Navigating Sustainability

An Analysis of Corporate Sustainability Reporting Practices

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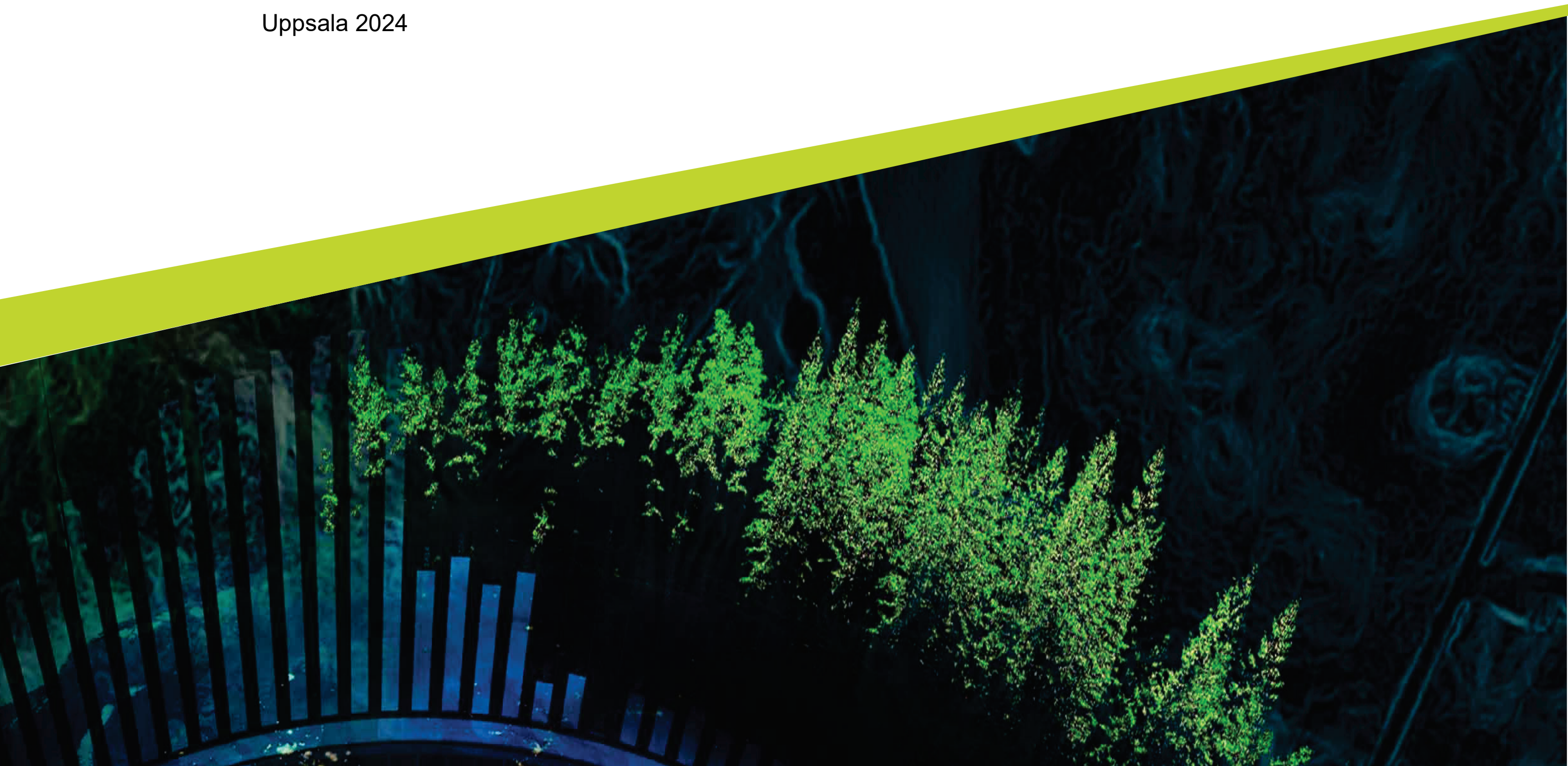

Navigating Sustainability. An Analysis of Corporate Sustainability Reporting Practices

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Abstract

Corporate sustainability reporting has become increasingly important in the context of global efforts to address environmental, social, economic and governance (ESG) challenges. Companies utilize sustainability reporting to track and communicate their environmental and social impacts. This communication by use of sustainability reports is done in an effort to foster transparency, reliability and improved relationships with stakeholders like investors, customers, regulators and society at large. However, sustainability reporting presents some challenges that impact their effectiveness in communicating sustainability efforts. The key challenges facing sustainability reporting include lack of standardization, inconsistent measurement methods, poor data quality, limited visibility into supply chains, and difficulties in the comparability of data reported. The study aims to explore how companies use sustainability reporting to communicate, as well as to establish and maintain legitimacy in the eyes of society. It does this by employing a mixed-method approach. This involves a combined analysis of empirical information from a document analysis of sustainability reports from three Swedish companies across diverse sectors together with interviews with industry experts. The paper uses legitimacy theory as the overarching framework in understanding how companies use the reports to demonstrate their sustainability initiatives but also in exploring the interacting challenges facing sustainability reporting. The findings of the study show that companies communicate their sustainability efforts by how they select and define their materiality topics. It highlights challenges in the reporting of the full environmental impact as well as the varying methodologies across the reports, which hinders comparability. The study identifies underreported aspects in sustainability reporting. These aspects are; complexities of sustainable product development, missing data on supply value chain disclosures and regulatory influence on produced reports. The introduction of the Corporate Sustainability Reporting Directive (CSRD) is discussed in the study as a regulatory response to growing societal expectations for full impact disclosure as well as enhanced credibility and accountability in ESG reporting. In analysing both current approaches and challenges, the paper contributes to the ongoing discourse on enhancing transparency, consistency, and the overall effectiveness of sustainability reporting. Opportunities for further research are also identified, emphasizing the need for continuous learning in this rapidly changing landscape.

Keywords: corporate sustainability reporting, legitimacy theory, CSRD, stakeholder engagement, ESG, materiality.

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Abbreviations

CSRD	Corporate Sustainability Reporting Directive
ESG	Environmental, Social and Governance
GRI	Global Reporting Initiative
IIRC	International Integrated Reporting Council
NFRD	Non-Financial Reporting Directive
SFDR	Sustainable Finance Disclosure Regulation
TBL	Triple Bottom Line
TCFD	Task Force on Climate-related Financial Disclosures

1. Introduction

Sustainability reporting is considered a symbolic marker of corporate accountability in current times. Companies use sustainability reporting as an environmental communication tool to showcase their sustainable business practices. Sustainability reporting allows organizations to demonstrate their environmental, social, and governance (ESG) performance, compare their initiatives and outcomes with industry peers, and benchmark their progress against established standards and best practices (Pelsmacker et al., 2013). Amid growing demands for transparency and accountability from stakeholders and regulatory bodies, these reports serve as both informative and constitutive communication tools. Jadoon et al. (2021), argues that there is more to a company's value relevance than its financial performance and that some non-financial values have more weight in the current cooperate landscape. Organisations use sustainability reporting to articulate their dedication to environmental sustainability, showcase tangible actions taken to mitigate environmental impacts, and engage stakeholders in a meaningful dialogue aimed at catalysing collective action and fostering positive change (Arnold, 2018; Tsalis et al., 2020). By systematically documenting and disclosing their sustainability initiatives, achievements, and challenges, organizations seek to demonstrate a proactive approach to addressing pressing environmental issues, while also instilling confidence among stakeholders in their commitment to responsible business practices (Kolk, 2003). Over the past two decades, scholarly research on sustainability reporting has also grown exponentially, moving from a relative paucity of literature to a more saturated field in recent times (Setia & Joshi, 2022). This rapid growth both on the corporate and academic front, reflects the increasing importance placed on sustainability development by actors such as: researchers, businesses, investors, regulators, and society at large.

Far beyond mere compliance with regulatory mandates, organisations use sustainability reporting to garner corporate legitimacy. They do this by seeking to embody certain values such as: a profound commitment to transparency, accountability, and continuous improvement in environmental management practices (Tavares & Dias, 2018). However, despite the proliferation of sustainability reporting, various challenges and shortcomings have been identified.

