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How have the guidelines in the EU-directive influenced large Swedish companies in their implementation of sustainability?

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Abstract

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Background: Sustainability has become a subject of increased importance and a driving force for companies' engagement in sustainability reporting. In order to ensure a minimum level of engagement and to increase transparency and comparability between companies a new directive, *amending directive 2014/95/EU*, is conducted by the European Union.

Problem Discussion: Sustainability has many definitions and it is often up to the company to decide what to include in the sustainability reports. The EU-directive provide companies with guidelines, but the directive also leaves room for interpretation on how and what to measure.

Purpose: To increase knowledge of the implementation and outcome of the EU-directive regarding sustainability reporting in large Swedish companies. The report aims to create an understanding of how attitudes towards sustainability affect the outcome of mandatory sustainability reporting and if the EU-directive is a considerable driving force in large Swedish companies' implementation of sustainability.

Research Question: How have the guidelines in the EU-directive influenced large Swedish companies in their implementation of sustainability?

Method: This is a qualitative, interview-based study. The research is conducted with 14 well known large Swedish corporations, haphazardly selected within different industry sectors out of the companies included by the EU-directive. The interviews are conducted over the phone with one employee, who is engaged in sustainability, at each corporation.

Results and Analysis: As a general empirical finding, the attitudes towards the directive is that the respondents have been positive or neutral and that most of the respondents are suggesting future improvements to facilitate compliance to sustainability reporting. Swedish organizations seem to be well prepared. The directive has therefore not influenced the large Swedish organizations to a great extent when it comes to sustainability implementation.

Key words: Sustainability reporting; EU-directive; Large Swedish Companies; Implementation of Sustainability; Vague definitions

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1 Introduction

1.1 Background

Sustainability is no longer considered as goodwill in companies (US Environmental Protection Agency, 2016). It has become a subject of increased importance in many companies, it is visualized in business goals and practices (PWC, 2017). Lately, pressure from society has grown due to increased knowledge regarding the growing global challenges (US Environmental Protection Agency, 2016). This has made sustainability an essential area in which companies are forced to engage in. (Brundtland, 1987). The growing demand for increased transparency, and trust in matters regarding corporate sustainability eventually lead to a voluntary framework for sustainability reporting (GRI information, 2018). The Global Reporting Initiative (GRI) was founded in 1997 as an independent international association (GRI sustainability reporting, 2018). Until now, the association has connected 93% of the 250 largest companies worldwide to the framework (GRI information, 2018) and is today the most adopted standardized framework for voluntary sustainability reporting (GRI sustainability reporting, 2018). The GRI Standards are set up to influence and make companies incorporate transparency and legitimacy within business through sustainability reporting (GRI information, 2018). Sustainability reporting is argued to have both internal and external positive effects for a company. It can be used to identify and address risks, strengthen the link between financial and non-financial performance as well as be used as a tool for decision-making (Epstein & Buhovac, 2014). The stakeholder theory, developed by Freeman (1984) is fundamental in business theory and according to GRI (GRI information, 2018) stakeholders seem to benefit from increased knowledge and insight in companies' risk management which in turn builds trust and might lead to improved stakeholder relations. Therefore, pressure on sustainability reporting has increased significantly.

In 2007, a law on sustainability reporting according to the GRI guidelines was implemented in Sweden for state-owned companies (Swedish Government, 2016). This is why many Swedish corporations might already be reporting by these guidelines. The question of legitimacy is addressed by Deegan (2002) who argues for the mutually dependency between the stakeholder theory and the legitimacy model. The Association for Chartered Certified Accountants, ACCA, (2017), adds the importance of a holistic view to create meaning and value and to optimize decision-making. Furthermore, trustworthiness, comparability and disclosures of negative and positive information are tools to gain legitimacy (ibid). It is well

known that legitimacy is a crucial factor in sustainable development and through sustainability reporting information sharing increases as well as increased transparency could be achieved. Sustainability reporting is a tool for companies to affirm the connection between their business and sustainable development (GRI information, 2018). The need for increased transparency lead to strategic action by the European Union (EU) who in December 2016 for the first time implemented a directive within the field of sustainability reporting across national borders. This new regulation on disclosure of non-financial information applies to companies considered as large by the definition of the EU-directive. The purpose is to set a minimum level of sustainability implementation and engagement amongst the member countries and to increase transparency and comparability between companies. The EU-directives guidelines are established and agreed to ensure an appropriate use and influence companies towards a more sustainable development. These guidelines explain how the regulation should be implemented and applied in companies, through a description of the content regarding non-financial reporting, without being legally binding.

