannot simply do a double materiality analysis and then just describe topics that are perhaps relevant from a rating perspective”* (Interviewee 13, Paragraph 19). Furthermore, Interviewee 13 elaborates on the aforementioned issues and states that this kind of information might be communicated through a different tool, for example, certain topics for the rating agencies could be published in the webpage or reported somewhere else but not under the ESRS anymore (Interviewee 13, Paragraph 19).

Role of Assurance & Advisory Services in Information Asymmetry

One of the roles that auditors play in the market is assuring that the reported information reasonable and free of material misstatements: *" So in the same way that the company, when they commit to the financial report and say, okay, we've had it checked by our auditors that it is free of material error or that we can reasonably say that it is free of material misstatements, meaning that there should not be anything in the report that would affect investors decision making in a way that would make sense. So it's the same sustainability, similar. The idea is that you're supposed to do it in such a way that we can reasonably assume that what is being reported there is that that's why our service line is called assurance"* (Interviewee 10, Paragraph 7). The goal is to ensure that the sustainability report under ESRS meets certain requirements and complies with the regulation, where auditors provide certain certification that the published information is actually verifiable (Interviewee 14, Paragraph 41). Therefore, it is an indicator that mandatory sustainability reporting and assurance can reduce information asymmetry through effective audit practices.

Interviewee 14 shares insights that, from a consulting perspective, the idea is to support companies in preparing a sustainability report, thereby contributing to the reduction of information asymmetry in the market (Interviewee 14, Paragraph 41).

5.3. Economic Implications of ESRS Implementation on Assurance & Advisory Services

5.3.1. Costs for Assurance & Advisory Services

Human Resources & Knowledge

Human resources and knowledge represent one of the costliest areas for the auditing and consulting services. Based on the opportunity to conduct interviews with experts in the ESG field, valuable insights are collected considering the costs associated with ESRS implementation and its economic impact on the auditing and consulting firms. Consequently, the following subcategories are identified while analysing costs associated with the human resources: team expansion, recruiting and onboarding costs, training and accreditation costs, research costs, premium, and development of methodology.

Team Expansion

One of the first things assurance and advisory companies started to invest in the short-term notice is the manpower, since there is a need for more specialised people working on the ESRS (Interviewee 3, Paragraph 30). Furthermore, many new employees have been hired in the ESG departments, which adds to the personal costs (Interviewee 9, Paragraph 42). It is almost impossible that one person could cover all the topics, hence there is a need for more people specialised in, for instance, climate and water topics, including expertise in different sectors to build up in-depth knowledge (Interviewee 8, Paragraph 50).

A practical example is shared by Interviewee 10, where it is outlined that five years ago, there were only four or five people in the sustainability services in the company, whereas now almost 150 people are providing the expertise to the market (Interviewee 10, Paragraph 70).

Recruiting & Onboarding Costs

There are further personal costs associated with the ESRS implementation, which are recruiting costs since companies need to reach out to experts and ensure the diversity of expertise, hence providing appropriate service for auditing or consulting purposes (Interviewee 12, Paragraph 38). Interviewee 11 highlights also the onboarding costs that are associated with the ESRS implementation, stating: *"But then the other kind of costs are basically personal costs because you need to onboard specific expertise in order to be able to provide advisory and auditing services"* (Interviewee 11, Paragraph 36).

Training & Accreditation Costs

To reach a certain expertise, companies need to build the knowledge that is anchored to the training and accreditation costs for the employees (Interviewee 3, Paragraph 29). These are ongoing training costs because accreditation has to be maintained by the employees (Interviewee 3, Paragraph 30). Furthermore, there are additional costs with the training since companies have to find an appropriate trainer who also has to be paid (Interviewee 5, Paragraph 32). Interviewee 9 argues that personal costs, especially training and accreditation costs for auditors and consultants, represent the highest cost centre and with the ESRS implementation and "these costs are driven up even more" (Interviewee 9, Paragraph 42). Training costs represent a lot of internal hours that cannot be passed on to the client. Noticeably, these costs are incurred separately for auditing and consulting purposes since auditors have to deepen their knowledge on the sustainability matters, whereas consultants focus on the auditing procedures and familiarise themselves more with the financial statements (Interviewee 13, Paragraph 21). Consequently, Interviewee 5 states that it represents the biggest cost area to develop a solid basis for corporate knowledge (Interviewee 5, Paragraph 36).

Research Costs

Another costly aspect is the research costs. Interviewee 13 elaborates on this matter by stating: *"Because it is simply a very large number of hours that you cannot pass on to the client, because it is also a lot of research, and you cannot know everything at the beginning, and you have to research a lot until you get to this information."* (Interviewee 13, Paragraph 21).

Premium

Interviewee 5 shares a practical insight, where a company pays more for a newly hired employee due to the expertise, which also creates internal troubles: *"For some experts, you actually need to pay a huge premium. So when we were looking for people in that area, we had some troubles internally to explain to our people that by being technically at the same level, one is paid way more. Yeah, that's another cost element."* (Interviewee 5, Paragraph 20).

Development of Methodology

Another costly aspect is the development of methodology within assurance and advisory companies. Interviewee 1 elaborates on this matter by comparing it to the switch from Austrian local accounting policies to the International Financial Reporting Standards (IFRS) where it was necessary to build up resources, understand what the valid standards are and how they apply to certain industries. Therefore, *"You need to draw up the checklists, the guidance, start writing manuals. So these are the costs that are typical to our business."* (Interviewee 1, Paragraph 27). Additionally, Interviewee 15 supports this statement by adding that there is a lot of effort to look at the standards in detail and develop new methods (Interviewee 15, Paragraph 28).

Digital Solutions

Interviewee 5 outlines the fact that tools within assurance and advisory companies have to be updated with the ESRS implementation, where some areas have to be either improved, changed, adjusted or developed, which creates ramping up costs (Interviewee 5, Paragraph 32). Therefore, a lot of costs are also connected to developing digital solutions for internal processes as well as for the clients that can be sold afterwards, but which require a lot of internal development costs (Interviewee 11, Paragraph 36). Interviewee 3 shares a practical insights on how this development process may look like and which external services are also needed to provide a standardized digital solution for the client: *" And partly, of course, when tools are developed in the form of databases for climate risk analyses and the like, where models are then purchased to show how weather maps change and the like. And then all of this is imported into tools in order to be able to prepare climate risk analyses for 140 locations within the company. A lot of upfront work goes into this, where external data is partly purchased."* (Interviewee 3, Paragraph 29).

License Fees

There are also some recurring costs associated with the ESRS implementation and its impact on assurance and advisory services. Interviewee 3 states: *"And the long-term cost is probably also ongoing license fees that are paid for the external data that is purchased."* (Interviewee 3, Paragraph 30).

Global Presence

Interviewee 5 highlights that there are costs associated with the global networking of auditing and consulting services: *"Just consider the global networking, to establish hubs and centres of excellence on a global scale, or at least in the European scale. You know, not easy and quite costly."* (Interviewee 5, Paragraph 32).

5.3.2. Challenges Assurance & Advisory Services

Human Resources

Human resources is considered one of the main challenges for the assurance and advisory services. Getting deep insights from the experts allows for presenting practical insights and sharing the value of the human resources with the following classifications: expertise, industry knowledge, and learning by doing.

Expertise

To find good people who are interested in the topic and have appropriate qualifications is challenging for auditing and consulting firms (Interviewee 9, Paragraph 44). Indeed, there is a need for more people just to be able to "cushion this demand accordingly" (Interviewee 13, Paragraph 6). The challenge is to get people with in-depth knowledge because many contents of the ESRS are not taught at universities, so there are no graduates who are specifically trained for the ESRS implementation because it is a new area and topic. Furthermore, even people who studied environmental sciences do not necessarily have the expertise with the reporting processes (Interviewee 8, Paragraph 52). Interviewee 10 highlights especially the situation in Austria and the challenge to find an expert since there are generally not many degree programs specifically focusing on sustainability (Interviewee 10, Paragraph 54). Nonetheless, this trend is increasing, and there are more and more degree programs at the universities that are getting towards sustainability and sustainability reporting (Interviewee 7, Paragraph 57). Consequently, the challenge is to find an expertise and provide it to the market, where Interviewee 2 notices: *"But even though, as many of my colleagues say, none of us is a is an expert, or even though we have experience since some of us 20 years almost in so many different branches of the whole sustainability infrastructure."* (Interviewee 2, Paragraph 53). Interviewee 10 shares insights into the diversity of employees that are working in the sustainability department while also emphasizing a scientific side of sustainability, where their colleagues were hired from different NGOs (e.g. Fair Trade Organisation) , rating agencies, or graduated from universities with a focus on natural sciences (Interviewee 10, Paragraph 55).

Interviewee 10 shares a challenge that comes along with building new teams and departments within audit and consulting services since it is difficult to allocate persons right to an appropriate position and it occurs that sometimes people get senior or management position due to the fact that they graduated in an appropriate field, but do not have practical expertise (Interviewee 10, Paragraph 59).

Industry Knowledge

On the one hand, there are people needed that have expertise in sustainability as discussed in the previous chapter. On the other hand, companies also need people with in-depth knowledge and work experience in different industries. Interviewee 6 shares a practical experience when it makes a challenge while communicating with a client and having no business background: *"So I have a bit of a problem that I'm talking at cross purposes when communicating with the companies. That's a bit of a problem for me. For example, I say something and the company or I imagine that a certain data point is relatively easy to collect, and in reality there are difficulties due to the industry. That's certainly a challenge."* (Interviewee 6, Paragraph 48). Furthermore, Interviewee 15 supports the statement that there is also a need for people who have project and management experience, whereas the combination of both an educational background in sustainability with practical experience is a challenge to find (Interviewee 15, Paragraph 42).

Learning by Doing

Interviewee 13 states that there are indeed high costs that companies are faced with when new regulations are introduced, since companies must adapt and build up the necessary knowledge, have the right people and ensure expertise by providing auditing and consulting services. Therefore, it comes along with the practice and experience working on different projects and clients (Interviewee 13, Paragraph 21). Interviewee 14 further highlights the need to apply the knowledge in the field while ensuring a good service for the clients and learning by yourself and improving (Interviewee 14, Paragraph 47).