One of the most significant barriers is the lack of mandatory reporting requirements in many countries, which leads to inconsistent and incomplete disclosure (Tavares & Dias, 2018; Tsalis et al., 2020). Additionally, the quality and completeness of the information disclosed remains uneven (Durana, 2020). Ensuring the accuracy and reliability of reported data remains an ongoing concern, with issues surrounding data quality, verification, and assurance (Aras & Crowther, 2009). Research and literature reviews have found that disclosure of economic, environmental and social dimensions based on the widely used Global Reporting Initiative (GRI) standards was still relatively low (Durana, 2020). Even when companies do report on their sustainability performance, they often apply frameworks like GRI in a fragmentary manner (Tavares & Dias, 2018). Moreover, reports often vary significantly between companies and even within the same company over time, suggesting that sustainability reporting is not always used as a transparent means of communicating actual performance (Durana, 2020). The phenomenon of 'greenwashing and greenhushing', where companies overstate their sustainability efforts for reputational gain as well as undermining their operational environmental impacts, is also an issue that undermines the credibility of sustainability reporting (Falchi et al., 2022; Benameur et al., 2024). The existing literature also points to substantial variation in sustainability reporting quality between different industries and countries, hinders comparability and benchmarking (Aras & Crowther, 2009; Tavares & Dias, 2018).

In many instances, corporations set ambitious sustainability targets, however, these targets are often not met due to various challenges. These challenges include: financial constraints, lack of regulatory pressure, and complexities in implementing sustainability initiatives (Milne & Gray, 2013). The introduction of legislation e.g. the Non-Financial Reporting Directive (NFRD) in recent times in Europe aimed to improve the quality of sustainability reporting (European Council, 2022; Mezzanotte, 2024). However, the NFRD has been criticized for its limited scope, lack of harmonization, and inconsistent application across member states, leading to calls for reform and strengthening of sustainability reporting requirements (Baumüller & Grbenic, 2021). The NFRD has then given rise to a new directive: the Corporate Sustainability Reporting Directive (CSRD), which aims to take up some of the issues that were not effectively addressed previously such as: double materiality, value chain disclosures and incomparability of reports (Directive 2022/2464; Mezzanotte, 2024). This research investigates how companies use sustainability reporting to communicate their sustainability initiatives in an effort to establish and maintain legitimacy. It does this by exploring the similarities and differences in reporting practices as well as looking into some challenges facing sustainability reporting.

1.1 Problem Formulation

Companies through the language and framing use sustainability reports to actively construct and define what sustainability means for their organization (Tavares & Dias, 2018). This communicative process shapes the understanding and conceptualization of sustainability within the company and among stakeholders. In addition to meaning creation, there has been an increasing demand from stakeholders for transparent and comprehensive reporting on companies' sustainability performance. Sustainability reporting provides a platform for companies to engage with stakeholders as well as to demonstrate this engagement. In communicating their sustainability initiatives with stakeholders, they use the reporting as a legitimacy seeking tool, aiming to align their practices with broader societal norms and values (Tavares & Dias, 2018).

From a constitutive perspective, sustainability reporting can be seen as a communicative practice that actively constructs and shapes the reality of a company's sustainability efforts. The act of reporting itself contributes to the creation and maintenance of sustainability as an organizational priority (Setia & Joshi, 2022). Existing literature identifies several key benefits associated with sustainability reporting. Sustainability reporting encourages companies to adopt more adequate economic and business practices that consider their environmental and social impacts (Tavares & Dias, 2018; Benameur et al., 2024). From this perspective, sustainability reporting serves as a mechanism for promoting corporate accountability and responsibility.

In theory and practise, sustainability reporting done by organisations aims to represent more than just a compliance exercise or public relations strategy; but a more integrated approach to business decision-making, one that recognizes the interconnectedness of environmental, social, and economic considerations. However, the process of implementation ranging from: defining sustainability goals, to measuring performance, and engaging stakeholders is fraught with a myriad of challenges (Jadoon et al., 2021; Aras & Crowther, 2009). Its efficacy is also constantly impeded by inconsistent methodologies and the absence of standardized metrics, hindering accurate comparison and analysis across industries (Tsalis et al., 2020). Consequently, scepticism regarding the authenticity of reported data and achievements persists. Balancing transparency with tangible impact remains an enduring challenge within the realm of sustainability reporting, and addressing this challenge is crucial to enhancing both the legitimacy and accountability of these reports (Aras & Crowther, 2009).

1.2 Aim and Research Question

This research aims to explore how companies use sustainability reporting to communicate their initiatives and leverage reporting to establish legitimacy. The study also investigates challenges facing reporting practices and how this impacts the possibilities to establish legitimacy by use of sustainability reports. The analysis section of this paper explores the research questions under three categories namely: demonstrating, comparing and dissonance. By addressing the research questions, the study seeks to provide insights into the challenges and opportunities in sustainability reporting, ultimately contributing to the advancement of sustainability practices and reporting standards.

RQ1: How do companies use sustainability reporting to demonstrate their approaches; in particular how do they describe their goals, report performance metrics, and engage stakeholders?

RQ 2: What are the similarities and differences in sustainability reporting practices among the companies, and how do these practices reflect institutional pressures?

RQ 3: How do institutional pressures impact the role of sustainability reporting in establishing and maintaining legitimacy?

2. Background

Sustainability reporting, as a practice, has in recent times emerged as a critical tool for organizations seeking to transparently communicate their ESG performance to stakeholders (Morhardt, 2010). This section gives a broader context within which the research is situated. It provides necessary context, such as historical developments, literature review and an exploration of historical changes in regulation. It also guides the methodological choices selected and their significance to the study.

2.1 Historical Context of Sustainability Reporting

Sustainability as a concept can be traced back to early efforts to disclose environmental impacts and risks. The book 'The Limits to Growth' by the Club of Rome that was published in 1972, first takes up the issues related to sustainability (Meadows et al., 1972). The book highlights concern about the finite nature of Earth's resources and the potential consequences of unchecked growth/development. It sparked widespread discussion about sustainability and the need for responsible resource management, laying the groundwork for future initiatives in environmental reporting and corporate responsibility. In the 1980s there was the Brundtland Commission Report that highlighted the need to factor in future generations in the current expenditure of natural resources (World Commission for Environment and Development, 1987). This report provided the impetus for organizations to expand their reporting beyond financial metrics to include ESG factors. In 1991,there was the publication titled: 'Caring for the Earth: A Strategy for Sustainable Living' by United Nations Environment Programme among others (UNEP/IUCN/WWF, 1991), that emphasized the importance of reporting on environmental performance.

The GRI Sustainability Reporting Guidelines, first published in 2002, emerged as the leading framework for organizations to disclose their sustainability performance in a standardized and comprehensive manner (GRI, 2002). The guidelines also gave rise to the term 'materiality' that features in most sustainability reports. Materiality topics are the key economic, environmental, and social issues that are considered significant for a company and its stakeholders (GRI, 2002). These topics are often identified through a materiality assessment, which involves evaluating the impacts of various specific issues on the company's operations, reputation, and stakeholders (GRI, 2002). Examples of materiality topics include carbon emissions, diversity and inclusion, supply chain management, human rights, product safety, and community engagement. Similarly, the Integrated Reporting Framework, introduced in 2013 by the International Integrated Reporting Council (IIRC), sought to promote integrated reporting that reflects the interconnectedness of financial and non-financial factors, while also calling for both aspects to be included in sustainability initiatives (IIRC, 2013).

In the wake of environmental disasters and growing public awareness of pollution and resource depletion, companies began to recognize the importance of transparency and accountability in addressing environmental concerns. Initial environmental disclosures typically took the form of voluntary reports or ad-hoc statements, with companies providing limited information on their environmental performance and initiatives (Aras & Crowther, 2009). Corporate sustainability reporting is crucial as it provides a look into how a company provides transparency and clarity regarding their environmental, social, and economic priorities and commitments (Tsalis et al., 2020). This transparency enables stakeholders to assess the company's sustainability performance and make informed decisions. It also facilitates benchmarking and comparison across industries and regions, facilitating best practices and driving collective progress towards global sustainability goals. Understanding the historical context of sustainability provides valuable insights into the evolution of sustainability reporting practices. It is relevant to this study because it helps in analysing underlying drivers, trends, and shifts in societal, regulatory, and organizational priorities over time.

2.2 Contemporary Developments in Sustainability Reporting

The evolution of sustainability reporting was significantly shaped by regulatory interventions aimed at enhancing corporate transparency and accountability. In the 1970s and 1980s, governments around the world began to enact environmental regulations requiring companies to disclose certain environmental information in their financial reports. These regulatory drivers, coupled with increasing public pressure for greater corporate accountability, laid the groundwork for the formalization of sustainability reporting practices. In present time, the regulatory aspect of sustainability reporting has been a key driver in how the reports are made, what is to be included as well as shaping what different sectors have to comply with. In Europe the two key regulatory frameworks aimed at promoting transparency and sustainability reporting by companies and financial institutions are: the EU Non-Financial Reporting Directive (NFRD) and the Sustainable Finance Disclosure Regulation (SFDR)(Directive 2014/95; Regulation 2019/2088). This study's main focus is on the NFRD and its subsequent regulations.