There are several definitions of sustainability and it is clear that there are different firm-specific interpretations as it is the responsibility of the board of the individual company to define sustainability and the content in the report (FAR hållbarhetsredovisning, 2018). The guidelines of the EU-directive are constructed to define the content of the non-financial report. Therefore, in this study sustainability is hereafter defined with the EU-directives guidelines, i.e. environmental, social and employee matters, human rights, corruption, bribery matters, risks and negative externalities (GRI EU-directive, 2018). This is the solid component for comparison of companies and applicable on all corporations included in this study.

1.2 Problem Discussion

The purpose of the new EU-directive, implemented in December 2016 with the first disclosures spring 2018, is to increase transparency and legitimacy within business through sustainability reporting (The European Union Council, 2014). The three dimensions of sustainability are environmental, economic and social aspects, hence the triple bottom line (Barter, 2015), which are fundamental in corporate sustainability. The EU-directive does not define sustainability or any parameter in the subject, but only require disclosures of certain

information. This might complicate the implementation of the directive as well as how individual companies relates to the subject. There are general and sector specific guidelines, but the directive also leaves room for interpretation on how and what to measure as the EU-directives guidelines only give a reporting framework but not the actual materiality (ibid). The generality and lack of specificity of the directive and its guidelines might lead to difficulties in the implementation due to the freedom of interpretation. In Sweden the EU-directives becomes laws (Swedish Government, 2016), which might not be the case in all European countries. As a result, the EU-directive is a law in Sweden but due to the lack of specificity of the content, it could be considered as a soft law (Vigneau, Humphreys & Moon, 2015) as each company can choose the content in the report. Therefore, the sustainability reports may differ, even though it is a law, as it may be affected by internal factors such as attitude towards sustainability. This might make comparability difficult between companies. The influence, to what stage the directive will have an impact on the company and its sustainability engagement, is difficult to tell as the directive only give guidelines. Even though the EU-directive is a law that is mandatory the actual compliance of the law seems to be voluntary as the definitions is vaguely defined.

Moreover, comparability between companies is further complicated as sustainability is applied as an interdisciplinary subject, which is vaguely defined (Howarth, 1997). The complications regarding how to measure these non-financial values and the impact of environmental footprints are widely discussed in many papers (ibid). The difficulties in calculation of future costs due to the firm's behavior and operations are addressed by Howarth (1997). He states that it may differ from people or professionals and value and perceived value, both are affected by subjective opinions where environmental risks could be over- or underestimated. Due to this, the interpretation and the implementation of sustainability can differ in corporations. The variety in implementation standards might be problematic since differences can imply difficulties for stakeholders while comparing corporate sustainability engagement (ACCA, 2017). To implement sustainability into the core business and the company's value chain requires another dimension of engagement, hence more than complying with the law. On the other hand, only complying with the law and writing a basic sustainability report is what is required by the EU-directive and also in the interest of this study. Furthermore, this might complicate the achievement of a uniform global reporting standard, which could undermine the legitimacy of sustainability reporting.

Subsequently, subjective opinions and vagueness in the definition of sustainability are problematized when analyzing the implementation of the new EU-directive. Vague definitions and possible internal factors, could lead to different interpretations and different levels of engagement and implementation of sustainability (Delmas & Toffel, 2008). The EU-directive is meant to be a tool for implementation of sustainability into companies and nudge organizations towards sustainable development. As sustainability is an interdisciplinary subject with many definitions, it can be used and perceived differently (GRI EU-directive, 2018). However, the sustainability perspective used in this study is based on the content in the EU-directive, thus the dimensions of social and environmental aspects. As the EU-directive is a Swedish law, it is important to study Swedish companies as they have to comply with the regulation. It is still unknown if the Swedish companies are influenced, affected and forced to make any changes, due to the EU-directive. This, as it consists of vague guidelines and is applied on all countries in the union which could make different countries achieve different levels of sustainability reporting. Therefore, there is a need for knowledge regarding Swedish organizational responses and investigate further if the implementation of the directive is effective on Swedish companies. This is essential in order to improve future sustainability regulations. Further research in the area is essential for the creation of an efficient and concrete tool that serves the main purpose of ensuring sustainable development.