ESRS Interpretation

Due to the complexity of the ESRS and the interpretation behind it, valuable insights are gathered from the auditors and consultants. This allows for the following classification: interpretation and complexity, and magnitude and speed of change.

Interpretation & Complexity

The challenge is that ESRS are complex, and each person interprets it differently, and the "biggest crux" is to give the most reliable answer within the company that is not full of reservations and does not contradict a statement that a colleague may have made two weeks ago or will make in two weeks. Furthermore, Interviewee 3 states the challenge to bring a uniform opinion regarding the interpretation to the market that is also aligned with the profession across different auditing and consulting companies (Interviewee 3, Paragraph 32). Interviewee 4 elaborates on the reason that makes the interpretation of ESRS very compelling and demanding, stating: *"You have the* *regulation and you have the standard. Then you have the implementation guidance, and then you have the FAQ. So you have four different sources that might be even contradictory to one another for the requirements and how you apply them is a different story and every one of the Big Four has their own perspective. And even with one consultancy, you have different experts having different interpretations of the standards."* (Interviewee 4, Paragraph 49). The legal situation is also a challenge since the law leaves a lot of room for interpretation and depending on how companies interpret it, the amount of work can be different (Interviewee 9, Paragraph 44).

Consequently, people in the industry and companies complain that the law regulation is too strict and complex, which will make companies in Europe less competitive (Interviewee 9, Paragraph 46). Interviewee 7 argues that simplifications for the ESRS "would be very appreciated" (Interviewee 7, Paragraph 9).

Magnitude & Speed of Change

The magnitude of ESRS is massive since a lot of companies are under the scope with less time for preparation, where Interviewee 1 elaborates on this matter by stating: *"We had an ESRS debate, serious debate at the European level, maybe for two years. We had a directive out there that became and that was not discussed for years, but was discussed for six months. Well, maybe 12 months overall. And it became effective two years later. So that was the magnitude and speed of change were significant. "* (Interviewee 1, Paragraph 27). Interviewee 5 briefly summarises the situation audit and consulting firms are with the ESRS: *"Here we have to be pretty on our toes to understand where the next change is coming from because the standards are evolving, let's say on a weekly basis."* (Interviewee 5, Paragraph 34).

Expertise in the Market

Another challenge that comes with the ESRS implementation is the establishment of expertise in the market. Interviewee 1 argues that it is a tough part to convince the market that there is credible expertise within audit and consulting companies (Interviewee 1, Paragraph 37). Interviewee 13 elaborates further on the challenge that consultants receive the information about new requirements of ESRS at the same time as the clients do, whereas the client expects support and consultations on short notice, challenging audit and consulting firms to build the expertise very fast (Interviewee 13, Paragraph 6). Interviewee 12 briefly outlines the challenge of expertise behind the ESRS: *"The guidelines are not even here, so I think that's the most challenging thing* *for consultants to be the expert for something that just came out yesterday."* (Interviewee 12, Paragraph 42).

Workload & Processes

Another challenging part that audit and consulting companies face with the ESRS implementation is the increasing workload. Interviewee 3 outlines that there were enormous peaks since the demand for consulting services was huge (Interviewee 3, Paragraph 31). The workload also increased since a lot of new processes relating to the ESRS have to be implemented (Interviewee 9, Paragraph 44).

Maintenance & Loss of Experience

Maintaining corporate knowledge is challenging since "people are quite mobile" (Interviewee 5, Paragraph 36). Interviewee 4 argues further that setting up the knowledge is one of the biggest challenges, as well as documenting it for further usage (Interviewee 4, Paragraph 47). This leads to another big issue and a challenge where people leave companies and take the knowledge with them*: "And when people leave us, they naturally take away a lot of acquired knowledge. I would say that at some point, they have worked out questions and the like. Yes, but of course, it is always a shame when people leave that area."* (Interviewee 3, Paragraph 32).

Work & Adaptation to Client's Needs

Interviewee 10 highlights the challenge to adapt to client needs since audit and consulting companies must have the expertise to provide services by posing a rhetorical question: *"You can demand all you want. But if there's no supply, meaning that there is not in the market, then what are you going to do about it?"* (Interviewee 10, Paragraph 57).

Interviewee 8 shares a practical example from the consulting and auditing perspective of challenges that can arise when, for example, clients are not able to provide full calculation of carbon foot print since they are not allowed to freely share this information due to a contract with a specific tool or software for which auditors or consultants do not have access (Interviewee 8, Paragraph 56). Interviewee 10 provides another practical example of a challenge that is related to the reporting of specific disclosures that may be sector-specific and clients want to maintain it in the sustainability report, albeit there is no specific requirement under ESRS. Furthermore, it leads to a long discussion with the client (Interviewee 10, Paragraph 26). In addition, Interviewee 11 argues that the main challenge that comes while working with a client is "the lack of resources on their [client] side" (Interviewee 11, Paragraph 38). Ironic questions are sometimes posed to the auditors and consultants which are looking in the following way: *"(...) the question they [client, MNE] asked me was: What's the cost-benefit ratio of this reporting exercise? Having all of the money I invest in your advisory services and then in assurance services. (...) what would be the cost-benefit ratio if I had invested all of this money into actions?"* (Interviewee 11, Paragraph 52). Metaphorically speaking: *"So devil's advocate questions."* (Interviewee 11, Paragraph 54).

Consequently, Interviewee 8 outlines the importance of communication with a client when the responsible person of the sustainability department has been working in the company for a while and knows a lot of people internally, hence facilitating and accelerating the communication (Interviewee 8, Paragraph 30).

5.3.3. Internal Restructuring Processes within Assurance & Advisory Services

New Service Line

A new service line emerged within the auditing and consulting firms that comes with the following classifications: specifications of teams, departments and collaboration, and increased awareness of ESG teams.

Specifications of Teams

Interviewee 5 reflects on the changes that come with the ESRS implementation, especially that suddenly there is a completely new business area with a new team and a partner (Interviewee 5, Paragraph 42). Interviewee 6 further shares insights and remembers that a while ago, everyone in the time did everything, whereas now, the more the team increased, the more differentiated the whole company and departments become (Interviewee 6, Paragraph 54). Subsequently, Interviewee 10 provides an example of how the specialization of different teams now looks like: *"And if you look at our organigram, our structure of CCaSS [Climate Change and Sustainability Services], you'll see that we have so many teams that do different topics: water, decarbonisation, taxonomy, CSRD and so on. So it's all policies, actions, targets, even though particular smaller kinds of things are part of the portfolio."* (Interviewee 10, Paragraph 56).

Departments & Collaboration

It is true with the ESRS implementation, the non-financial information is part of the management report, which is included in the annual report of a company. Therefore, there is a strong collaboration between departments in audit and consulting companies, which also depends on the project's size (Interviewee 6, Paragraph 54). Interviewee reflects on how ESRS implementation influenced the collaboration between departments in the auditing and consulting companies: *"Then it requires much more exchange between different departments that normally have not probably talked that much to each other, the financial auditing and the sustainability department normally do not have very close ties or connections."* (Interviewee 8, Paragraph 52). Interviewee 2 further highlights the importance and the challenge of collaboration between different departments since: *"you have an expert working with an expert"* (Interviewee 2, Paragraph 59).

Increased Awareness of ESG Teams

Interviewee 7 portrays the whole picture of the increased awareness of the ESG topic and teams before and after ESRS within auditing and consulting firms by stating: *"I think more and more people are getting aware of the topic. That's definitely the case. I think before the ESRS, it was more like a side topic on environmental and sustainability consultancy and auditing work. But nowadays, it the definitely become much more important also within our firm, and the awareness of all the different apartments has increased a lot during the past couple of years and* (Interviewee 7, Paragraph 65).

Role of ESG Manager

Another change in the internal restructuring processes within auditing and consulting firms is the role of the ESG manager. Interviewee 13 reflects on the changes of the role of ESG manager by stating: *"And on the other hand, it is no longer the case, and I believe that the role of the sustainability manager is probably changing a bit. Previously, the sustainability manager could cover every topic, including E, S, and G areas. But in the meantime, one can already notice that these requirements are so detailed and comprehensive that one must really focus on certain areas and really delve into certain subject areas in the sustainability spectrum."* (Interviewee 13, Paragraph 6).

Recruitment Process

Recruitment process also undergoes an internal restructuring, since assurance and advisory services need to ensure that teams have high expertise and can provide a variety of services to the client. Interviewee 6 briefly outlines the change in recrutimnet policy within auditing and consulting firms: *"In other words, you simply have to change the recruitment policy in this direction, means to employ people who are familiar with the topic or offer further training for employees who are not yet so familiar with it"* (Interviewee 6, Paragraph 46).

5.3.4. Actions to Overcome the Challenges

Human Resources

There are several actions to overcome challenges associated with human resources that can be defined in the following way: build-up knowledge, flexibility and ESG know-how, fusion of business and nature background, practical experience, and career path in sustainability services.

Build-Up Knowledge

Having appropriate personnel is considered one of the most challenging parts for auditing and consulting firms (Interviewee 1, Paragraph 35). The first step to build up the knowledge is to: *"(...) standardise the training for the people who are entering because it's also very difficult if it's not the same for everyone."* (Interviewee 10, Paragraph 59). Interviewee 8 reflects on the onboarding processes and states that there is a need for more specialised and standardised content-wise training for newcomers (Interviewee 8, Paragraph 62).

Interviewee 2 argues that the best solution is to have a stable technical aspect and invest in the AI and technical support (Interviewee 2, Paragraph 55). Interviewee 5 further supports the role of IT while building and maintaining corporate knowledge and establishing the process, so the knowledge becomes independent from the employees and stays within the company (Interviewee 5, Paragraph 38).