The EU Non-Financial Reporting Directive (NFRD) was initially adopted by the European Union in 2014 and came into effect for reporting periods starting on or after January 1, 2018 (Directive 2014/95). Companies subject to the NFRD are required to disclose relevant information on environmental, social, and employee-related matters such as: respect for human rights, anti-corruption, and bribery matters in their annual reports. The directive provided some flexibility for member states to determine the exact disclosure requirements and enforcement mechanisms. However, it does set out general principles and guidelines that companies must follow.

As part of the European Union's broader Sustainable Finance Action Plan there have been revisions and expansions done upon the NFRD. The NFRD, adopted in 2014, represented an initial effort to address sustainability concerns by requiring certain large companies to disclose non-financial information, including environmental and social matters, in their annual reports (Directive 2014/95). One of the primary challenges with the NFRD was its voluntary nature for many companies, leading to uneven and incomplete reporting practices (Baumüller & Grbenic, 2021). Additionally, there was a lack of consistency and comparability in the information disclosed, making it difficult for investors, regulators, and other stakeholders to assess companies' sustainability performance accurately (Baumüller & Grbenic, 2021). By contextualizing contemporary reporting practices within historical developments, researchers can better assess the effectiveness, relevance, and implications of current sustainability reporting initiatives, fostering a deeper understanding of their significance and potential for driving sustainable business practices.

2.2.1 Corporate Sustainability Reporting Directive (CSRD)

As concerns over climate change, social inequality, and corporate accountability have grown, there has been a corresponding demand for greater transparency and disclosure of companies' sustainability performance. The European Commission proposed the Corporate Sustainability Reporting Directive (CSRD) in April 2021 and came into effect in January 2023 (Directive 2022/2464). The CSRD aims to revamp and expand the existing NFRD framework to make sustainability reporting mandatory for a broader range of companies; and to enhance the quality, comparability, and relevance of the information disclosed. The directive is planned out in three phases ranging from 2025-2027 (CPMView, 2023).

The CSRD in its initial phase targets companies that meet the following criteria: at least EUR 25 million in total assets, at least EUR 50 million in net turnover and at least 250 employees (average) during the year (Directive 2022/2464). The key objectives of the CSRD include: extending the reporting obligations to more companies, including all large companies and all companies listed on EU-regulated markets, regardless of their legal form (European Council,2022). The directive aims to have the use of common sustainability reporting standards, such as those developed by international organizations like the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD), to ensure consistency and comparability of reporting across companies and sectors (GRI, 2002; TCFD, 2023). The CSRD also seeks to enhance the quality and reliability of sustainability information through stricter reporting requirements, improved verification processes including third party assurances, and increased oversight by national authorities (Directive 2022/2464). By requiring companies to disclose information on how sustainability matters are integrated into their business strategy, risk management processes, and decision-making, the CSRD aims to foster greater accountability and transparency in corporate governance.

The CSRD aims to take up issues that the NFRD did not specifically address. The most notable one is the interconnectedness between financial and non-financial performance; that will require companies to assess and disclose information related to both financial and impact materiality otherwise known as double materiality (Mezzanotte, 2024). The introduction of double materiality analysis is a significant development that emerged with the proposal to revise and strengthen sustainability reporting requirements under the CSRD. This signifies a shift from traditional financial materiality to a dual focus on financial and impact materiality. Impact materiality considers whether the issue is connected to significant impacts on people or the environment over the short, medium, or long term, either directly caused by the company or through its value chain (EFRAG, 2022). Financial materiality, as discussed in this context, pertains specifically to sustainability reporting and differs from the concept of materiality used in financial reporting, instead focusing on the influence of sustainability-related information on financial performance and position (EFRAG, 2022).

In context of how it will be reported, impact materiality will be: the potential influence of operations on sustainability concerns, such as carbon emissions, workforce diversity, and human rights considerations. Financial materiality will be reported as the potential financial implications stemming from sustainability factors, including effects on cash flows, risk management, and access to funding opportunities. The implementation of regulations such as the Corporate

Sustainability Reporting Directive (CSRD) introduces a legal imperative for companies to enhance the transparency and accuracy of their sustainability reporting. In the context of this study, analysing sustainability reporting practices over time, gives the opportunity to explore any notable changes in reporting practices and potential regulatory influences such as CSRD. Over time, it will be easier for stakeholders/researchers in the backdrop of the regulation to explore organisational shifts in reporting content, methodologies, disclosures and connections to how the changes align with the evolving regulatory landscape. An illustrative model of the interpretation described above is represented in (Figure 1) below.

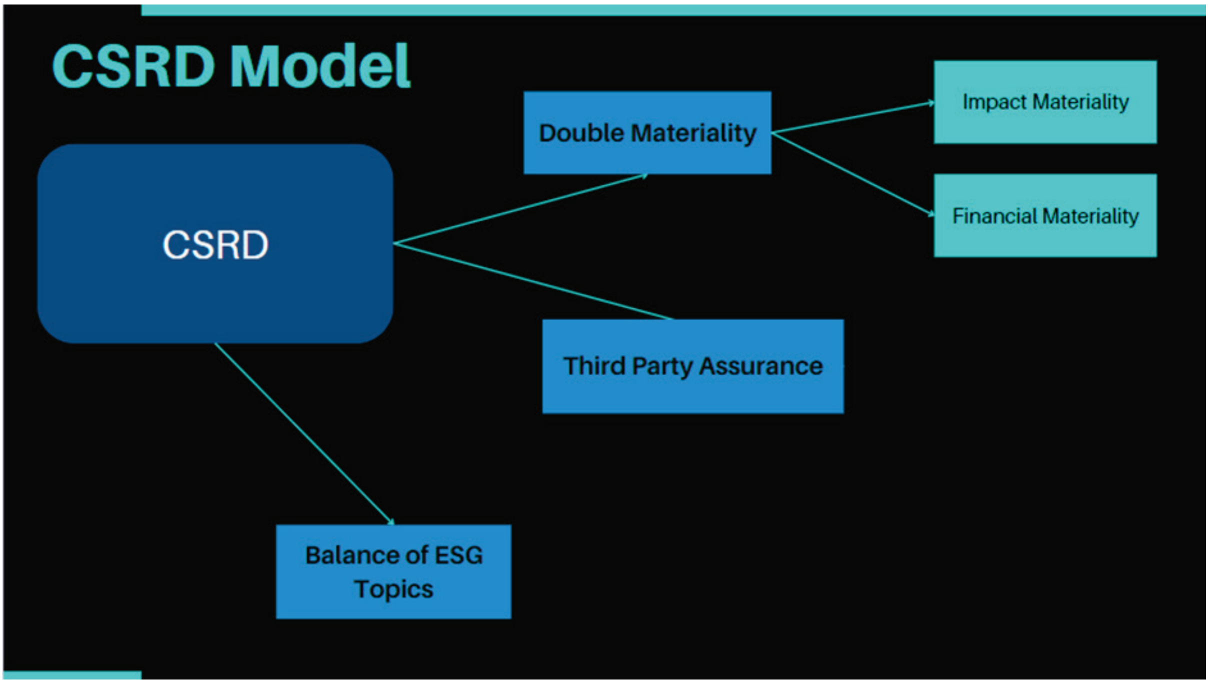

Figure 1. Interpretation of the Corporate Sustainability Reporting Directive Model (Own illustration).

2.3 Existing Research

The concept of sustainability reporting has evolved from its early beginnings in the 1970s, when companies first started disclosing their environmental impacts (World Commission for Environment and Development, 1987). The body of literature available on this subject underscores its significance in fostering sustainable development and enhancing stakeholder relations (Stocker et al., 2020; Morhardt, 2010). Over the years, the scope of sustainability reporting has expanded to encompass a broader range of ESG factors, driven by increasing stakeholder demands for transparency and accountability (Aras & Crowther, 2009). This growth can be attributed to various factors, including regulatory pressures, stakeholder expectations, and the recognition of the potential benefits of sustainability reporting (Tavares & Dias, 2018; Durana, 2020). Sustainability reporting research has also covered a wide range of themes and topics, reflecting the multidimensional nature of sustainability. The themes that have been identified and explored include: environmental disclosures, social and employee-related reporting, corporate governance and ethical practices, supply chain sustainability and responsible sourcing, stakeholder engagement and materiality assessment and assurance and verification of sustainability reports (Durana, 2020; Tsalis et al., 2020).