1.3 Purpose and Research Question

The purpose of this study is to increase knowledge of the implementation and outcome of the EU-directive regarding sustainability reporting in large Swedish companies. The report also aims to create an understanding of how attitudes towards sustainability affect the outcome of mandatory sustainability reporting and if the EU-directive is a considerable driving force in organization's implementation of sustainability. Further research in this area is important to identify what can be changed and improved for future sustainability integration in corporations. It is vital to clarify the application of the regulation in order to make companies strive towards the same sustainability goals. In order to evaluate the different responses to the directive, it is relevant to understand what changes has been made and if it has affected the implementation of sustainability in the large Swedish companies.

How have the guidelines in the EU-directive influenced large Swedish companies in their implementation of sustainability?

2 Theoretical Framework

Since the new directive was implemented late 2016, and the first reports being published in 2018, previous research is scarce. The growing concern for sustainability matters and the implementation of the new law leads to the need for more empirical studies. This is important since the directive is a law in Sweden, and subsequently mandatory, even if it is voluntary in the EU since it is a directive. Large Swedish companies are forced to report according to the directive but as it is not adjusted to be a law it might be perceived as vague in the implementation process. The law could therefore be seen as a soft law (Vigneau, Humphreys & Moon, 2015) and the discussion of legitimacy theories is therefore important. In order to understand the outcomes of the EU-directive, being considered as a soft law, the authors address Oliver's theory (Oliver, 1991) of corporate responses being dependent on strategy and possible trade-offs. The legitimacy model (Deegan, 2002) and the Stakeholder theory (Freeman, 1984) are both used to analyze the corporation's incentives to act in sustainability and will contribute to the study with potential explanations to why the EU-directive is influenceable or not. Deegan (2014) claims that companies will comply with laws and regulations mainly to gain legitimacy due to self-interest. These theories are relevant as the purpose of the directive is to make companies incorporate and integrate sustainability into their core business. Insights into integrated reporting (ACCA, 2017) will increase knowledge of the EU-directives potential in order to gain deeper understanding of why companies need to communicate their engagement in sustainability matters. Theoretical frameworks such as the GRI (2018), Carroll (1991) and the Brundtland report (1987) is used to define sustainability as there are many interpretations of the term. Subsequently, the issue of interpretations is also applied on sustainability reporting, which is explained in the section Reporting on sustainability. Sweden as a nation apply laws and regulations on sustainability reporting which has a direct impact on the reporting by Swedish corporations. Therefore, Swedish regulations regarding the area is used to understand how the EU-directive has influenced large Swedish companies.

2.1 Defining Sustainability

The EU-directive does not define sustainability or any parameter within the subject, instead only require disclosures of certain information. This might complicate the implementation of

the directive as well as how individual companies relates to the subject. Therefore, defining sustainability is crucial for the understanding of the actions taken by the companies, if any, to analyze if there has been any change due to the directive. For this purpose, sustainability hereafter is defined using the directives components: Information in environmental, social and employee matters, human rights, corruption, bribery matters, risks and negative externalities. This is the solid component for comparison and is applicable on all companies. The firm-specific definition of sustainability could otherwise fluctuate and vary amongst large Swedish companies as there is a large assortment of definitions.

Sustainability could be interpreted as being the interaction between humans and nature (Brundtland, 1987). The Brundtland Report (1987) is defining sustainable development as “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*”. The focus is on economic, environmental and social development without being a burden for the future. Furthermore, Brundtland argues that a hurdle for sustainable development is poverty and that poverty has a negative impact on the environment. These are reasons why the balance between economy and the environment is crucial for society and to increase a social welfare. Carroll (1991) expanded the definition and added ethical aspects into the definition of sustainable development. However, several authors have identified different definitions and several titles on sustainability in corporations, such as corporate consciousness, corporate social performance, it seems like they all have similar content but with details defined differently.