Flexibility & ESG Know-How

Interviewee 12 highlights personal characteristics that play a key role of auditors and consultants to ensure the expertise to the market: *"So we need to be really reactive, flexible and when there are changes, then we have to know it right away and be then the expert so we can talk about it and* *explain to everyone else the changes of ESRS and how it works, even though it is totally new for everyone."* (Interviewee 12, Paragraph 42). Furthermore, Interviewee 4 mentions that there is a certain need of flexibility in project teams to get further "knowledge on board" (Interviewee 3, Paragraph 53). Flexibiity is defined by Interviewee 15 as: *"(...) reserving certain resources for the fact that you cannot work 100% on projects all the time, because you have to deal with what is coming around the corner next and what will happen next."* (Interviewee 15, Paragraph 36). Consequently, Interviewee 2 argues on the importance of flexibility by stating: *"But for me, flexibility is the key, especially in the ESG field because what was important yesterday, tomorrow it will not be."* (Interviewee 2, Paragraph 63). Being flexible is also aligned with building ESG know-how since you have to build capacity in a short time and get sustainability know-how on board (Interviewee 4, Paragraph 57).

Interviewee 14 outlines that it is important to ensure good staffing on the projects where people familiar with the standards can guide others (Interviewee 14, Paragraph 51).

The expertise is a prominent aspect since clients: *"(...) tend to favour companies that can demonstrate more qualifications and competence. And that is, in my opinion, the most important point that an auditor or a consulting firm can do in this regard"* (Interviewee 9, Paragraph 62).

Fusion of Business & Nature Background

Interviewee 7 reflects on the different backgrounds of people and their role in the sustainability reporting by stating: *"Having a lot of different experts from all different subjects, from human rights and social topics and then also like deeply into these different environmental topics. I think with like my background, it is one of these examples that I do not have any business background, but I'm coming from the research part of how climate change affects different systems on Earth. So, really coming from a scientific nature background and now like helping companies with their sustainability journey. I think they all need to invest in very specific people who have a huge knowledge on these different environmental topics."* (Interviewee 7, Paragraph 54)

Practical Experience

Interviewee 1 outlines the significance of the practical experience due to the short time of ESRS implementation, which is one of the most prominent viewpoint: *"Well, I think the most convincing point would be to be able to show that you have successfully completed some projects which, due to the timeline and the complexity is very low. (...) But here the timeline is so short, and I think, the biggest challenge is to show that you have worked on these things and that this has been* *completed, people were making references to projects in other businesses."* (Interviewee 1, Paragraph 37).

Career Path in Sustainability Services

Another aspect that is not yet clearly defined is the career paths in sustainability services. Interviewee 10 reflects on this matter by stating that an appropriate solution in the corporate world should be defined as it is, for example, in the financial services, that after a couple of years an employee can ascend the ranks into seniority and be e given more responsibilities and projects. Therefore, there is a clear call for defining the career paths in sustainability services: *"But the thing is that where do we go and how does the career path, it is not as predictable as financial audit. And because it's not as predictable, it needs to be defined. And if you're a company that does professional services, if that's not defined, then eventually it has to be defined."* (Interviewee 10, Paragraph 60).

Business Strategies & Investments

There are several business strategies and investments that auditing and consulting companies can undertake to overcome the challenges associated with the ESRS implementation. The following actions are gathered based on the semi-structured interviews with the experts in the sustainability field: IT systems, cooperation partners, mergers and acquisitions, marketing, employee branding, and margins.

IT Systems

On the one hand, IT systems play a crucial role in internal processes, whereas auditing and consulting companies are building them internally or buying from third-party providers (Interviewee 6, Paragraph 52). These tools are automated and allow auditors or consultants to sort the data provided by the client, and Interviewee 8 provides a practical example, how it is helpful in the busy season: *"So they [clients] might send you the data [in this context, calculation of carbon footprint is mentioned] mid-January. Optimistically, you will not be able to finish all the calculations in two weeks. That's not possible. So you need like maybe some computer solution to help you, because otherwise there's always going to be very miserable weeks in January when trying to finish this."* (Interviewee 8, Paragraph 58). Interviewee 10 highlights that already preexisting tools that are applied in the financial audit may also be applied in the sustainability audit, although some changes may be required (Interviewee 10, Paragraph 65).

On the other hand, auditing and consulting companies are aiming for digitalised and automated tools which can be offered to the clients, hence strengthening the market position and winning more projects while reducing costs in the long run (Interviewee 13, Paragraph 23).

Interviewee 9 outlines a future perspective where AI-based software will be implemented in auditing and consulting companies, hence creating a competitive advantage for them (Interviewee 9, Paragraph 62).

Cooperation Partners

Interviewee 5 points out the position auditing and consulting companies must ensure to become the infromation and changes, particularly related to the ESRS, before the client does since: *"If your clients know before we know, there is no business for us."* (Interviewee 5, Paragraph 34). Interviewee 13 argues that exchanging ideas is a very important step that can help build expertise really quickly (Interviewee 13, Paragraph 6). Furthermore, Interviewee 15 supports the imporatance of networking and that it allows to know the changes before the client does and advise them on the upcoming changes, hence showing that you are up to date and have the latest information (Interviewee 15, Paragraph 36). Networking allows to: *"(...) generate enormous impact and also to reach other circles, including working with authorities and governments (...)"* (Interviewee 15, Paragraph 40).

There are five possibilities defined, based on the interviewe, that auditing and consulting companies are doing or could do to increase their expertice and circle of cooperation partners. First, auditing and consulting companies are exchanging ideas on the interpretation of certain standards of ESRS among competitiors to harmonise the interpratation since one company may have different opinion than other and may advise on that matter not the way that is audibe for another company (Interviewee 8, Paragraph 58). Second, Interviewee 4 shares evidence of being in the working group from one of the Big Four companies on a global level: *"for harmonisation of our own DMA [Double Materiality Assessment] approach, but it is very challenging and very complex."* (Interviewee 4, Paragraph 51). Furthermore, Interviewee 4 shares insights where one of the other companies from the Big Four comes up with a global standard on how to conduct double materiality analysis and published an internal standard for all to use (Interviewee 4, Paragraph 61). Third, auditing and consulting companies tend to collaborate with other companies, for example, Microsoft or SAP (Interviewee 3, Paragraph 34). Interviewee 5 shares insights with cooperation with SAP by stating: *"So we [one of Big Four], for example, we co-develop the SAP* *data extraction approach for a carbon accounting together with SAP. So we cooperate with providers to actually develop appropriate tools and processes"* (Interviewee 5, Paragraph 40). Fourth, auditing and consulting companies are working closely with local authorities such as local "Academy of Auditors and Tax Advisors" ("Kammer der Steuerberater:innen und Wirtschaftsprüfer:innen"), to harmonise the ESRS interpretation. Interviewee 4 shares involvement in the academy, where the purpose is to harmonise the interpretation of the standard and ensure strong communication between different participants (Interviewee 4, Paragraph 51). Another possibility on the national level is to cooperate with or be part of the "Austrian Financial Reporting Advisory Committee", which allows for further deepening the undertanding of the standards and public harmonisation with the guidance on how the standards may be applied (Interviewee 4, Paragraph 53). Last but not least, Interviewee 5 highlights the interest of auditing and consulting companies to also work on the European level, hence trying *"to involve ourselves with EFRAC [European Financial Reporting Advisory Group] and the other, you know, the bodies that developed it further."* (Interviewee 5, Paragraph 38). Interviewee 8 highlights the importance of collaborating with EFRAC and always responding to them when there is a call from them to advise and give personal opinions. Furthermore, Interviewee 8 shares what is a current request from the EFRAC side: *"For example, at the moment they're asking for simplifications to the standards. I know [one of Big Four] is also participating in that. (...) So at the moment, like there are still options to also shape the way the sustainability reporting will be in the future and I guess that's important to be on top there"* (Interviewee 8, Paragraph 62). Another practical insight is shared by Interviewee 12 where: *"Well, some of [one of Big Four] offices now in Europe are sometimes working with NGOs. (...) But, it is also a good example to see that the consulting firm are involved in research and gathering information, expertise, in some sectors, so that they also have this knowledge before the whole regulatory stuff ccomes."* (Interviewee 12, Paragraph 44).

Mergers & Acquisitions

A business strategy auditing and consulting companies may take a path on is by acquiring another company specialising in sustainability and there are a lots of examples of companies that did it globally (Interviewee 14, Paragraph 55).

Ernst & Young (EY) in Austria is a good example of such a strategy, where a company "denkstatt" was acquired, which has its specialisation in sustainability matters (Interviewee 4, Paragraph 59). This step allows for getting a lot of new experts on board, hence increasing, strengthening and building new departments (Interviewee 7, Paragraph 54). Interviewee 10 reflects on the acquisition by stating: *"(...) [EY] acquired the know-how, the manpower of a sustainability* *consulting firm that has been around in the market for a very long time. And that makes EY Austria and CcaSS [Climate Change and Sustainability Services] Austira the largest hub for sustainability services, probably in all of Austria, probably even by extension in Central Europe."* (Interviewee 10, Paragraph 13). Although there are challenges to collude interests of a small private company and an impact-driven corporate organisation, Interviewee 3 argues that different goals were pursued by this merger: *"Rather, they [EY] want to create trust in the financial market. You want taxes to be paid correctly and, equally, sustainability figures to be reported correctly. Yes, so it's not always a capitalist background, but on the contrary, people actually do it out of a different motivation."* (Interviewee 3, Paragraph 37). Interviewee 16 reflects further on this topic and adds that by merging with the denkstatt, EY invested in personnel that have international networks which allows to collaborate and operate on the international level and be part of global meetings (Interviewee 16, Paragraph 37).

Marketing

Another business strategy that auditing and consulting companies could invest in to overcome challenges associated with ESRS implementation is marketing. It is advisely to ensure that the know-how is displayed in the best possible way with external appearance, which flows into the direction of marketing (Interviewee 13, Paragraph 23). Therefore, what also needs to be considered is: *" (...) how do you structure or adjust your own marketing, your approach to clients, customers, the public, that you have a say."* (Interviewee 1, Paragraph 35). Interviewee 4 argues further the importance of being present in social media, webinars and podcasts, especially when there are new developments from the standard setting side (Interviewee 4, Paragraph 61).

Employee Branding

Interviewee 7 highlights the relevance of employee branding when providing sustainability services while being competitive and a good employer. Therefore, increase the willingness of young people to apply for a job in audit and consulting firms and get rid of the 70 working hours per week in the corporate world (interviewee 7, Paragraph 63).

Margins

Another aspect that may be of interest to increase the demand for the services is to lower margins. Interviewee 6 reflects on this strategy by stating: *"If you're perhaps not yet so well known in this* *area, then you might have to offer projects with a slightly lower margin, i.e. perhaps make a loss at the beginning in order to get your foot in the door."* (Interviewee 6, Paragraph 46).