This thematic evolution of sustainability reporting research has been influenced by a need to investigate motivations and drivers behind sustainability reporting practices, as well as the potential impacts on organizational legitimacy and stakeholder relationships (Tavares & Dias, 2018; Tsalis et al., 2020). In investigating these aspects, researchers have employed various methodological approaches, both quantitative and qualitative (Durana, 2020; Arnold, 2018). Quantitative studies have focused on analyzing the content and quality of sustainability reports, examining the relationships between sustainability performance and financial performance, and investigating the determinants of sustainability reporting practices (Aras & Crowther, 2009; Setia & Joshi, 2022). Qualitative studies, on the other hand, have explored the processes and motivations behind sustainability reporting, stakeholder perceptions, and the role of sustainability reporting in organizational decision-making and accountability (Tavares & Dias, 2018).

In light of these reflections and despite the rapid growth of sustainability reporting research, several important gaps and opportunities arise. Most studies to date have relied on the dominant quantitative methods, often lacking the depth and comprehensiveness needed to understand and capture the diverse aspects of business-society-environment interactions involved in sustainability reporting (Benameur et al., 2024). There is also a need for clearer guidelines and requirements from regulators to improve the consistency and comparability of reports (Aras & Crowther, 2009). Measurement and data collection challenges, especially for smaller or newer companies, present another obstacle (Benameur et al., 2024). Current studies emphasize the importance and lack of comprehensive supply chain disclosure as an influence on the legitimacy of current sustainability reports, as well as the complexities involved in addressing the issue (Mezzanotte, 2024). Looking ahead, future opportunities and gaps for sustainability reporting are materialising as the field gains momentum. One key priority is the need for convergence around common standards and mandatory reporting requirements to improve consistency, comparability and transparency (Aras & Crowther, 2009; Tavares & Dias, 2018). The current literature also highlights a gap to explore these challenges and their interactions with each other. This paper approaches the subject with this in mind, by exploring interacting elements of sustainability reporting in an effort to bridge the gap between research and practice.

3. Theoretical Frameworks

This section outlines the theoretical frameworks applied during the course of the thesis. The theories guide the method section as well as the analysis, results and discussion sections of the thesis. Bryman (2006), explains how researchers can draw on multiple theoretical perspectives to develop a more comprehensive understanding of research phenomena, address different aspects of the research question, and triangulate findings.

The thesis uses legitimacy theory as the overarching framework for framing, exploring and discussing the research questions presented earlier. Organizations strive to maintain legitimacy in the eyes of society by aligning their actions and disclosures with societal values and expectations. The study also employs the use of two additional theoretical frameworks to motivate legitimacy theory. The two additional theories are the triple bottom line (TBL) and institutional theory. Institutional, legitimacy, and TBL theories offer different explanatory perspectives of similar sustainability phenomena. These theories are often applied and taught separately but they together provide a broad theoretical understanding for the research advancement in social and environmental accounting and overall sustainability reporting (Tavares & Dias, 2018). TBL emphasizes measuring and reporting on economic, environmental, and social performance. It provides a practical approach for organizations to demonstrate their commitment to sustainability and maintain legitimacy. As sustainability reporting standards and regulations evolve, organizations face institutional pressures to conform and disclose non-financial information to maintain legitimacy. Institutional theory complements legitimacy theory by explaining how external pressures e.g. regulatory bodies, industry norms, and stakeholder expectations influence organizational behavior and reporting practices.

Legitimacy theory is the main framework that the study employs. In the context of sustainability reporting, organizations use this theory to demonstrate their commitment to environmental and social responsibility, thus enhancing their reputation and credibility in the eyes of stakeholders (Cho & Patten, 2007). In this study, the theory is used to analyse how organizations frame their motivations behind sustainability reporting. It also highlights the organisation's needs to justify their performance through legitimate social and environmental issues to avoid jeopardizing their standing in society. This is particularly relevant when disclosing negative sustainability information, as transparency in such disclosures can enhance trust and the appearance of proactive risk management.

Institutional theory is used in this study as one of the two supporting theories. Gauthier (2013), argues that organizations are influenced by the broader institutional environment, including regulations, norms, and cultural values. This can be seen reflected in organisations' sustainability reporting by way of the reporting becoming a response to the external pressures, reflecting organizations' efforts to conform to institutional expectations and norms, gain legitimacy, and maintain competitive advantage. In the context of this research the institutional theory is used to explore institutional pressures e.g. regulations and how the organization responds to these pressures in its reporting practices. It also considers how institutional changes over time impact the organization's reporting decisions and broader trends in sustainability reporting within the industry. The report does this by analysing any potential interactions with the new CSRD regulations and how this impacts the potential legitimacy of the analysed reports from the selected companies.

The TBL theory is the other framework used in the study to support legitimacy theory. The TBL theory as Correia (2019), suggests is the ability to balance people, planet and profit while developing sustainability initiatives. Under the lens of the TBL framework, sustainability reporting should entail; the measurement and disclosure of performance across these three dimensions, providing stakeholders with a comprehensive understanding of an organization's impacts and contributions to society and the environment. The essay employs the use of this theory contextually in analysing what materiality topics are explored by the companies and whether they are indicative of a balance in the ESG topics. The TBL framework, is also applied in the analysis of the metric performance indicated by the reports in regards to: CO_2 emissions as well as exploring the future strategy and goals set by the selected companies. It also explores where applicable, whether the reporting involves measuring and disclosing data related to double materiality.

3.1 Rationale for Theoretical Framework Selection

The selection and use of the conceptual frameworks shapes the methodology, analysis, discussion and conclusion for this study. Legitimacy theory acts as the encompassing framework, enabling the analysis of how companies align their sustainability reporting with a balance of ESG topics to foster legitimacy. The TBL framework complements legitimacy theory by providing a lens to assess companies' progress across the economic, environmental, and social dimensions. This enables the identification of challenges in aligning operational growth with environmental goals and the need for more comprehensive reporting of companies' full impact. However, it does not account for the external pressures and institutional forces that shape reporting practices. Institutional theory addresses the external pressures gap by explaining how regulatory bodies, industry norms, and stakeholder expectations influence organizational behaviour and sustainability reporting. This framework sheds light on how companies respond to evolving regulations, such as the CSRD.

The three theories interact synergistically, with legitimacy theory as the main driver behind sustainability reporting in the context of this study, TBL as the operational manifestation, and institutional theory accounting for the external forces shaping reporting practices. By integrating legitimacy theory, institutional theory and the TBL framework in this study, one can better understand the interplay between external forces, organizational responses, and the use of sustainability reporting as a legitimacy-seeking strategy.

4. Methodology

This section explains the methods for data collection and analysing applied in the study. The study uses a mixed method approach employing both document analysis and interviews in exploring the research questions as shown in Section 1.3. Analysing documents and conducting interviews in a research study provides complementary perspectives and enhances the depth of understanding.

Document analysis as a research method allows researchers to explore and understand complex issues or events using existing written sources with or without the need for additional data collection (Morgan, 2022). In the context of this study, having the reports accessible helped in providing a structured view of organizational practices and priorities. It also helped in selecting the theories for this study as well as offering some margin of comparability across the selected reports and sectors. Creswell (2014), highlights the importance of interviews in assisting a researcher in gaining in-depth understanding of a subject as well as achieving clarity on complex or ambiguous issues. The interviews carried out offered industry expertise in the form of: nuanced experiences, perspectives, motivations and assisted in contextualizing the information obtained from the analysed documents. Integrating both methods enabled the study to analyse the findings, model interpretations and gain a comprehensive understanding of the phenomenon under investigation.

Material

The main material of the study was in the form of sustainability reports from three (3) selected companies (here after referred to as company A, B and C). The companies are all operational in Sweden across diverse sectors and the reports have been retrieved from their respective websites. The selected sectors for Company A, B and C as reflected in (Table 1) below are: Automotive industry, Household goods manufacturing industry and Software technology development respectively.

Table 1.Selected companies and respective industries

Company	***Type of Industry***
A	Automotive
B	Household goods manufacturer
C	Software Technology

The shortlisted companies have been selected for this study because: they have published sustainability reports over the years under the NFRD as well as matching the criteria for companies that will have to comply with the CSRD in the initial 2025 phase. The scope of the study involves looking at their respective sustainability reports going back 3 years, ranging from 2020-2023 where applicable. The thesis focuses mainly on the parts of the report specifically dedicated to the sustainability reporting but can also include other areas from the respective reports.

Document analysis

The first task was to investigate how the companies define their materiality topics in their sustainability reports. I employed thematic analysis in analysing the language, terminology, and conceptual frameworks used to articulate sustainability goals and performance metrics from a descriptive perspective. Thematic analysis is a qualitative research method used to identify, analyse, and interpret patterns or themes within a dataset, it involves systematically coding and categorizing data to identify recurring patterns of meaning or significance (Castleberry & Nolen, 2018). Thematic analysis allows researchers to uncover and explore underlying themes, concepts, or ideas within qualitative data. After examining the content of sustainability reports and identifying key sustainability areas and initiatives as well as stakeholder engagement. The study then analyses the metrics and performance indicators that companies choose to include and integrate into their reporting, in this case the paper focused on the CO_2 emissions. It also takes note of any notable differences in the reports over the years.