The GRI could be seen as a means toward defining sustainability through guidelines regarding what to report and give substance to the subject for corporations (GRI information, 2018). This can be seen as a way to define and broaden the definition of sustainability. The EU-directive and its implementation of non-financial reporting was created by the European Union together with the GRI (GRI EU-directive, 2018) and through their definition of non-financial values, a standardized definition of corporate sustainability reporting is approached. The GRI association states that non-financial disclosures in particular are of high importance for sustainability development, as increased transparency in these areas is a tool to build trust (GRI information, 2018). However, as shown by the above examples, definitions diverge and therefore the sustainability work and progress in large Swedish companies might differ.

2.2 Reporting on Sustainability

A sustainability report is written disclosures of a company's internal and external operations regarding sustainability and the company's effect on its surrounding and the world.

Sustainability reporting is a tool for companies to show how their strategy is connected to a sustainable development (GRI information, 2018). Lately the term "integrated reporting" has been increasing in importance (ibid). It has developed with the purpose of incorporating sustainability even further in to the company and connecting the sustainability report to the annual report (ibid). The information contains financial and non-financial disclosures which is the underlying data used to analyze the companies' performance in a broader perspective (ibid), but does not contain requirements regarding quantitative or qualitative information (FAR Hållbarhetsrapportering, 2018). Responsibility for the final report, and the company's own subjective definition of sustainability, in Swedish companies lies with the company board (FAR Hållbarhetsredovisning, 2018). The definition decided by the board must be disclosed in the management report, but there is no need to show the motivation of the definition and the chosen areas covered (ibid). This indicates the importance of a large engagement in sustainability reporting in companies.

The new EU-directive, *amending directive 2014/95/EU*, is a sustainability reporting guideline and was implemented in December 2016. The directive is the first sustainability reporting directive implemented by the EU. The regulation concerns companies with public interest, which are 6000 companies in the union (GRI EU-directive, 2018). These corporations are called "large companies", which is generally defined as a company having a minimum of 500 employees, but the definition of a large company may also differ from country to country (ibid). Sweden is a member of the EU and is therefore included in the EU-directive (GRI EU-directive, 2018). Swedish companies that are covered by the new regulation are all organizations that fulfil at least two out of the three criteria (ibid):

- more than 250 employees
- Net turnover over SEK 350 million or
- Balance sheet total over SEK 175 million

Non-financial content in reporting according to the *amending directive 2014/95/EU*, containing description, outcome risk and due diligence to the company and subcontracting chains:

Table 1. Contents of EU-Directive 2014/95/EU

Directive Content	Details of current and foreseeable impacts of the operations on:
<i>Environmental Matters</i>	<ul style="list-style-type: none"> • <i>The environment</i> • <i>Health safety</i> • <i>Use of renewable/non-renewable energy</i> • <i>Greenhouse gas emissions</i> • <i>Water use</i> • <i>Air pollution</i>
<i>Social and Employee-related Matters</i>	<ul style="list-style-type: none"> • <i>Gender Equality</i> • <i>Implementation of fundamental conventions of the International Labour Organization</i> • <i>Working conditions</i> • <i>Social Dialogue</i> • <i>Trade Union Rights</i> • <i>Health and Safety at work</i>
<i>Human Rights, Anti-corruption and Bribery</i>	<ul style="list-style-type: none"> • <i>Prevention of human rights abuses</i> • <i>Instruments in place to fight corruption and bribery</i>

As illustrated in Table 1, the EU-directive states information in environmental, social and employee matters, their engagement in human rights, anti-corruption and bribery matters should be reported (GRI EU-directive, 2018). Other content is the firm's business model, policies regarding non-financial issues and its outcomes, as well as what non-financial KPIs are used in the report (ibid). This should be treated in the annual report or in a separate sustainability report (ibid). When relevant, the company should disclose information regarding risks and negative externalities connected to their operations (Svensk Handel, 2018). In the report there should be information on actions taken by the company to identify these risks and how they are mitigated (ibid). Importantly, the EU-directive does not conclude a limit on how far a company should analyze the value chain. However, what is relevant should be reported (ibid). The methods chosen to conduct the measurements in the sustainability report could be influenced by national, international or EU- frameworks for sustainability reporting (GRI EU-directive, 2018), but should be comparable throughout the