5.3.5. Benefits for Assurance & Advisory Services

New Service Line

Interviewee 9 reflects on an additional service line that comes into play within the Big Four companies by also extending their service portfolio with sustainability and ESG consultations (Interviewee 9, Paragraph 66). Interviewee 10 supports this benefit by stating: *"Well, I suppose one benefit for the companies auditing and consulting is that we can push for a wider degree of services that are given. That's at least the benefit."* (Interviewee 10, Paragraph 67). Therefore, *"(...) there's a rich opportunity for them to build variety of services, which I think that [Big Fours] are capitalising on because we have such varied services available as it currently stands. "* (Interviewee 10, Paragraph 67). It also allows for a broad positioning in the future as fas as the knowledge is concerned (Interviewee 6, Paragraph 56).

Demand & Financial Profit

Interviewee 3 reflects that under the ESRS, audit services will be mandatory, which provide more demand for the services. Interviewee 3 argues further that for the consulting side, there are a lot of uncertainties that clients want to be assisted with (Interviewee 3, Paragraph 41). Therefore, *"More demand from companies that did not yet inquire about auditing services or consulting services."* (Interviewee 4, Paragraph 63). Indeed, it is a new business for audit and consulting companies since almost everything in the ESRS is from scratch and you have to implement all processes, structures, data sources, report stuctures with the help of consultants and they are "yeah happy about that" (Interviewee 5, Paragraph 46). Consequently, it contributes to the main goal of companies for profit by bringing up: *"Number one revenue. Number two revenue."* (Interviewee 1, Paragraph 39).

Availability of Information

One of the benefits that auditing and consulting companies have from the ESRS implementation is the availability of information. Interviewee 1 provides an example how published non-financial information may also be in favor of auditing and consulting firms: *"I do remember speaking to a* *senior executive of one of a larger firms in the DACH [Germany, Austria and Switzerland] region, and he said, we've looked at how other people are doing the logistics and how they do travel arrangements, hotel bookings and these kind of things. What type of hotels they using? And they're actually getting a benefit for their own. There is some side effect, because accountants, audit and consulting firms also run their own business. So, there's quite a lot of benefits."* (Interviewee 1, Paragraph 39).

Work Environment

Another benefit that is associated with the ESRS implementation is the working environment for auditors and consultants. Interviewee 1 elaborates on this matter by mentioning why ESRS makes these king of jobs more attractive and allows for distraction in daily routine work: *"So, there is a lot of benefits in terms of financial things, it is also beneficial because it does make some consulting and other jobs more interesting to staff and manager level because we all are aware that certain consulting projects, audit projects are not the most attractive ones, so they become fairly routine. People are looking for something else that could increase the staff retention rates or the attractiveness and so on."* (Interviewee 1, Paragraph 39).

Reshape the Businesses

Auditors and consultants play a crucial part in the businesses since they act like a guide, providing companies "with a compass and with the map." (Interviewee 11, Paragraph 46). Interviewee 14 adds that the real benefit from the ESRS is that auditing and consulting companies can derive ideas for new services that can then go into the core of the client's business model and help them to improve their strategy while also integrating sustainability into their operations (Interviewee 14, Paragraph 57). Therefore, *"(...) the main task for the consulting companies is actually starting right now when it comes to strategy development and really going to the ESG foundation of the companies, to transform them to what is long term development for the companies."* (Interviewee 2, Paragraph 67).

Consequently, the role of the auditors and consultants pivots from only impact-driven strategies to more clearer message to the society and role of reshaping businesses: *"(...) we really shaping people's lives in a more sustainable way. We're supporting that progress. We have companies restructure to become less harmful to society."* (Interviewee 8, Paragraph 64).

5.3.6. Future of Assurance & Advisory Services Conclusion

Financial & Non-Financial Reporting

Interviewee 1 outlines that there is an impact of the ESRS and no matter how further the regulations and laws evolve by stating that the sustainability reporting is there and it will stay: *"But the area of non-financial reporting has come to the table and it will stay there."* (Interviewee 1, Paragraph 43). Interviewee 5 argues that now ESRS is still seen as a standalone topic, but it will be embedded into even more, and the interaction between services will be strengthened. Furthermore, Interviewee 5 suggests that there will be "combined service offerings or crossover approaches in audit and consulting once it's better established." (Interviewee 5, Paragraph 50). Interviewee 8 highlights from practical experience that there are still a lot of differences in pursuing a uniform solution since sustainability and financial parts are supposed to match. Therefore, *"We need to learn more about financial accounting. They need to learn more about the emission accounting."* (Interviewee 8, Paragraph 66).

The aim is to align financial and non-financial reporting and try to match the numbers, and more importantly with the help of auditors and consultants under ESRS, make companies to look not only on cost points but also in a whole business sense by saying: *"If we save energy, we also save energy costs (...)."* (Interviewee 15, Paragraph 14). Interviewee 3 reflects on the essence of financial and non-financial reporting by stating: *"In the best case scenario, the two worlds will merge to a certain extent at some point, financial and non-financial reporting. And that will be all the more interesting when you see how one affects the other."* (Interviewee 3, Paragraph 42). Interviewee 4 further argues the necessity of this merge while also providing the arguments to both topics with a future prospect of reducing the conflict between them: *"I mean, you need to be successful company financially to continue improving on the ESG side. On the other hand, I think that you can only be successful in the long run if you have your environmental and social performance on the positive side. So and, that's a it's a amazing field of knowing the target conflicts between the two and then little by little, year by year, quarter by quarter, hopefully reducing the conflict between them and setting measures to bring both targets more closely together."* (Interviewee 4, Paragraph 65).

Education & Professional Law

Interviewee 1 highlights that the sustainability topic, especially CSRD with the ESRS requirements, will be part of the curriculum both at the university level and at the professional exams, which will be at least in countries such as Austria, Germany and Switzerland. Furthermore, Interviewee 1 shares insights into the professional level and how it may look like by also arguing that the profession of an auditor will not change: *"We would not envisage a specialisation because we do not have specialisation in it, so it's basically an add-on. If you wish to become an auditor, you will need to establish that you have knowledge and training in these ESRS methods. But we do not split the audit profession. We do not say this, this is an auditor for listed companies, this is an auditor for banks, this is an auditor for whatever else, production insurance or whatever you want to call it."* (Interviewee 1, Paragraph 43).

Interviewee 16 argues that CSRD changed the professional law of auditors and consultants, but is still not implemented in Austria, whereas 20 member states have done it. Furthermore, Interviewee 16 states that the drafts for CSRD implementation are prepared in accordance with Professional Code for Public Accountants and Tax Consultants, in German: "Wirtschaftstreuhandberufsgesetz". Meanwhile, Interviewee 16 highlights that at the "Academy of Auditors and Tax advisors" ("Kammer der Steuerberater:innen und Wirtschaftsprüfer:innen") they started to prepare a corresponding curriculum (Interviewee 16, Paragraph 33).

Environmental Consultancy

There is a clear push on the side of the market with a need for more ESG specialists and what is also widely seen is that the topic of sustainabililty is becoming more and more important in countries worldwide (Interviewee 10, Paragraph 13). Interviewee 7 further argues that a new career pathway is built, and before the ESRS, the sustainabiity consulting was more: *"(...) like a niche consultancy work, but now it increased so dramatically and drastically, not only because of the ESRS, but also because of climate change really knocking at our doors (...)"* (Interviewee 7, Paragraph 69)".

Interviewee 9 brings up a possibility that a new profession will emerge and there will be: *"(...) explicit ESG auditors, who are independent of financial audit auditors, who specialise in sustainability reports and must also complete training and exams."* (Interviewee 9, Paragraph 68).

Interviewee 10 raises an important career path that may also emerge within sustainability services which is sustainability forensics or a sustainability fraud auditors: *"But honestly, I wonder, like we have a sustainability audit, but does that mean that we will need a sustainability forensics also, does that mean that in the future we will we we might have cases where companies are literally greenwashing their reports in order to make it appear like they really are greener than they are. And you really need to investigate in the same way that our financial auditors in forensics look into those cases to trace that currently there does not seem to be anything like that.*

I have to be honest. But I can imagine in the future that may be the case that you could be that kind of like sustainability fraud auditor in that sense." (Interviewee 10, Paragraph 42).

Companies not under ESRS

Interviewee 5 argues the role of companies that are not falling under the ESRS and their future, posing the following questions: *"What do we do with those who do not need to follow the standard? Is there a different standard, let's say a lite version or what is it? So this is something to consider also for service advisory providers. What do we do with those companies who do not need to follow this race? Do we still try to bring them to use it or what is it? This might be something to consider."* (Interviewee 5, Paragraph 52).

Global Tendency

Notably, Interviewee 1 argues that European countries are not alone with the sustainability reporting and there is a global tendency towards "expanded corporate reporting and disclosures on non-financial matters" (Interviewee 1, Paragraph 45). Interviewee 1 provides an example of how it might look in the future for mining companies, for example, where they would be excluded from the offer of MNEs to sell certain products since they do not have their sustainability report audited, hence are not allowed to participate in the bid (Interviewee 1, Paragraph 45).

Interviewee 15 shares further examples of the global tendency, indicating that Japan implements almost the same standards as the ESRS. However, *"This leads to a very exciting situation, because the CSRD has now been postponed in anticipation of the Omnibus. And now the reporting requirements of foreign standards are often faster than those of the CSRD, which usually thought as: the Europeans have to do this first, and then we'll do it. But thanks to this stop-the-clock principle, there are now international standards that take effect earlier than the European ones. So the tables are turned."* (Interviewee 15, Paragraph 26).

5.4. Omnibus

While writing this thesis, some changes were adopted on February 26, 2025, by the European Commission with the implementation of the Omnibus-I Directive. All reporting will be postponed, hence giving more time for companies to prepare sustainability reporting (European Commission, 2025). Indeed, companies that have to report in the first wave in 2025 for the financial year 2024 will be postponed for two years. Additionally, the scope of the companies that have to report is narrowed down; for instance, only large firms with more than 1,000 employees and either a net turnover of more than 50 million euros or a balance sheet exceeding 25 million euros will be subject to reporting requirements. Overall, the Omnibus-I Directive bring some time and relief for companies (EY Denkstatt, 2025). This is also in line with the academic literature on sustainability reporting since the topic possesses a dynamic nature of legislation development, and that makes it difficult for academics to track the rapid regulatory changes in the European Union (Baboukardos et al., 2023).