The thesis also explores the interactions between different aspects of sustainability reporting and the implications involved. This the study looks into by investigating how sustainability reporting practices interact with regulatory changes. Assessing current practices as well as looking back on previous reports, allows insights into a company's progress in regards to their organisational sustainability. Finally, the study explores areas for further research. In pinpointing opportunities for further investigation, the study encourages continuous learning on sustainability reporting practices.

Interviews

The initial plan was to be able to reach out to the selected companies and have an interview with them regarding their sustainability reporting practices, as well as interact with them directly on challenges they face during the process. This plan was unsuccessful because I received no response from the companies. The next option was to explore other industry experts that could provide some of their expertise and experience in regards to sustainability in general but with a main focus on the reporting part. The study also involved two interviews: first with a senior consultant from a large international consultancy firm and the second interview with a software technology manager. According to Adeoye-Olatunde & Olenik (2021), semi structured interviews permit interviews to be focused but still give the autonomy to explore pertinent ideas that may come up in the course of the interview. The interviews conducted were one on one, semi structured and consisted of open-ended questions that gave room for the interviewees to introduce perspectives that might be relevant to the discussion. The interviewed persons also received a consent form beforehand where they were informed that the data was going to be anonymized and how their data would be used. The first interview took place on an online meeting platform and took 40 minutes while the second interview was face to face and took 45 minutes.

During the interview, I noted down everything I deemed useful and noteworthy for the study. After the interview, I coded the notes in categories such as: responses to specific questions or discussions on particular topics as well as anything new that was introduced during the process. This segmentation facilitated a detailed examination of the interview content and allowed for a more focused analysis. I then linked these coded units to their respective research questions with an extra unit of the interviewees' perspectives that was not initially part of the presented questions.

Combined analysis

The selected theories and the empirical data analysed helped in guiding and shaping the analysis and discussion section of this research. This step involved applying the selected theories to draw connections between the interview insights, literature findings and empirical observations from the sustainability reports. The use of both the theoretical frameworks and the combined analysis helps in creating a flow that categorises the analysis of this study into three sections. The first section: Demonstrating presents the approach currently used by the reports to communicate their sustainability initiatives. It looks into selection of materiality topics and reporting of future goal strategies and it explores this mainly by use of the TBL theory. The second section: Comparing, employs all 3 theories in the identification of similarities, differences, and patterns across the companies' sustainability reporting practices. It helps to present a comparative analysis of the material, highlighting challenges and framing the subsequent dissonance section. The third section is: Dissonance which takes up the inconsistencies in sustainability practices, institutional pressures and challenges identified from the document analysis and the interviews and explores them through the interaction of the three selected theories. The combined analysis helped in comparing findings from the document analysis and interviews to identify similarities, differences, or complementary insights. It also helped in contextualizing the findings within the broader literature and theoretical perspectives relevant to the research topic. Lastly, it helped in interpreting the findings in light of the research objectives and theoretical frameworks, and the formulation of discussions and conclusions for this study.

5. Analysis

This section presents the findings of the combined analysis and provides a cohesive and insightful exploration of the research questions, leveraging the theoretical frameworks and the empirical data.

5.1 Demonstrating

This section examines how companies currently approach and communicate their sustainability initiatives through their reports, analyzed through the lenses of relevant theoretical frameworks.

Organizations seek to align their practices with societal norms and values to maintain legitimacy. In their efforts to maintain legitimacy, there are external institutional pressures that shape these organisational practices. The varying approaches to define materiality topics across the companies is analysed by the interaction of the two theories. In regards to materiality assessment, Company A, omits some of their previous topics while introducing new materiality topics each year across the analysed years. Company B and C maintain consistent materiality topics across the years analysed. All analysed companies do start off by basing their respective goals on relevant UN Sustainable Development Goals (SDGs) for their sector, aligning with global institutional frameworks.

The reported environmental current and future goals enable an assessment of the companies efforts towards bridging the balance between now and the future. Company A highlighted its transition to full electric vehicles while also reporting using climate-neutral energy sources in their production. They also reported increased CO_2 emissions, suggesting challenges in aligning operational growth with environmental goals. Company B achieved significant emissions reductions across some scopes but not others, demonstrating their attempts to balance their sustainability initiatives with their operations. Company C's reported some mixed results, with decreases in some emission scopes but increases in others, they also report of their goal to have most of their operations running on carbon neutral electricity indicating ongoing efforts to manage their comprehensive environmental impact as well as highlighting the challenges in achieving some of these goals.

By analyzing their materiality topics and future goal strategies through relevant theoretical lenses, this section sheds light into how companies try to balance their initiatives and the actual performance in their sustainability reports.

5.2 Comparing

This section presents a comparative analysis using the combined analysis and the theoretical frameworks. It highlights and presents the summaries of the similarities, differences, and patterns across the companies' sustainability reporting practices.

Organizations seek to align their practices with societal norms and values to maintain legitimacy and ensure their survival.

The analysis reveals varying approaches to defining sustainability goals and focus areas, often referred to as 'materiality topics,' which can be viewed through the lens of legitimacy theory. Company A adopts an evolving approach, introducing new materiality topics each year to address emerging sustainability concerns. The reports shows that they have revised, added and removed goals each year and this pattern is visible throughout the years analysed. In contrast, Company B categorizes its goals consistently under three pillars: company improvement, improved solutions, and facilitating improved living, reflecting an attempt to meet societal expectations systematically and maintain legitimacy through a structured approach. Company C maintains a consistent framework of six action plans (resource efficiency, ethics, carbon reduction, equity, governance, and employability) across the years, indicating a long-term, focused strategy that shows a stable commitment to societal norms and expectations.

Sustainability initiatives emphasize the importance of balancing economic, environmental, and social performance to achieve sustainable development.

The analysed reports reflect that the companies report their metrics by using a baseline that is individual to the company, making direct comparison across different companies difficult. The reported metrics, however, still enable some margin of comparison of the companies' progress across these dimensions. Company A reported an increase in CO_2 emissions in 2023 compared to 2022, despite a decrease in emissions per vehicle. However, they highlighted that more than half of their manufacturing operations and almost all of their products were powered by climate-neutral energy. Company B achieved significant reductions in CO_2 emissions, with a significant reduction across their scope 1 and 2 emissions and a slightly less reduction in scope 3 emissions in 2022, as compared to their 2015 baseline. However, company B was missing a comprehensive breakdown of their CO_2 emissions for year 2020. Company C reported mixed results, with increases in scope 1 and 3 emissions across the three years but a notable drop in scope 2 emissions in 2023 compared to 2022 and 2021.

The companies outline different future goals and strategies to address their environmental impact and align with societal expectations. Company A plans to reduce CO_2 emissions per average vehicle by 2030, including specific targets for tailpipe, supply chain, and operational emissions. Company B aims to reduce scope 1 and 2 emissions by more than half as well as a specific target for scope 3 emissions between 2015 and 2025. Company C aims to achieve a reduction of more than half in CO_2 emissions by 2025 and by 2030, they have a target of having reduced the emissions by ninety percent, compared to a 2019 baseline. These results can be used comparatively to indicate and explore ongoing efforts by the analysed companies to manage their environmental impact.

External pressures influence organizational practices and shapes the sustainability approach.

In regards to stakeholder engagement, Company A provides a general and vague mapping of stakeholders, they give a list of their goals and potential stakeholders but they are not explicit in the identification of their specific stakeholders. Company B describes how stakeholders shape their sustainability goals, however, they also give a vague list of their goals and the ‘potential’ stakeholders, not making it clear who the specific stakeholders are. Company C identifies specific stakeholders and their direct roles in their different sustainability goals, demonstrating strong alignment with institutional pressures for stakeholder engagement best practices.

The analysis also highlights differences across the companies’ reporting practices, which can be interpreted through the lens of the theoretical frameworks. Company A exhibits notable differences in its materiality topics over the years, introducing new areas like ‘climate action’, ‘biodiversity impact’and ‘societal and community engagement’ in 2023, while focusing on ‘resource efficiency and circularity’ and ‘Minimizing water and waste’ in 2022. These differences can be viewed as efforts to address emerging societal concerns and maintain legitimacy, as well as challenges in balancing their initiatives across the TBL dimensions. In contrast, Company B and Company C demonstrate consistency in their sustainability goals, descriptions of materiality topics, and overall report structure across the analyzed years. This stability aligns with institutional Theory, as it indicates that the companies have established clear and manageable sustainability practices in response to institutional norms and regulations, while also suggesting a commitment to long-term, focused strategies that reinforce their legitimacy.