years (FAR hållbarhetsredovisning, 2018). Aspects that should be covered are diversity and fines (ibid). The directive encourages the comply and explain principle (ibid), which means firms either comply with the regulation or explain the particular reason for why they did not comply with the regulation (Swedish Corporate Governance Board, 2018). If a company decide one area is out of importance for the firm and their operations, an explanation to this cause has to be published in the report (FAR Hållbarhetsredovisning, 2018). This gives a room for interpretation for large Swedish companies in their sustainability reporting by the EU-directive.

Firms owned by the state has been obliged to report according to the GRI guidelines since 2007 (Swedish Government, 2016). Furthermore, the Swedish government decided in 2012 to put pressure on the boards in order to force firms to set relevant sustainable targets and disclose their strategies to achieve these (ibid). In August 2015, the Swedish national code of conduct for business and human rights was published (ibid). In December the same year the government handed a report on corporate sustainability with parameters such as human rights, working conditions, environmental aspects and their expectations on the subject to the parliament (ibid). The EU-directive was implemented in Sweden for large firms in December 2016 and also into Swedish law (ibid). In Sweden it is an established principle that directives by the EU becomes national regulations. As Sweden is an active and prominent member in the EU, the country also has impact on the organization and its decision-making process (The Swedish Environmental Protection Agency, 2017). The Swedish Environmental Protection Agency is a great participant in Swedish environmental politics in both the EU and internationally and through it the Swedish environmental laws and regulations are elaborated into the EU (ibid). This could mean that the engagement is a way to state the importance of sustainability and Sweden's point of departure in the debate.

2.3 Implementation of Sustainability

There are numbers of theories that explain how companies are acting on sustainability. The theories that are used in this section are general and applied on a sustainability reporting case in this study. Many of the theories used today are developed from earlier theories. In 1984, Freeman thought that the contemporary perspectives of business and technology was outdated and therefore developed the Stakeholder Theory. He addressed the great importance of widening the view of external factors and stakeholders that could have an impact on business

operations. In earlier perspectives, the shareholders were of significant interest for the business, while Freeman (1984) meant that other influencers in the industry also had an impact. Freeman (1984) therefore discuss the interdependence among sector specific companies. Furthermore, he argued that a business will maximize its profit when including all stakeholders that could affect the business goals, organizations or individuals (Freeman, 1984). Stakeholders could therefore be seen as internal, such as owners or employees, or external, such as consumers or society.

On the other hand, there is a criticism against the Stakeholder theory due to the isolation between a business and a certain stakeholder. The relationships are not seen from a holistic view. In contrary, Post, Pretson, Deegan & Sachs (2002) states that it is more important to put focus on the entire network of stakeholder relations for the company to sustain and maximize profit. Over time, the stakeholder theory has allowed new theories to derive from it, both for and against the original theory. However, it has been proved that good stakeholder relations feed economic profit (ibid). Stakeholder relations are important in sustainability as there is a need for mutual dependency to reach sustainability development where stakeholder pressure is a driving force. This is one of the main arguments for the importance of the stakeholder theory.

Closely related to the stakeholder theory is the legitimacy model which Deegan (2014) address as being mutually dependent on, or complementary to each other. Deegan & Unerman (2011) argues that the theories differ from each other as the stakeholder theory focuses on expectations in society whereas the legitimacy model, on the other hand, focuses on expectations from the business itself. Furthermore, Max Weber discussed the expression and its meanings in the book *Economy & Society* from 1912. In his book, Weber claims that legitimacy is based on external pressure on business practices. How external pressure affects the business is based on two factors according to Weber; tradition and regulations. Tradition is a decisive factor because a business will most likely act in the way they have reacted before. Regulations on the other hand is important as the business need to adapt to society to be able to operate. The legitimacy model is still very relevant and theories used today are often based on Weber's perspective, even if many definitions of legitimacy exists. For example, Zelditch & Walker (2003) argues that a business has legitimacy when its beliefs, rules and other values are normative. They also state the importance of legitimacy but also the complexity, as the perception of legitimacy differs from different views.