5.4.1. Climate & Economy

Sustainability Reporting & Economy in the EU

There is an economically difficult time worldwide, and European countries are not an exception; therefore, economic topics become much more important than the sustainability ones (Interviewee 8, Paragraph 72). Moreover, it is clear that if there is a threat or disadvantage for European companies compared to non-European competitors, then the European Union deem to protect them companies and revise the reporting burden levied on the companies with the ESRS (Interviewee 8, Paragraphs 78-80). Interviewee 9 provides a parallel where companies move to Ireland to pay less tax, where they might move to other countries where they do not have to report (Interviewee 9, Paragraph 58). Another possible step companies may undertake is to split among companies to stay under a thousand employees (Interviewee 11, Paragraph 42).

The Omnibus implications are very country-specific and anchored to the number of operating MNEs and SMEs in the countries, which is also dependent on the country size and its population (Interviewee 8, Paragraph 74).

5.4.2. Costs

Costs for Companies

Companies undergo some sunk costs and investments since they invested to hire new ESG specialists or referred to the consulting services and now do not even fall under the ESRS, hence are no longer required to report (Interviewee 15, Paragraph 32). Interviewee 12 highlights that there is a lot of frustration within the companies since they have already invested a lot into the reporting (Interviewee 12, Paragraph 52).

Costs for Assurance & Advisory Services

Audit and consulting companies invest a lot to build up the capacity and ensure the expertise, where now some of the investments are being lost: *" (...) because you've trained hundreds of people to do certain audit and consulting work."* (Interviewee 1, Paragraph 31). Considering the auditing, there some sunk costs since it will remain limited assurance and will not be reasonable assurance, hence putting future revenue plans under question. Therefore, the situation is also difficult from the auditing perspective since people were hired or trained, making a reasonable amount of human resource investments, which now may be laid off Interviewee 9, Paragraph 40). Almost the same from the consulting side: *"(...) because enough people are being laid off again, at least from the consultants' side."* (Interviewee 16, Paragraph 20).

5.4.3. Challenges

Demand & Changes

Interviewee 1 outlines an obvious fact that the Omnibus takes away the demand from the market and where expenses for the topic are:*"(...) reduced by about 30 or 40% just because of the different layers that expected to drop or fall away from the Omnibus"* (Interviewee 1, Paragraph 33). Interviewee 3 argues that a large number of companies that are associated with the sustainability issues will fall out, and the other companies, where sustainability is considered a relatively minor issue, will fall under the requirements. Furthermore, Interviewee 3 provides a practical example where the real estate sector, with an enormous impact in terms of construction activities and its heating and cooling systems, will fall out owing to the fact of having fewer than one thousand employees (Interviewee 3, Paragraph 13).

Another change that comes with the Omnibus, especially in the private sector, is that there is a decline in job advertisements looking for sustainability management and with a potential that already hired ones are no longer needed (Interviewee 15, Paragraph 42).

Auditing and consulting companies are faced with a cut in demand for the services and Interviewee 4 argues that the cut is approximately 50% because half of the clients that are no longer in the scope of ESRS still want to report. Interviewee 12 argues that many clients still want to continue the projects because a lot of investments were done in the sustainability reporting (Interviewee 12, Paragraph 52). An important point is highlighted by Interviewee 7 by stating that some of the clients continue their projects due to the commitment to the sustainability and see other opportunities, hence *"(...) we [auditing and consulting companies] see that the ESRS are not the only driver to be engaged with sustainability because it is asked by a lot of stakeholders, banks and finance institutes are very much aware of the topic and also other rating agencies, for example."* (Interviewee 7, Paragraph 71).

However, the drop of companies that are no longer required to report is "much higher than 50%" (Interviewee 4, Paragraph 25). Interviewee 15 argues that in total the drop due to the Omnibus is approximetrly 80% (Interviewee 15, Paragraph 28). Interviewee 1 provides a rough estimate of the change in demand: *"This demand has gone down from 100 to 15. That is my rough estimate. So,that is what is causing the challenges now with the changes"* (Interviewee 1, Paragraph 31). This is the fact, especially in Austria since: *"(...) companies are generally smaller in scale and in size, more of the clients that we service would fall outside of the thresholds."* (Interviewee 10, Paragraph 14). Another challenge posed by Interviewee 3 is that whole teams were built up within auditing and consulting companies that cannot be utilised anymore (Interviewee 3, Paragraph 13).

Overall, there is also a change in speed and perception of the regulation that is now slowed down with the Omnibus which is perceived to be a necessary move (Interviewee 5, Paragraph 16).

Pause, Withdraw & Postponement

Interviewee 6 argues that it is predictable that many projects associated with the ESRS are not coming through the Omnibus since many of the clients want to see what exactly will happen with the Omnibus (Interviewee 6, Paragraph 60). Furthermore, Interviewee 6 argues that with the Omnibus, many companies withdraw already in the offer phase (Interviewee 6, Paragraph 62). Some of the clients, if not withdrawn, postpone the sustainability reporting: *"They said they have more time. So now there's no more rush."* (Interviewee 8, Paragraph 16). Overall, the situation can be summarised under the following call: *"Now we have Omnibus, let's wait!"* (Interviewee 16, Paragraph 41).

Legal Insecurity & Loss of Trust

The standards are being restructured, which creates an unstable regulatory environment (Interviewee 12, Paragraph 42). Interviewee 11 argues that it is one of the biggest challenges is legal insecurity for companies that are faced with the Omnibus: *"So, it is rather unfortunate that once the standards have been established, there is a major like reshuffling of the cards again, basically after one year. So, this makes the work, I think harder."* (Interviewee 11, Paragraph 38).

Interviewee 9 highlights that there is no planning security for all parties involved in the sustainability reporting because the law can change very frequently which it is seen with the ESRS (Interviewee 9, Paragraph 79). It creates a moment of confusion since: *"To be fair, we do not know what next year the sustainability reporting will actually look like. There's no certainty about that yet at all."* (Interviewee 8, Paragraph 68). Interviewee 16 argues further that there is "a certain loss of trust" to the regulations (Interviewee 16, Paragraph 41).

Wrong Direction?

Interviewee 7 argues that Omnibus is a wrong statement of the European Union because it rewards companies that: *" (...) were lazy and did not do anything on sustainability and also punishing other companies that are not in scope anymore, but already invested into the topic"* (Interviewee 7, Paragraph 71).

However, a strong statement from Interviewee 16 is raised to explain why the simplifications in the EU are needed and what role the ESRS plays in it by stating: *"And the ESRS are simply one point out of 100. To put it exaggeratedly. So, one point among several. Omnibus is by no means just about reversing the Green Deal, and Omnibus does not do that either. (...) It's about simplification in agriculture, it's about simplification of mid-cap companies and also SMEs, but not all of it just in the sense of sustainability reporting. So, there's a lot of factual information, and we simply have to adjust it now. But it has created a lot of awareness about what sustainability reporting is, that ESRS and the G [Governance] have brought a lot of clarity: it's about the environment, it's about employee responsibility and interaction between municipalities, and it's about corporate responsibility with the governance aspect."* (Interviewee 16, Paragraph 5). Furthermore, Interviewee 15 highlights the fact that one must bear in mind that the initial reason for these standards is "actually the environmental catastrophe we're facing or in the midst of" (Interviewee 15, Paragraph 46).

5.4.4. Benefits

Simplifications & Competitiveness

Companies are overwhelmed with the requirements size and all data points under ESRS, hence simplifications and additional time are needed and requested because companies need more time to implement the standards and build strategies (Interviewee 7, Paragraph 71). Therefore, *"(...) it can of course be an advantage that one now simply uses this transition period, these two years of* *transition, to better prepare oneself, to simply improve certain processes."* (Interviewee 13, Paragraph 29). There is a need for further standardisation and redesign of the ESRS, where companies go more targeted towards sustainability reporting, because the lengthy reports of 300 pages are not much appreciated and hard to read (Interviewee 13, Paragraph 29). Interviewee 16 argues that the parties shall not complain about the Omnibus because there is was a wish for more simplifications and time, which is now being achieved with the Omnibus (Interviewee 16, Paragraph 39).

Interviewee 15 provides another benefit that might come with the Omnibus-I and the "Stop-the-Clock" Directive, where the negative regulatory pressure of compliance is gone, and more voluntary engagement will develop again (Interviewee 15, Paragraph 46).

Another benefit that the EU does with the Omnibus is trying to remain competitive in the economic difficult times and to maintain its competitive position against established, emerging and developing countries (Interviewee 10, Paragraph 15).

Relief for Companies

On the one hand, the Omnibus is good, especially for SMEs, since they do not have to deal with the standards, and it is also good for MNEs because the limited assurance will be maintained and fewer fees will be paid for the auditing services (Interviewee 9, Paragraph 71). Furthermore, companies have more time to see "the urge and the resources needed for" sustainability reporting and prioritise their topics to ensure better reporting (Interviewee 12, Paragraph 52).

On the other hand, Interviewee 16 agrees that the ESRS hurts the auditing and consulting services, but also argues that in the bigger picture it is still not a big issue because one has to read the EU's five-year plan (i.e. Competitiveness Compass, the Draghi Report, Clean Industrial Deal) to understand the situation in the Europe and the next steps after the Green Deal (Interviewee 16, Paragrapghs 14 and 43).

Consequently, there is a valuable sense to extend the scope of companies that have to apply the ESRS, and now all parties involved will have to wait and see what the final directive will look like (Interviewee 14, Paragraph 59).

Trickle-Down Effect

Interviewee 16 raised another benefit that comes with the Omnibus, the so-called trickle-down effect, where MNEs are supposed to comply with the ESRS,*"(...) but then they pass it on to the small ones and it sticks with the small ones. So that is one effect that has led to an outcry."*

(Interviewee 16, Paragraph 12). Therefore, *"(...) the advantage is that these larger companies, they can also do much more, they have much more influence and can exert much more pressure. Even now in data procurement, for example."* (Interviewee 6, Paragraph 64).