By comparing these various aspects through the lenses of relevant theoretical frameworks, this analysis highlights the strengths, improvement opportunities, and potential challenges faced by companies in their sustainability journeys.

5.3 Dissonance

This section explores the analyzed material through the lens of the three theoretical frameworks. In the context of this study: it explores inconsistencies in sustainability practices, institutional pressures and challenges as observed in the combined analysis of the empirical material.

The interview with the consultant reflected the challenges that arise with sustainability reporting in regards to disclosure of impact.

> “Most reports produced to date are lacking in credibility as they do not address the full impact of the organisations on the environment”.

The combined analysis highlights the impact of regulatory changes, such as the new Corporate Sustainability Reporting Directive (CSRD), which aims to address the lack of full impact disclosure in sustainability reports by mandating ‘double materiality’. This directive requires companies to assess and report both the financial and environmental impacts of their operations, ensuring transparency and accountability. The consultant interviewed emphasized the importance of these regulatory changes, stating:

> “The previous directive NFRD was largely based on the set global goals, in contrast, the new directive CSRD, is also based off the goals but legislatively backed. This means that the new reports are mandated to address the full impact of their operations on the environment”.

The analysis also revealed potential invisible challenges that companies face in developing sustainable products and implementing sustainability initiatives, which are often not fully reflected in their sustainability reports.The interview with the software technology manager shed light on the complexities and iterative nature of sustainable product development.

> “They are often times multiple processes going on at the same time in the production of one sustainable product, sometimes one part of the process might go smoothly but not align with another vital part of the process”.

The manager further emphasized the time-consuming and resource-intensive nature of these processes.

> “It can take years of development before a product is not only made from sustainable material but can also be sustainable across the products’ lifespan. As an example: in the case of an electric car: the development of one model car can sometimes take up

to 6 years. The car would need an efficient battery that is not only made of sustainable materials, but that the materials needed were also sourced sustainably. Often, the batteries needed are larger with one battery ranging from 500 up to 700kg, this means that the overall design of the car needs to be changed. There are also quality tests to be done to ensure that everything is safe and that all the necessary parts and components work in tandem".

These challenges are often overlooked or underrepresented in sustainability reports, leading to potential misunderstandings or perceptions of insufficient progress. Additionally, the consultant highlighted the phenomenon of "green hushing," where companies downplay or minimize their environmental initiatives due to fears of negative reactions, greenwashing accusations, or reluctance to disclose weaknesses.

"Often companies might 'green hush' due to various reasons such as fear of negative reactions from stakeholders, concerns about greenwashing accusations, or reluctance to disclose weaknesses or shortcomings in sustainability efforts".

This practice highlights the importance of stakeholder engagement in both the process of developing sustainability initiatives as well as benchmarking the inititaives. As the lack of proper disclosure can undermine the perceived legitimacy of sustainability efforts and hinder transparency. The consultant also explored human rights (ethics perspective), this is in regards to value chain disclosures. The issues that might arise from that, e.g. minerals that can be traced back to human rights violations such as child labour and unethical mining practices, and how this part is often missing or not efficiently addressed in sustainability reporting.

This is reflected in one case in the analysed reports. Company A in its report in 2023; provides some numbers for the recycling of the batteries but there are no numbers listed for years; 2022 and 2021 respectively. This they reflect is due to methodological changes that prevent the reliable comparison with the data from previous years. The reports mention the minerals they source that are essential for battery production, as well as the organisational aim to have their minerals sourced in more sustainable ways. However, there is no full disclosure of the environmental and social impact of the current state of the minerals they are using.

The consultant also acknowledged the challenges and limitations of these regulations in regards to timelines and future expectations. However, the consultant highlighted the need for companies to be more self-reflective, engaged, and accountable in their sustainability strategies beyond reporting.

"Companies still need to be more self-reflective on ways they could improve and be more engaged in their sustainability strategies beyond the reporting, they also need

> to be held accountable in ensuring that the reports reflect the real impact so it's possible to track progress made over time".

By integrating the theories with the insights from industry experts and the document analysis, the dissonance section provides an understanding of the internal and invisible challenges that companies face while using sustainability reporting to establish and maintain legitimacy. It also specifically points out the overall need for greater transparency, accountability, and self-reflection in their reporting practices even in the backdrop of these challenges.

6. Discussion

The findings from the combined analysis of the sustainability reports and interviews provide valuable insights into the research objectives and questions. This section uses these findings and the selected theories in shaping the discussion of the study.

6.1 Aligning Practices with Societal Norms

Sustainability reporting serves as a formalized method of environmental communication, aimed at providing structured and standardized information about a company's environmental strategies, practices, and outcomes (Arnold, 2018; Jadoon et al., 2021). As Tsalis et al. (2020); argue, communication through sustainability reporting involves engaging narratives and visual representations that make complex data accessible and compelling. This matches the approach that the analysed companies use in their sustainability goal setting and also reflects the principles of the TBL, which emphasizes considering economic, social, and environmental factors in business decision-making (Correia, 2019). All the sustainability reports that were analysed in this study have a starting point for their respective sustainability goals based on the broader United Nations Sustainable Development Goals (SDGs). The companies list different goals in the SDGs that they feel are most aligned with their specific and varied sector-based operations. This alignment communicates a strategic approach by the companies in ensuring that their sustainability goals are also connected to broader global agendas for sustainable development. Aligning with SDGs provides the companies with a well-established starting framework that helps them in determining their key areas and then in the development of their own goals. The use of the SDGs gives more credibility and trust to the established goals, hence serving to foster legitimacy.

The incorporation of stakeholder engagement in sustainability initiatives underscores the significance of considering all stakeholders in decision-making processes, aligning with the principles of legitimacy theory (Tavares & Dias, 2018). Cho & Patten (2007), emphasize that by actively involving stakeholders, companies not only demonstrate their commitment to value creation and long-term sustainability but also seek to maintain or enhance their legitimacy in the society. While Company A and B's reports offer a generalized list of stakeholders, they emphasize the ongoing importance of stakeholder engagement in informing internal sustainability strategies. In contrast, Company C adopts a more explicit approach, identifying stakeholders and aligning them with specific sustainability goals. This transparency reflects a deeper understanding of the stakeholder landscape and their contributions to organizational sustainability initiatives, enhancing the company's perceived legitimacy. Applying legitimacy theory provides insights into how organizations strategically engage with stakeholders to meet regulatory requirements and societal expectations. While the study notes that all three companies recognize the significance of stakeholder involvement in shaping their sustainability strategies, it also points out the differences in methodology. This presses on earlier sentiments of lack of standardisation across the reporting frameworks and highlights the need for better methods that advocate for improved comparability of the sustainability reports (Aras & Crowther, 2009; Tavares & Dias, 2018).

6.2 Materiality

The selection of materiality topics is often influenced by the need to manage all stakeholder interests and perceptions and maintain the company's reputation (Mezzanotte, 2024). Materiality topics in the case of this study can be interpreted through the lens of legitimacy theory as well as through interaction with TBL. According to legitimacy theory, companies aim to ensure that their operations and activities are perceived as legitimate by society (Benameur et al., 2024). By disclosing material sustainability topics, companies can demonstrate that they are addressing the most significant ESG impacts of their business which can be directly linked to the TBL theory (Correia, 2019). Thus, materiality disclosures can be seen as a legitimation strategy, where companies strategically choose to report on topics that are most relevant to their environmental impact as well as balancing societal expectations and economic viability. The analysis reveals varying approaches to defining and communicating materiality topics across the companies.

Incorporating the TBL theory into the analysis provides a lens through which to understand how companies prioritize sustainability goals. Company A's materiality topics have changed and evolved over the years of the reports analysed, which is reflective of changes in priorities and approaches. It can also be interpreted that the changes are in line with keeping up with changing regulations, stakeholder needs as well as market trends that demands for more sustainable action within their specific sector. This shift in goal prioritization can indicate a dissonance highlighting emerging sustainability challenges and/or opportunities. It also highlights the adaptive capacity that companies had under the NFRD (see section 2.2), on what they choose to report as their sustainability imperatives and materiality topics as well as a flexibility to ‘tweak’ the goals. It is not easy to compare the topics in this case across the years and as Aras & Crowther (2009), states, most sustainability reports as they are produced now, are not easily comparable across the board.

In contrast, Company B and C maintain more consistent materiality topics across the years. This approach reflects an attempt to meet societal expectations systematically and maintain legitimacy through a structured framework. These stable commitments to societal norms and expectations help the companies demonstrate their long-term dedication to sustainability. The consistency in the description of sustainability goals for the two companies over the years could be an indicator, that they as organisations have a more reliable base for the assessment of goals in regards to their respective market/industry trends and pressures. The analysis of the three companies approaches reflect that different sectors can have the same operational requirements from a legislative point of view but still undergo different changes in response to how they interact with their materiality topics and present them. It also highlights the significance of legislation such as the CSRD in addressing these challenges (Mezzanotte, 2024).