Another theory regarding legitimacy is published by Suchman (1995). He meant that there is a social contract between society and organizations that depends on social norms and values in the industry the business is active. Therefore, the organization has legitimacy if it matches the values of society. Society's expectations on sustainability engagement could be one example of this. On the contrary, if the cooperation between social norms and the business would be disrupted it could mean the end for the company. Sustainability is important to engage in as it is a demand from market and society and therefore it is a necessity for companies in order to survive. Deegan (2002) on the other hand, argues for transparency and the availability of information acting as driving forces for legitimacy. He also states that business do not have a place in society before the stakeholders finds it legitimate. This develops an agreement between organizations to follow what the industry find is acceptable acting, based on laws and norms, in a mutual dependent relationship. Another perspective is based on Islam & Deegan (2008), who argues that there are no rules that describes what legitimate acting is for a business. The authors instead argue that it is society who decides legitimacy in a dynamic way over a broader time perspective. Furthermore, Deegan & Rankin (1996) argues for the social contract that society is delivering to the businesses. They mean it is important to identify what resources companies get from society in order to not lose it if it was not well handled by businesses.

DiMaggio and Powell (1983) states that in times of insecurity companies will become more similar to one another. Isomorphism, where processes or structures of one organization are similar to those of another, is pushed by the state and will lead to homogeneity when it comes to structure, culture and company output (DiMaggio and Powell, 1983). The authors argue that a company that experience the same type of environmental conditions will eventually homogenize, as they all strive towards legitimacy and political power. Coercive isomorphism is a set of institutional pressure that is founded by political influence, while mimetic isomorphism is an outcome of responses to uncertainty, which is seen as a powerful reason to homogenization (ibid). Coercive isomorphism is more likely to be a result of a strictly mandatory law while mimetic isomorphism, in times of insecurity, will appear when there is a voluntary or soft law. Furthermore, DiMaggio and Powell (1983) explains how normative isomorphism is based on best practice in the industry. Matten and Moon, (2008) discuss how self-assessed compliance such as sustainability reporting according to GRI have been material

for homogenization, as it has acted as a coercive isomorphic process to a standardized system of sustainability reporting.

Moreover, Oliver (1991) argues that both institutional and resource dependence perspectives make corporations respond differently to external pressure, as the corporate environment is both interconnected and collective. Institutional isomorphism focus on what makes corporations imitate and influence activities and routines, in response to external pressure (DiMaggio & Powell, 1983). The choice of organizational approach to these pressures is based on the companies' capabilities and motives which is related to resource dependency (Oliver, 1991). Oliver further explains how corporations use its capabilities strategically to increase prestige, to gain legitimacy, social support, internal and external commitment, and access to resources. Passive acquiescence, in contrast to strategic adaptation, may make companies express meaning and value to stakeholders, which in turn, will determine corporate responses to external pressure, such as new legislations and industry norms (Oliver, 1991). He argues that the responses will vary from passive to active, depending on internal accordance, which is also the basics for strategic responses. Additional practices is often adopted in order to avoid increased costs and sanctions, and is not seen as a positive contribution to the business but as an response due to pressure from institutions (Delmas & Toffel, 2008).

Further research findings by Oliver (1991) explain how organizational strategic responses are based on skepticism, political self-interest and management control. Meanwhile, the lack of knowledge regarding institutional requirements will limit the corporations' agreement to standards, and the question why this is important is vital as the interest of the corporation is to reduce uncertainty and manage risk (Oliver, 1991). This could be in conflict with the companies' self-interest, which could be profit maximization. Therefore, Oliver (1991) is explaining how companies will conform and comply with changes when the expected outcome of social and economic inputs is positive. Resistance or compliance will depend on corporation trade-off and how well it is aligned with the organizational values and creates opportunities for long-run viability (Oliver, 1991). An argument presented by Kitzmueller and Shimshack (2012) is that Corporate Social Responsibility (CSR) can be pushed by the market and demand, but also as out of strategic interest, which is also addressed by Vigneau, Humphreys, Moon (2015) when it comes to adopting sustainability standards. The government has the power to put pressure on private firms which might not have the interest in adapting to environmental restrictions but will comply with regulations (Kitzmueller and

Shimshack, 2012). The GRI is proven to enhance transparency and improve legitimacy and management efforts to a firm for a relatively low cost (Vigneau, Humphreys & Moon, 2015). The authors meant that the importance of the GRI is large, it is shaping an organization towards a more sustainable management. They address the GRI as being “soft” regulation and companies may therefore interpret the regulations and comply however they prefer, a construction which leaves flexibility to a company with room for strategic choices in what to comply with (ibid).