6. Discussion of Findings

Role of ESRS & Companies' Commitment to Sustainability

ESRS provides a clear regulatory framework that addresses issues from previous standards by increasing standardisation, harmonisation, comparison, and transparency, thereby significantly impacting sustainability reporting and companies' sustainable behaviour. These findings align with the academic literature (Adams and Abhayawansa, 2022; Baumüller and Sopp, 2022, 2022; Fiandrino et al., 2022b; Fornasari and Traversi, 2024; Hummel and Bauernhofer, 2024; Hummel and Jobst, 2024; Odobaša and Marošević, 2023; Suta et al., 2025). Nonetheless, based on the interviews, one can describe the ESRS as a "Smart Classification Model" that helps companies showcase their best practices, opportunities, and risks, and can also serve as a branding tool for companies.

The sustainability reporting provides changes to the reporting processes since it is not a voluntary but a mandatory practice with specific deadlines, ensuring a better comparability between companies while also creating peer pressure, reducing greenwashing, and increasing the quality of ESG disclosures (Arif et al., 2022; Christensen et al., 2021; Fiandrino et al., 2022b; Hummel and Jobst, 2024; Wagenhofer, 2024). Furthermore, the most difficult to implement ESRS and be compliant with the regulations is for companies, which were neither affected by NFRD nor published a sustainability report voluntarily (Groen et al., 2022). The findings in this study support the aforementioned changes and provide further insights into the changes brought under the ESRS. For instance, interviewees share practical experiences that highlight the depth of comparability and transparency as a driver for changing companies' behaviour, which influences their business strategies, models, and perception of sustainability.

An essential role of the ESRS and stakeholders is presented in this study, whereas practical insights and changes are shared by interviewees relating to investors, financial institutions, rating agencies, NGOs, employees, and society, which is consistent with the academic literature (Bielawska, 2022; Del Gesso and Lodhi, 2025; Fiandrino et al., 2022b; Groen et al., 2022; Odobaša and Marošević, 2023; Rouf and Siddique, 2023). Some of the interviewees argue that CCF is one of the key metrics that are important in financial institutions' portfolio decisions, whether to invest or disinvest in certain companies or provide capital. Additionally, special attention is paid to the society, where their involvement, role and perception of the ESRS is outlined.

Overall, the findings agree with the literature, but also allow for sharing more information on the role of ESRS and companies' commitment to sustainability and deepen the ESRS perception of different stakeholders while also providing recommendations, for instance, how potential employees could benefit from the sustainability reports under ESRS before applying for a job in a certain company. Indeed, an unexpected perspective was shared by Interviewee 10 that before applying for a job, potential employees should read the sustainability report of a company for a better understanding of whether it is suitable based on specific metrics (e.g. employee turnover rate, etc.).

Economic Implications of ESRS Implementation on Companies

Based on the findings, the following internal costs have been identified: human resources, reporting costs, compliance costs, and the involvement of different departments. These costs can be classified as setup, administrative, or internal costs that companies face, according to the existing academic literature (Buallay, 2019; Christensen et al., 2021; De Oliveira et al., 2023; Fornasari and Traversi, 2024; Groen et al., 2022; Rudžionienė and Brazdžius, 2023). Nonetheless, hiring costs are not precisely elaborated in the academic literature, especially in the context of ESRS implementation, and its importance, costs, and strategies companies must implement to find the right and appropriate employees. Moreover, the compliance costs as such are noted in the academic literature; however, not in the practical sense of how it affects companies, which is secured in this study by having practical insights from the experts. Interviewees also share their experience with the involvement of different departments and the magnitude that companies should be aware of. What is also defined in the academic literature, but not directly mentioned by interviewees, is the fact of increasing production costs and product prices that are triggered by the sustainability reporting and its compliance, which may lead to a decrease company's competitiveness (Odobaša and Marošević, 2023).

The following external costs are identified based on the interviews and the three-level coding process: consulting costs, auditing costs, technical expertise, certification costs, public relations costs, NGOs & cost, data systems, and external reporting costs. These findings align with the existing academic literature (Bielawska, 2022; Christensen et al., 2021; Fornasari and Traversi, 2024; Groen et al., 2022). However, technical expertise, where companies may refer to other external expertise, which does not include auditing and consulting companies, is not identified in the existing academic literature per se and represents an unexpected finding since the scope was narrowed only to an auditor or consultant. The collaboration with NGOs is evident in the literature, but not in the practical sense and the perspective that interviewees share in this study. Indeed, companies may broaden their perspectives on the information that is provided by NGOs while also collaborating with them and benefiting from it. Consequently, based on the interviews, there is sophisticated information on the data systems and their role within the ESRS implementation, which provides clear evidence to the existing literature and the associated costs. For instance, practical insights are provided to the module extension and plausibility checks that are performed yearly, which are not identified in the academic literature. For instance, the costs associated with the plausibility checks were unexpected since companies may use software or files provided by the assurance and advisory services, still they may need to check if the system is still plausible and, if needed, update it accordingly. Additionally, personal experiences are shared on creating and using either internal or external tools, and several recommendations from interviewees are provided regarding software that they can use and which may be useful to others.

Several essential and evident challenges have been identified based on the interviews, including human resources, ESRS requirements, stakeholder engagement and questionnaires, whistleblowing systems, double materiality analysis, data systems and data governance, and workload. These are aligned with the academic literature (Baumüller and Sopp, 2022; Christensen et al., 2021; Groen et al., 2022; Helbig et al., 2021; Mezzanotte, 2023; Nielsen, 2023); however, specific insights are shared for each category of the challenges. There are valuable insights and experiences into the challenges of reaching out to stakeholders or the supply chain, where some suppliers are unreachable or do not want to communicate on ESG-related topics. Moreover, practical insights are provided on the importance of data governance in large-scale undertakings that operate globally, as well as their data harmonisation using suitable tools. The challenge behind the ESRS requirements and their interpretation from a non-theoretical, yet practical perspective is also addressed and presented in the findings. Baumüller and Sopp (2022) share a prime statement regarding companies where there is uncertainty about how different stakeholders assess the published information. An additional challenge, outlined in the academic literature but not mentioned during interviews, is that companies also need to contend with political pressure (Baumüller and Sopp, 2022). Overall, the findings in this study provide a practical and insightful perspective from experts working in the sustainability field, with industrial, assurance, and consulting backgrounds.

Based on the findings, internal restructuring process within companies includes several layers: business implications, corporate and nature strategy, internal guidelines and policies, digitalisation, ESG teams and their collaboration and importance within the companies, and C-suite involvement, being in line with the existing academic literature (Fornasari and Traversi, 2024). There are substantial findings related to the internal restructuring processes within companies, with real-world understanding replenishing the academic literature. For instance, there is academic literature that elaborates on the ESG teams and how their importance rose within the companies and that some of the sustainability managers are now under the CFO and the practical insights into the C-suite involvement in the topic and challenges that are associated with them (De Oliveira et al., 2023; Li et al., 2018). The role of Chief Sustainability Officer (CSO) is also emphasised, and some CFOs may also act as CSO (Thun and Zülch, 2023). Indeed, companies with greater CEO power usually have lower ESG performance (Zhao et al., 2023). Nonetheless, the experience of the interviewees allows us to deepen our knowledge of the importance of ESG departments and C-suite involvement by sharing practical insights.

According to the existing academic literature, the following benefits for companies are identified: market recognition, improved company image, increased trust, and enhanced cooperation with stakeholders, whereby stakeholders gain better information from the reports under ESRS (Bielawska, 2022; Christensen et al., 2021; De Oliveira et al., 2023; Groen et al., 2022; Odobaša and Marošević, 2023; Rudžionienė and Brazdžius, 2023). All of them are also secured and included in the findings. Moreover, interviewees provide examples of various benefits that come with stakeholders, enabling the sharing of valuable knowledge and fostering effective communication between companies and stakeholders. Notably, topics such as cybersecurity, dependency and recognition, and start-ups are addressed in the literature; hence, this presents a practical contribution and an addition to the existing literature. These are unexpected findings because companies that conduct an appropriate double materiality assessment may encounter issues such as cybersecurity, which was a practical example shared by an interviewee. Furthermore, the ESRS gave impetus and allowed the emergence of start-ups dealing specifically with the sustainability reporting that are helping companies and assurance and advisory services with the ESRS regulations. Last but not least, during the double materiality assessment, companies recognise their dependence on, for example, specific resources, which enable them to change their strategies and decouple from unsustainable resources.

Compliance and non-compliance are outlined in this study, as interviewees can share practical experiences with ESRS implementation and its economic impacts on companies. Therefore, companies should be aware of the potential benefits and damages associated with complying and not complying with the ESRS, as well as the extent of compliance and what is published. This finding aligns with existing literature (Groen et al., 2022; Khan, 2022; Rudžionienė and Brazdžius, 2023).

Last but not least, special attention is also paid to market signals and information asymmetry, which aligns with the applied theoretical frameworks. The practical experience of the interviewees enables the sharing of valuable insights on this topic, where the opinions of the interviewees are twofold: some argue that ESRS implementation decreases information asymmetry, while others contend that ESRS implementation increases information asymmetry or creates an information gap. The existing literature identifies that legal frameworks are there to decrease the information asymmetry between market participants (Ching and Gerab, 2017; Connelly et al., 2011; Del Gesso and Lodhi, 2025; Friske et al., 2023; Khan, 2022; Meng-tao et al., 2023; Rouf and Siddique, 2023). Moreover, assurance of sustainability reports should ensure even more trust and decrease the information asymmetry between companies and stakeholders. Nonetheless, the findings are aligned with the literature that companies are signalling commitment towards sustainability (Gerwing et al., 2022).

Economic Implications of ESRS Implementation on Assurance & Advisory Services

Some academic studies argue that ensuring both financial and sustainability reports are audited by the same auditors changes audit effort and quality choices (Klösch and Kasmanhuber, 2025; Knechel, 2021). Moreover, it is argued that having the same company provide both financial and sustainability assurance would benefit companies, as auditers can provide more evidence on the going-concern risk, thereby ensuring higher audit quality (Lu et al., 2023; Maso et al., 2020). However, there is little evidence on the economic impact of the ESRS implementation on assurance and advisory services.