6.3 Navigating Legitimacy Challenges

While sustainability reporting serves as a tool for companies to establish and maintain legitimacy, the analysis underscores the dissonance inherent in ensuring the credibility of these disclosures. Current studies pinpoint persistent challenges, such as the need for more rigorous reporting standards, third-party verification, and the integration of ESG factors into overall corporate strategy (Aras & Crowther, 2009; Tavares & Dias, 2018). In the case of this study, the presentation of performance metrics offers valuable insights into companies’ progress towards sustainability goals. This facilitates the comparison and assessment of progress, while also revealing the dissonance in identifying the underlying challenges that companies encounter in their sustainability efforts and reporting. Company A reports fluctuations in CO_2 emissions over the years but highlights achievements such as increased use of climate-neutral energy and reductions in emissions per average vehicle. Company B in their report, demonstrate significant reductions in CO_2 emissions across its operations and product lifecycle, indicating progress towards its sustainability targets. However, there are also inconsistencies with missing numbers from one year, which makes it hard to really compare the progress results. Company C reports fluctuations in CO_2 emissions across different scopes over the years with the numbers moving up and down. The presentation of these metrics, reflect the fact that metrics as a measuring/governing system for sustainability performance as reflected by the companies is currently not following an upward curve, at least not yet. As Ganesh et al. (2023), argues, market-based mechanisms as assessment tools can be difficult in measuring the full scope of ESG performance.

Aras & Crowther (2009); argue that sustainability reports cannot be easily compared due to variations in reporting frameworks, metrics, and disclosure practices, which result in inconsistencies in how data is presented and measured across different organizations. This is also reflected in this study, by the fact that most companies are using a baseline for their metrics that is determined by the company, but often this can be hard to use for comparative analysis across different sectors. Additionally, as Tavares & Dias (2018), suggest, the subjective nature of materiality assessments and the differing priorities of stakeholders further complicate direct comparisons of sustainability reports. The document analysis highlights this by looking into the companies' selection of materiality topics as well as in the approach in stakeholder engagement. Regardless of the changes taking place or not, be it in the form of: regulations, stakeholder needs and societal pressure, there still seems to be a bit of up and down movement in the performance metrics going from what is represented in the analysed reports. There are different ways and causes that performance metrics can be affected, making it hard to track if the full effect is positive or negative in helping the company achieve this goal. This study, further reflects upon the fact that the published sustainability reports are not always able to reflect the full 'how and why' in the fluctuations in metric performance.

Looking ahead, it is important for the companies to have an idea of what their long-term sustainability goals are and how to go about achieving them. As Correia (2019); suggests, the balance between ESG as explained by use of TBL theory, is not a short-term plan but an action plan that needs to be embedded in a company's ethos. By setting quantifiable targets and timelines, the three companies provide stakeholders with clear targets for assessing long term progress towards the set sustainability goals. These ambitions act as an indicator of the companies' ability to set goals that are achievable in the short term but also understanding the importance of long-term strategies. The set future targets serve another purpose, they provide a benchmark for accountability over time. This helps in being able to track progress of a company, since the companies (themselves) publish the reports and targets and need to reflect this in their performance metrics.

The three companies outline ambitious sustainability targets and strategies especially in regards to CO_2 emissions. Each company exhibits unique priorities and approaches, as well as establishing a sense of shared commitment to sustainability integration, establishing targets and progress. However, when you use the values presented in the reports, one can see that the CO_2 emissions have been going up and down across the analysed companies. In the analysed reports, some companies have listed CO_2 emissions targets that need to be met as early as 2025. In light of their emissions performance reporting, there is doubt as to the likelihood of these targets being met in the set time frames. As Milne & Gray (2013), argue, the gap between targets and actual performance can undermine the credibility of sustainability reporting and raise concerns about the authenticity of corporate sustainability commitments.

Despite the growing emphasis on sustainability, many companies' reports still lack comprehensive information about their supply chain practices. This omission can obscure significant environmental and social impacts, leading to an incomplete picture of the company's overall sustainability performance and limiting stakeholders' ability to fully assess corporate responsibility (Mezzanotte, 2024). In the document analysis of company A reports, it came up that there were some potential ethical considerations not duly reported in regards to mineral sources. The consultant interview also explored the ethical dimensions of sustainability reporting, particularly concerning value chain disclosures and the potential ramifications of unethical practices such as human rights violations. By integrating ethical considerations into their reporting practices, organizations can not only enhance stakeholder trust but also contribute to positive social and environmental outcomes on a broader scale. The interview with the consultant emphasized the importance of legislative backing, such as the CSRD, in addressing reliability gaps in sustainability reporting. The interview highlighted the prevalent credibility gap in sustainability reports, with the consultant citing the inadequacy of many sustainability reports in capturing the environmental impact of organizations comprehensively. This coupled with the differences observed in the materiality topic selection and the missing information on value chain disclosures by Company A, underscore the need for legislative frameworks like the CSRD to enhance the credibility and accountability of their sustainability reporting practices. It also underscores the need for continuous improvement and adaptation in reporting methodologies to enhance the accuracy and transparency of organizations' sustainability performance.

The interview with the software technology manager, brings to light some invisible challenges facing sustainability initiatives in companies' operations. The interview illuminated the complexities inherent especially in the development of sustainable products, highlighting the intensive nature of the processes involved. From navigating regulatory compliance to ensuring the sustainability of supply chains, sustainable product development emerges as a complex and resource-intensive undertaking. The discussion emphasized the iterative nature of sustainable product development, emphasizing the importance of continuous consultation and problem-solving in achieving sustainability goals that is often times not explicitly stated in the sustainability reports. It also underscored the disconnect between the complexities of sustainable product development and their representation in sustainability reports, aligning with the current literature, in signalling an opportunity for greater transparency and contextualization in reporting practices (Aras & Crowther, 2009). From an institutional lens, the interview took up the importance of regulatory compliance and technological innovation in driving sustainability efforts by showing how they interact with one another. It emphasized the challenges companies face in complying with regulation as well as staying committed to sustainability innovation and balancing overall organisational sustainability. As Ganesh et al. (2023), suggests, it is hard to measure the full extent of sustainability only by market-based strategies as they often fail to address all the components involved. The discussion also highlighted that there could be more support, knowledge and guidance that companies might need in their sustainability efforts.

6.4 Responding to Institutional Pressures

As Mezzanotte (2024); suggests, the introduction of the CSRD presents new opportunities and challenges in the scrutiny on ESG performance, especially in industries where there is notable inconsistencies in reporting practices. The CSRD represents a regulatory response to growing calls for enhanced transparency and accountability in corporate sustainability practices (Directive 2022/2464). The directive mandates the disclosure of existing ESG goals as expressed in previous reports (CPMView, 2023). However, as competition in the market intensifies around ESG factors, it’s anticipated that automotive companies will develop and announce new ESG goals. This is an example of institutional theory in practice, showing how organizations adopt practices to conform to norms, values, and expectations of their institutional environment (Gauthier, 2013). These new goals will still need to be integrated into their strategies and processes, aligning with existing initiatives such as carbon accounting. Company A has revised its materiality topics, having new topics introduced each year over the reports analysed. These revisions are reflective of the changes happening in the sector from a peer/competitor driven perspective but as well as a response to institutional pressures. It is expected that companies will learn to adapt and have the capacity to navigate regulatory frameworks like the CSRD while addressing emerging challenges in their efforts to be more sustainable, legitimate and credible in the society.

Benameur et al. (2024); argue that by withholding relevant information, companies fail to provide a transparent and accountable account of their environmental stewardship efforts. In Company A's report, most of their sustainability imperative is backed by the full transition to electric vehicles. However, the report misses aspects that take on the ethics perspective in regards to value chain disclosures for the minerals and materials needed for developing the batteries used in the electric vehicles. In regards to reporting of the recycling of products, in this case the batteries, Company A discloses some numbers for 2023 but excludes the numbers for 2021 and 2022, citing a methodological change that hinders reliable comparison. This aspect can be linked to the double materiality introduced and discussed earlier in this report (see Section 2.2.1). Under the CSRD, these missing numbers will need to be included and matched with the value chain reporting, making it easier for stakeholders to see the full spectrum of a company's sustainability strategy. The notable gaps in the reporting such as missing numbers on product recycling, particularly regarding batteries could also be indicative of the iterative process of developing and innovation that came up in the interview with the software technology manager. In light of this, there still need to be a balanced reflection in the future reports that takes up double materiality, metric performance and ethical considerations.