The Association for Chartered Certified Accountants (ACCA) published a report of the benefits of integrated reporting (ACCA, 2017). The report explains how integrated reporting aims to enhance long term and meaningful decision-making, as well as to connect financial and non-financial information. The benefits of integrated reporting may, due to the report, enhance greater clarity on business performance and emphasize an integrated thinking and acting within the organization (ACCA, 2017). Integrated reporting can therefore be a tool to implement a more holistic approach of sustainability, and may have positive effects in terms of improved reputation and stakeholder relationships. ACCA (2017) claims there is a need for connectivity of the reported information to create meaning and value. This is essential in order to present a holistic picture of the corporation and explain interrelatedness as well as dependency between reported aspects. The company will therefore need to deliver connectivity between different elements, the past and the future as well as financial and managerial information in the report. The information in the report embodies material relevant to the business (ACCA, 2017). It should be concise and no unnecessary information shall be included in order not to skew the report. To ensure consistency and comparability, the company have to be consistent in its methods and processes to enable comparison between previous performance as well as benchmarking (ACCA, 2017). Furthermore, ACCA (2017) claims the board’s oversight and internal control systems are crucial factors to enhance reliability in the integrated reporting process, where Epstein and Buhovac (2014) also states success in a sustainability strategy often comes out of a top-down management. Changes in methods and how calculations are conducted need to be clearly communicated in order to maintain trustworthiness, and to improve legitimacy positive as well as negative information have to be disclosed (ACCA, 2017). As a result, the EU-directive can be seen as a tool to integrate non-financial information into the reporting system for large Swedish companies.

3 Method

3.1 Research Orientation

This is a qualitative, interview-based study. This choice of research modality is made since qualitative studies allows gathering and management of non-numerical data and provide means of approaching understanding company action and motivation (Bryman & Bell, 2013). The received information opens up for deeper analysis and generalized conclusions. The EU-directive is newly launched but unavoidable for large Swedish companies. Therefore, there is no previous research on the reactions to the directive and corporations' perception of the directive is still unknown. Bryman and Bell (2013) states that qualitative studies could open up for reflections and aid in creating an open mind regarding results, non dependent on scientific frameworks. Through qualitative studies, the interviewees, can develop their thoughts and reactions on the directives actual impact on their company and facilitate an interpretation and analysis of the outcome. The opinions gathered will be based on subjective opinions - constructivism. The interviews are conducted over the phone with one employee at each corporation, one responsible for sustainability matters within that company. The result will be subjective, which is fit for the purpose of this investigation as it reflects the reality. Qualitative studies conducted with large companies in the research, are inductive according to Bryman and Bell (2013) and brings findings to the study's conclusions based on empirics.

3.2 Choice of Large Swedish Companies

The research is conducted with 14 well known large Swedish corporations, haphazardly selected within different industry sectors out of the companies included by the EU-directive. The selection process was done from a list of large Swedish companies that Veckans Affärer (2017) has published. From the list, 47 companies were contacted both via phone and email and asked for doing a telephone interview. 14 companies agreed and the interviews were conducted instantly and recorded. The recorded interviews were transcribed in order to be able to use the data and the average duration was 5-7 minutes. The data is collected from large Swedish companies, as they are affected by the implementation of the new EU-directive. By the definition made by the EU-directive, large Swedish companies are defined as companies that are of public interest, more specifically fulfills two of the following criteria; has more than 250 employees, a net turnover over SEK 350 million or a balance sheet total over SEK 175 (GRI, EU-directive, 2018). No previous research on the companies' engagement in

sustainability or sustainability reporting has been made due to the hazardously selection and search for objectiveness. This will provide a greater legitimacy to the research as well as increase the level of trustworthiness in the results and analysis. The collection of data has been done to the extent that is reasonable within the time frame of the thesis with the objective to reach as many interviews as possible. However, after conducting the 14 interviews, the collection of data reached an empirical saturation (Glaser & Strauss, 1968) as the result of the interviews are of large similarity and more data would probably not contribute to further analysis.