Considering the costs, the training costs for auditors and consultants are identified in the academic literature (Dachevski and Ackers, 2025; Simpson et al., 2022). Based on the findings of this study, the following costs can be considered as add-ons to the training costs: recruiting, onboarding, and accreditation costs for employees. Indeed, interviewees highlighted reasonably that there are other costs associated with the employee in the auditing and consulting services. Unexpected was the finding that defined research costs are incurred by assurance and advisory services to provide high expertise to the market, whereby a significant amount of resources is invested to acquire the necessary knowledge. Additionally, another unexpected finding was that audit and consulting companies paid an extra premium for ESG experts due to the lack of knowledge and rapid changes in the regulations in the sustainability reporting. It is also insightful that other employees felt undervalued because newcomers were paid more, even though they held the same position in the company. Last but not least, there are also costs for digital solutions and related licence fees that are retrieved from the interviews, representing a deeper understanding of the costs associated with IT systems in audit and consulting companies.

It is argued that auditing and consulting companies face challenges due to the complexity of the ESRS (Groen et al., 2022). The following challenges have been identified during interviews and presented in the findings: human resources and knowledge to ensure expertise in the market and maintain corporate knowledge within the company, ESRS interpretation and its speed of change, workload, and adaptation to clients' needs. Unexpected during the interviews was that each of the interviewees provided decent information and outlined that knowledge for the assurance and advisory services is the most powerful and significant lever for the leadership and expertise in the market. Indeed, considering that people may leave the company, the challenge is how to maintain this knowledge and build corporate knowledge within the company, given the complexity and development of the regulations. The semi-structured interviews allow for providing practical insights into the challenges, hence emphasising the importance of human resources and corporate knowledge for auditing and consulting companies.

Regarding the internal restructuring process within assurance and advisory services, the following areas are identified and presented in the findings: new service lines, collaboration between departments, increased awareness among ESG teams, and the recruitment process. Notably, approximately half of all interviewees mentioned the fact that the importance of the ESG topic had increased in the company and they really appreciated the fact that almost every employee is aware of either being an ESG manager or the sustainability department. Indeed, it highlights the point that ESRS has influenced the awareness of sustainability reporting within companies. Therefore, these findings contribute further to the existing academic literature.

A thorough analysis is conducted on the actions to overcome the challenges, and some practical insights for assurance and advisory services are secured: strategies for building up the knowledge while remaining flexible and providing ESG know-how to the market, business strategies to assure higher expertise, such as M&A or collaboration with external partners or investments in IT systems, marketing and employee branding. All of these findings are deemed unexpected, as each interviewee shared practical insights on how their companies are indeed tackling issues and challenges associated with the ESRS implementation to survive under dynamic regulatory development and market competitiveness. Remarkably, more than half of the interviewees share practical experience and the value of networking and cooperating with others. This leads to the formulation of five key possibilities that auditing and consulting companies could consider to use in their strategies to increase their expertise and widen the circle of cooperation partners. Based on the interviews, these five possibilities or strategies are defined as information exchange with the competitors, taking part in a working group with others, collaborating with other companies (e.g. SAP or Microsoft), working with local authorities (Academy of Auditors and Tax Advisors or Austrian Financial Reporting Advisory Committee) and being present at the European level and collaborating and responding to EFRAC. Therefore, these findings provide practical and compelling insights from the ESG experts to the academic world. Another interesting point outlined as a strategy to ensure market expertise is M&A, with a thorough example of how EY acquired Denkstatt, thereby outplaying many competitors while also expanding corporate knowledge and ensuring expertise in the market. Finally, many of the interviewees emphasised the importance of marketing and appearance in the market, particularly through social media, webinars, and podcasts, especially when new standards such as ESRS are introduced.

Based on the increased demand for auditing and consulting services, academics argue that it also ensures revenue streams for the auditing and consulting companies (Bawa et al., 2024; Groen et al., 2022). The findings of this study agree with the increased demand and revenues for auditing and consulting companies. Nonetheless, there are further benefits identified related to the ESRS implementation and its economic impacts on the assurance and advisory service: availability of the information and its benefits, changes in the work environment and more diversity in the daily work, emphasis on the role of the assurance and consulting services to the companies and society. The availability of information is an essential benefit for audit and consulting companies, as they are often the first to benefit from the actions and failures of other companies, before their competitors do. Indeed, these findings broaden the benefits and role of the ESRS in the market.

The future of assurance and advisory services indicates findings that align with the existing literature, providing more education for auditors and consulting firms, while also implementing these practices in professional standards and laws (Dachevski and Ackers, 2025). It was unexpected to find that some of the interviewees shared evidence regarding the development of professional law in Austria and the possibility that auditors' exams may be extended with a sustainability reporting curriculum. However, despite everything being prepared, the regulations are still not enforced in Austria, while 20 other member states have done so. There are also compelling perspectives shared by interviewees, which define the potential evolution of ESG practices, including the emergence of a new service line for sustainability forensics and the potential role of a sustainability fraud auditor. It broadened the view of how future auditing and consulting services may look, considering sustainability reporting and its potential impact on the profession as an auditor and consultant. Indeed, it was an unexpected view from an interviewee on the ESRS implementation and its impact on the audit and consulting professions, and a thought-provoking statement.

Omnibus

As of the time of writing this paper and due to the dynamic development of the legislation, there is no academic evidence on the Omnibus-I Directive. Subsequently, the information gathered during interviews and presented in the findings, considering Omnibus, contributes to the academic literature. What is retrieved from the interviews is that Omnibuc implications are country-specific and anchored to the number of operating MNEs and SMEs in the countries that are under the scope of CSRD. The following findings are considered unexpected and clearly contribute to the academic literature on sustainability reporting, particularly in the context of Omnibus and its economic implications for companies and assurance and advisory services.

First, practical insights are shared into the costs for companies and assurance and advisory services. Indeed, there are sunk costs identified for the companies that invested a lot of resources into the sustainability reporting and compliance under ESRS, since they may no longer need to report. Additionally, there is a lot of frustration from the C-suite level since their involvement under the ESRS drastically increased and they invested their time (e.g. training, resources, meetings, etc.) and it is not required anymore. On the other side, assurance and advisory services build the capacity for providing highly expert opinions and services relating to the ESRS, where these investments may be lost. Overall, there are also some sunk costs for the audit and consulting companies since the audit will remain limited assurance under CSRD, hence they may adjust future revenue plans and put it in question.

Second, some challenges were identified during the interviews that companies and assurance and advisory services are facing with the Omnibus. For instance, the demand for the audit and consulting services under the ESRS is changed, whereas some of the interviewees estimate a drop in the demand of approximately 50-80%. Insightful information was also gained from the audit and consulting side, where some of their clients either paused, withdrew, or postponed projects related to sustainability reporting and compliance under the ESRS. Another vital aspect is highlighted, where it is deemed that there is legal insecurity and loss of trust with the Omnibus implementation, since there is no planning security for all parties involved in the sustainability reporting. Moreover, some argue that it may be the wrong direction for the EU. Nonetheless, it is important at this stage to emphasise the opinion of Interviewee 15, who explained in detail that Omnibus is not a reversing mechanism of the European Green Deal as it offers simplifications that almost everyone wanted from the start of the ESRS implementation.

Third, this leads us to the benefits that are identified and contribute to the academic literature. Indeed, many companies were overwhelmed with the ESRS and called for the simplification of the standards while also providing a strong argument that it may jeopardise the competitiveness of the EU companies. Additionally, Omnibus provides a relief for companies since some of them do not need to deal with the requirements, but others get more time for better preparation. Overall, it is remarkable that each of the sixteen interviewees shared their opinions on the Omnibus-I Directive voluntarily and provided different perspectives on the costs, challenges, and benefits.

7. Conclusion

This study aims to investigate the economic impacts of the ESRS implementation on companies and assurance and advisory services in Austria, while also focusing on the changes in sustainability reporting under ESRS and its market perception. Using a qualitative research method of semi-structured interviews allows for obtaining a state-of-the-art of the topic while also gathering practical insights from the sixteen ESG experts who participated in this study and deal with the sustainability reporting, especially ESRS. The academic guidelines are followed to ensure a structured and rigorous approach to conducting interviews, as well as to create an appropriate environment for interviewees, while adhering to the interview guide and ethical considerations (Gioia et al., 2013; Kallio et al., 2016; Qu and Dumay, 2011; Sutton and Austin, 2015). The qualitative data analysis is conducted following the guidelines of Gioia et al. (2013) on three-level code, where purposeful and convenience sampling methods for reaching out to potential interviewees are used (Mayring, 2021).

Two theoretical frameworks are considered in this study, being legitimacy theory and signalling theory, which allow for analysing the costs and benefits of using a specific law while providing signals to the market participants and affecting the information asymmetry. Legitimacy theory allows for assessing the sustainability reporting and role of ESRS, focusing on the following changes that are brought with the ESRS implementation: changes in companies' commitment to sustainability and their perception of sustainability and sustainability reporting; changes in sustainability reporting; changes in market perception of sustainability reporting with the focus on different stakeholders; and changes in assurance and advisory services. Considering the signalling theory, the signals companies send to the market and the role of assurance and advisory services are assessed, yielding twofold findings. First, some argue that ESRS implementation decreases the information asymmetry, which is also in line with the existing literature (Connelly et al., 2011; Del Gesso and Lodhi, 2025; Khan, 2022; Rouf and Siddique, 2023), and others argue it increases the information asymmetry. Moreover, assurance of sustainability reports decreases information asymmetry, allowing for greater transparency to the market, especially among shareholders and stakeholders. Overall, both theoretical frameworks provide opportunities for further investigation into the economic impacts of ESRS implementation on companies and assurance and advisory services.