As Falchi et al. (2022); argue, green hushing can undermine the credibility and legitimacy of sustainability reporting. The interview with the consultant delved into how institutional norms can either encourage transparency and proactive reporting on environmental initiatives, or they can lead to reluctance in promoting these efforts for fear of backlash or perceived as insincere. This phenomenon illustrates the influence of institutional norms, emphasizing the interconnectedness between regulatory frameworks, stakeholder dynamics, and organizational practices in sustainability reporting. Moreover, green hushing can hinder progress as companies' reluctance to disclose their environmental challenges and shortcomings, leads to missed opportunities to learn from their peers, collaborate on solutions, and drive collective progress in their industry or sector. Regulatory initiatives like the CSRD can also play a role in mitigating green hushing by mandating comprehensive and standardized sustainability disclosures (Mezzanotte, 2024).

6.5 Limitations

It is important to acknowledge certain limitations in this study. While the analysis of sustainability reports has provided valuable insights into corporate sustainability practices, the study is limited going only from the available data disclosed in the reports. The focus solely on the published sustainability reports also limits the depth of understanding regarding the full scope of sustainability efforts undertaken by the shortlisted companies. Variations in reporting standards, methodologies, and disclosure practices among companies also impact the comparability and reliability of the data analysed. Moreover, the absence of standardized metrics and reporting frameworks across industries limits the ability to make direct comparisons or draw definitive conclusions about companies' sustainability performance.Organizational sustainability encompasses a wide range of activities and initiatives that may not be fully captured or adequately represented in written reports. Thus, the findings presented here may provide only a partial view of the companies' sustainability strategies and performance and may not fully capture all the interacting elements that work for/against their respective sustainability efforts.

The choice and use of the selected theoretical frameworks in this research, did not allow me to examine the full range of factors influencing reporting practices e.g. role of power dynamics, organizational culture among others. The theories also did not provide conclusive insights into the effectiveness of sustainability reporting in driving actual improvements in corporate sustainability performance. Future research could explore alternative theoretical perspectives or combine these theories with other approaches to gain a more nuanced understanding of this evolving field.

6.6 Further Research

In light of these limitations, there is a need for complementary research approaches, to provide a more comprehensive understanding of corporate sustainability practices. Future research can aim to address these limitations by adopting a multi-methodological approach and exploring sustainability practices from multiple perspectives, thereby enriching the understanding of the complex interplay between organizations, stakeholders, and the broader socio-economic and environmental context. Longitudinal studies tracking companies' sustainability performance over time could also provide valuable insights into the long-term impacts of sustainability initiatives and the effectiveness of sustainability strategies in driving positive ESG outcomes. By examining trends in performance indicators such as carbon emissions, energy consumption, and double materiality researchers could assess the trajectory of companies' sustainability efforts and identify factors contributing to success or hindrance in achieving sustainability goals.

7. Conclusion

This study aimed at exploring how corporate sustainability reporting is used to communicate sustainability initiatives and track progress in an effort to maintain societal legitimacy. The study approached this by looking at current reporting practices as well as challenges that can hinder the legitimacy of the sustainability reports. The data used in the study involved: sustainability reports across 3 companies in Sweden as well as interviews with industry experts. The study employed legitimacy theory, TBL theory and institutional theory in the combined analysis of the empirical data.

The analysis found that sustainability reporting was used by the selected companies to reflect their commitment to their respective sector-based sustainability initiatives. They collectively employed the use of global frameworks in framing their goals. However, the analysis also reveals differences in the methodologies used by companies in the presentation of their sustainability performance, which limits the use of the reports to compare and benchmark. This reflects one of the challenges that the study identifies in current sustainability reporting practices. The study also underscores the dissonance evident in current sustainability reporting practices, particularly regarding supply value chain disclosures and the complexities of sustainable product development. Current literature points to a lack of credibility and transparency of current reporting practices thus pointing to constraints in the use of the reports as a legitimacy seeking tool. The study, further explores the impacts of institutional pressures in the form of regulations in attempting to address these emerging challenges.

The understanding of sustainability reporting is enhanced by this study by providing an analysis of reporting practices across different companies and sectors, shedding light on the complex interplay between organizational goals, stakeholder engagement, regulatory frameworks, and broader sustainability agendas. By expanding the scope of inquiry and deepening our understanding of sustainability reporting dynamics, we can better inform organizational decision-making, policy development, and collective efforts towards a more sustainable future. Opportunities for further research are also identified, emphasizing the need for continuous learning in this rapidly changing landscape. In conclusion, this study highlights the importance of companies adapting their legitimacy-seeking strategies to evolving sustainability challenges as well as ensuring that the challenges are addressed to ensure credibility and comparability of sustainability disclosures.

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Popular science summary

In current market environments, companies are faced with increasing pressure to demonstrate their commitment to ethical and sustainable practices. A corporation navigating the complex landscape of environmental and social responsibilities turns to sustainability reporting to foster its legitimacy in society. By documenting and sharing their sustainability initiatives, organisations seek to meet regulatory demands as well as create a narrative of transparency and accountability. However, sustainability reporting grapples with issues of legitimacy, particularly concerning the accuracy and consistency of data, due to the absence of standardized metrics and methodologies across organizations. In understanding the positioning of sustainability reporting as a legitimacy seeking tool, one can explore how companies navigate complex institutional pressures, stakeholder demands and balancing their operational needs.

This study examines these interacting phenomena to give a better understanding of the complexities of sustainability reporting. The study uses a combined analysis of the data collected; this is in the form of a document analysis of sustainability reports from three Swedish companies across diverse sectors together with data from two interviews with industry experts. Legitimacy theory is employed as the main framework in exploring both the current approaches and the arising challenges examined in this study. Key findings reveal how companies use their selection of materiality topics to demonstrate their commitment to addressing their relevant sector based ESG in an effort to align with institutional and societal pressures.

However, the analysis reveals differences in the methodologies used by companies in their sustainability reports. The study also uncovers challenges companies encounter in their sustainability reporting efforts. These include regulatory changes, missing data on key aspects such as: supply chain and recycling. These challenges highlight the need for more standardized approaches to improve comparability and transparency. In examining the challenges facing sustainability reporting under the lens of legitimacy theory, the study explores the introduction of the Corporate Sustainability Reporting Directive (CSRD), as a regulatory response to growing societal expectations for more comprehensive impact disclosures and enhanced accountability in ESG reporting. The CSRD aims to address some of the challenges facing sustainability reporting that this study identifies as well as other limitations in the field of sustainability reporting.

The study provides valuable insights into the complex dynamics involved in sustainability reporting. The findings underscore the dual role of sustainability reporting as both an informative and constitutive communication tool. It not only helps companies document and share their environmental performance but also shapes organizational identities and practices. This study contributes to current research, by highlighting the usefulness of sustainability reporting in shaping future sustainability agendas. It also opens up for better understanding on the complexities involved, as well as offering research opportunities on different facets of sustainability reporting.

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Appendix 1

Interview 1 Guiding Questions

1. From your experience and expertise, how can these companies balance on one hand the effects and impacts and on the other their company values and initiatives?

2. With an overall lack of standardization when it comes to sustainability reporting, does it become challenging to assess the quality of the reports and how do you deal with these challenges?

3. How can companies navigate the tension between disclosing weaknesses or shortcomings in sustainability efforts and maintaining stakeholder trust and reputation?

4. Can you elaborate on the concept of "double materiality" and its significance in sustainability reporting?

5. My interpretation is that the CSRD regulations that take effect in 2024 are targeted towards some specific companies but they aren't sector based so they don't take into consideration the different operational situations for the companies? If that is the case what are the implications of this? Is there a possibility that the results of the upcoming reports under these regulations might still vary because of the different operational conditions?

6. When it comes to the third-party assurance that the reports have included, are there any challenges in this regard as the assessment is mainly done by just the material that the company provides? Does the new regulation aim to address this in an effort to make the reports more credible?

7. What are your thoughts on the balance between self-reflection and external scrutiny in driving improvements in corporate sustainability strategies? Also, are there ways that the different companies could improve their knowledge and the overall quality of the reports?

8. Is there anything else that you would like to add that is linked to what we have discussed?

Interview 2

The questions asked included some from (Interview 1) as well as a few different ones listed below.

1. In your opinion, what are the main challenges that companies face in accurately disclosing their environmental impact in sustainability reports?

2. What role do you see emerging technologies playing in enhancing the accuracy and reliability of sustainability reporting in the future?

3. In your experience with software and your clients' sustainability needs , what are the challenges you face in developing sustainable products?

4. Looking ahead, what do you envision as key areas for innovation and improvement in sustainability reporting practices?

5. Is there anything else that you would like to add that is linked to what we have discussed?

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