The methodology and data analysis used in this study enable the presentation of valuable and relevant findings to address the two research questions. The results on the economic implications of ESRS implementation for companies display costs, challenges, internal restructuring processes, and benefits, with most of the results and findings aligning with the academic literature. Nonetheless, several findings are not previously mentioned and discussed in the academic literature at the time of writing this thesis. For instance, additional costs that could be associated with the ESRS implementation are identified: technical expertise, collaboration with NGOs, module extension and plausibility checks yearly associated with the data systems and data governance, recruiting and onboarding costs, research costs, accreditation costs for the employees, and costs for digital solutions and related licence fees. Considering the challenges associated with the ESRS implementation, the following ones are considered as an add-on to the academic literature: challenges with reaching out to different stakeholders or companies in the supply chain, relevance of the data governance in big companies with multiple subsidiaries and its data harmonisation across the whole company group, ESRS interpretation and its speed of change, workload and adaptation to the clients' needs from the assurance and adviosry services. The internal restructuring processes that lead to new service lines, increased collaboration between departments, and enhanced awareness of ESG teams, as well as C-suite involvement in sustainability reporting. The results on the economic implications of ESRS implementation on assurance and advisory services allow for providing more insights since the academic literature on this topic is scarce (Dachevski and Ackers, 2025; Groen et al., 2022; Klösch and Kasmanhuber, 2025; Lu et al., 2023; Maso et al., 2020). Indeed, specific insights are gathered regarding actions to overcome the challenges associated with ESRS implementation and its economic impact on assurance and advisory services. These insights include strategies to build and maintain corporate knowledge within companies, as well as M&A, collaboration with external partners, or investments in IT systems, marketing, and employee branding related to sustainability reporting. Therefore, practical insights and experiences of interviewees can provide a valuable contribution to academics as well as practitioners (e.g. C-suite management) who can benefit from the findings and discussion on the economic impact of ESRS implementation on companies and assurance and advisory services.

While writing this study, the Omnibus-I Directive was adopted, which reflects the dynamic nature of legislation development in sustainability reporting. Nonetheless, applying the proper methodology enables gathering direct insights from ESG experts on the Omnibus and its economic impact on companies, as well as assurance and advisory services. It enables the presentation and discussion of findings related to the Omnibus-I Directive when there is no existing academic literature on the topic. Practical insights are shared into the costs for companies, as well as assurance and advisory services, the associated challenges (e.g., demand and changes, project pauses or postponements, legal insecurity, and loss of trust), and benefits (e.g., simplification of requirements under ESRS, relief for companies, and a trickle-down effect). Therefore, this study provides practical insights into the costs, challenges, and benefits associated with the Omnibus, as no academic literature was identified at the time of writing this thesis. Indeed, each interviewee expressed a willingness to elaborate on Omnibus and its economic impacts, as it has a profound impact on the market that cannot be ignored. Indeed, each interviewee shared personal opinion and experience with Omnibus voluntarily.

To conclude, the following citations describse the market situation around ESRS and Omnibus: *"We have to actually be careful not to audit what we do because the demand is really, sorry, was huge before Omnibus"* (Interviewee 5, Paragraph 14) and *"Now we have Omnibus, let's wait!"* (Interviewee 16, Paragraph 41).

7.1. Limitations

Several limitations are present in this study. First, the geographical scope and national context of Austria provide valuable and reliable insights, but may limit the interpretation of findings due to the country's distinct regulatory and economic structures. There may be differences in ESRS perception based on the country size and the number of MNEs and SMEs in the country, since the economic impact may be perceived differently and lead to different outcomes. Second, the study captures diverse expert opinions and perspectives on the topic, allowing for the sharing of great practical insights. However, it does not reflect the views of other stakeholders (e.g., investors, NGOs, and financial institutions) that are also affected by the ESRS implementation. Third, while the applied methodology and coding approaches enhance the reliability of the study, the qualitative analysis based on semi-structured interviews remains interpretive, shaped by the interviewees' framing and the researcher's judgment. Fourth, the ESRS is an evolving topic, and the findings reflect the practical insights and experiences of experts during the initial stages of ESRS implementation. This is also often emphasised by interviewees, who note that the economic impacts and stakeholder dynamics will provide more insights over time. Fifth, the theoretical frameworks applied in this study suggest a particular effect of ESRS implementation but may underplay the influence of other theoretical frameworks (e.g., institutional theory, agency theory, resource dependence theory, voluntary disclosure theory, or others).

7.2. Future Research

Future research can address these limitations by extending this study to other EU member states and including broader stakeholder groups. Therefore, it is worthwhile to conduct a cross-country comparison based on the economic impact of ESRS implementation in each country and the different stakeholders involved in the studies. Another potential area for future research could focus on longitudinal studies to observe how economic implications and stakeholder perceptions evolve, while also examining regulation changes. Moreover, a study focusing on the economic impacts of the Omnibus on companies and assurance and advisory services will also be beneficial for both academics and practitioners. Alternative theoretical frameworks may be used to broaden the scope and perspectives of this topic.

Overall, addressing the limitation and extending this study is important to enhance the understanding of how ESRS implementation affects organisations over time and in different contexts, which will be beneficial for companies, assurance and advisory services, policymakers, stakeholders and academics.

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9. Appendix

9.1. Consent Form

Consent Form for Participation in Research Study

Title of Study: European Sustainability Reporting Standards and Economic Implications

Researcher: Yevhen Prodan, BSc
Institution: University of Vienna, Faculty of Business, Economics and Statistics
Contact Information: zhenyaprodan88@gmail.com

Purpose of the Study

You are invited to participate in a research study exploring how the European Sustainability Reporting Standards (ESRS) influence companies and assurance and advisory services. The main goal of the study is to investigate and provide valuable answers to the following two research questions:

RQ.1: What economic impact does the implementation of the ESRS have on companies?

RQ.2: What are the economic implications of the ESRS implementation on assurance and advisory services?

Procedure

If you agree to participate, you will take part in a **semi-structured interview** lasting approximately **45-60 minutes**. The interview will focus on ESRS impact on the companies and assurance and advisory services. Additionally, the ESRS implication of the market and stakekolders wil be discussed.

Voluntary Participation

Participation in this study is **entirely voluntary**. You may refuse to answer any question or withdraw from the study at any time without any consequences.

Confidentiality & Data Protection

- Your responses will remain **confidential** and will be used solely for academic research purposes.
- Data will be **anonymized**, and no personally identifiable information will be shared without your explicit consent.

- If you agree, the interview will be **audio-recorded** to ensure accuracy in data analysis. The recording will be securely stored and deleted upon completion of the study.

Potential Risks & Benefits

- **Risks:** There are no known risks associated with participating in this study.
- **Benefits:** Your insights will contribute to a better understanding of ESRS's impact on corporate sustainability, benefiting both academic researchers and regulators.

Consent Statement

By signing this form, you confirm that:
- You have read and understood the information provided above.
- You voluntarily agree to participate in this study.
- You understand that you can withdraw at any time.
- You agree to have the interview recorded.

Participant's Name: ___________________________

Participant's Signature: ________________________

Date: ___________________________

Researcher's Name: Yevhen Prodan, BSc

Researcher's Signature: _______________________

Date: 15.04.2025

9.2. Interview Guide

Interview Guide	
Research Questions	
RQ.1: What economic impact does the implementation of the ESRS have on companies? *RQ.2: What are the economic implications of the ESRS implementation on assurance and advisory services?*	
Briefing	
- Brief presentation of the topic and research questions of the thesis - Ask for the consent to record the interview and let the participant know that the interview is anonymous - Give instructions that the questions are open-ended questions, hence ask to elaborate on answers as much as possible - Before to start with the interview, ask the interviewee if there are any questions	
Introducing Questions	**Follow-up questions**
Background Information	
Could you please introduce yourself? What is you educational background?	Are you a certified public accountant (CPA)?
What position do you hold in the company?	
How long have you been working in the company?	In which department are you working? Have you changed department before?
How long have you been dealing with sustainability reporting regulations and standards?	1. Have you had experience with sustaiability reporting before your current role? Where and what was the experience? 2. How is your work related to the ESRS?
Sustainability Reporting and Role of ESRS	
What is the role of ESRS towards companies' commitment to sustainability?	
How the ESRS change the perception of sustainability reporting in the market?	How does the ESRS influenced the perception of different stakeholders on company's sustainability performance?
How the implementation of ESRS changed the way companies approach sustainability reporting?	What changes have you observed by your clients/companies attitude toward sustainability reporting?
What is clients'/companies' perception of ESRS?	What is intitial goal of companies by complying to ESRS?
How has the implementation of ESRS influenced the demand for third-party auditing and consulting services?	1. Have you noticed any differences of projects number dealing with the ESRS? 2. Which industries are standing out? What could be possible reasons for it?

Economic Implications of ESRS on Companies	
What are the costs that companies are faced with ESRS implementation?	1. What are the main types of cost for companies implementing the ESRS? 2. What are the short-term and long-term differences in costs? 3. What is the difference in costs associated with ESRS implementation by MNEs and SMEs?
What are the challenges that companies are faced with ESRS implementation?	1. What is the effect of ESRS implementation on companies' ESG data collection systems? 2. Could you provide a practical example? 3. How has the workload changed with the ESRS implementation?
What is the role of ESRS in internal restructering processes within companies?	Based on your experience, could you provide some examples?
What are the benefits for companies by complying with ESRS?	What signals does it incorporate to the market and stakeholders?
What are the potential effects for non-compliance with ESRS?	What signals does it incorporate to the market and stakeholders?
Economic Implications of ESRS on Audit & Consulting Companies	
What are the costs audit and consulting companies are faced with ESRS?	1. What are the main types of cost for audit and consulting companies? 2. What are the short-term and long-term differences in costs?
What are the challenges for auditing and consulting firms with ESRS implementation?	1. How has the workload changed with the ESRS implementation? 2. What are the challenges considering knowledge?
What are the actions that audit and consulting companies can take to overcome the challenges associated with ESRS?	1. What are business strategies to assure high expertise in sustainability reporting, especially considering the ESRS? 2. What is the role of IT-systems for providing auditing and consulting services? 3. What are internal changes within the auditing and consulting companies? Have you a practical example in mind? 4. What strategies does your company implemented to assist your clients in overcoming the challanges with ESRS? 4. What are key factors that are significant to strenghen position in the market?
What are the benefits of the ESRS implementation for auditing and consulting companies?	
What is the effect of ESRS on future auditing and consulting career? (e.g. CPA requirments will also include specializing in non-financial statements)	
Debriefing	
- Provide a recap of the interview and highlight some of the key points discovered throughout the interview - Aks if there are some points that the interviewee would like to add on before finishing the interview	