3.3 Data

3.3.1 Primary Data

The validity of the research is relatively high due to the fact that information is collected from primary sources. The risk for incorrect conclusions is minimized when using primary sources since the information is the result of research, and have not been subject for subjective interpretations which might occur in secondary sources of literature (Bryman & Bell, 2013).

The primary data collection is based on 14 phone interviews and conducted as semi-structured where questions are prepared in advance and can be followed by an open discussion and supplementary questions. The chosen interviewees are employees representing the particular company, and hold a position with great insight in the companies' sustainability reporting. They are closely connected to the directive and need to take it into consideration in their daily work. Bryman and Bell (2013) consider this being very important when conducting qualitative studies. The interviews are done by phone. This is suitable out of a time management perspective, and enabled us to disregard geographical distance. The respondents' way of answering, attitude and voice can be interpreted and misunderstandings and misinterpretations are more likely to be avoided, compared to if the interviews had been conducted non-verbally.

Furthermore, all interviews were in Swedish but citations are translated to English in this report. The interviews were recorded and transcribed independently by the authors of whom both are native Swedish speakers. The transcription is made in order to have the possibility to revise the material, which enables a more objective analysis (Ahrne & Svensson, 2015). The

interview questions are created to be in correlation to the research question and the thesis' theoretical framework. Four semi-open questions were used, which will through semi-structured interviews allow elaborate answers. However, the questions ensure a clear connection to the research question as well as the theoretical framework and it is aligned with the main purpose; the EU-directives influence on the implementation of sustainability in their corporations. To ensure the quality of the questions, they have been evaluated by our supervisor, Dr. Sara Lundqvist at the University of Gothenburg.

3.3.2 The Interviews

Questions were asked in order to get answers which will increase knowledge and get the research closer to answering the research question. The questions used in the interviews were:

- What is your reaction to the EU-directive and its guidelines?
- Has the EU-directive prompted any changes, primarily on an organizational level?
- Did you need external assistance or help to assert compliance with the EU-directive?
- How could the EU-directive be improved to make it more purposeful?

The purpose of these questions is to provide knowledge of the EU-directives guidelines influence on large Swedish companies. The questions are connected to the theoretical framework and is open up for deeper analysis.

The opening question on the general reaction to the EU-directive gives an indication on the companies' attitude towards a regulation of sustainability reporting on a union-wide level within the EU. The second question addresses if there have been any organizational changes due to the implementation of the EU-directive and if so what these are. This can be connected to the legitimacy theory (Deegan, 2002) and the stakeholder theory (Freeman, 1984), and in the context of considering EU as a stakeholder, and also the environment itself. This opens up for analysis whether there has been a need for adjustments to reach the level of sustainability engagement required. The third question indicate how well prepared the companies were for changes to sustainability work and what resources and competence they possess in-house. DiMaggio and Powell (1983) stresses how companies in times of insecurity and changes, in this case the EU-directive, companies might do organizational changes to fit in, due to coercive isomorphism. Oliver (1991) stresses that the outcome and response of an

institutional pressure may differ because of capabilities in their strive for legitimacy. To the analysis, an important part could be whether large Swedish companies have improved their engagement of sustainability as a reaction to the directive or for other reasons, which might be normative isomorphism. Asking about improvement suggestions for the EU-directive could provide a hint about what information is needed to be able to comply with the law or to expand the implementation of sustainability.

3.3.3 Secondary Data

As a foundation to the discussion regarding the primary data that is based on the interviews, secondary data is needed to complement the information. Initially, the new EU-directive is closely studied in order to gain knowledge of the purpose and implications of the regulation. This is essential to be able to analyze the outcome of the implementation of the regulation in the conducting of the study. Additionally, scientific articles and research material mainly provided by the bachelor course, Corporate Sustainability FEG32S, will be used as a theoretical framework and a base for data collection. The scientific articles that are referred to in the study are widely considered to be of good quality.

3.4 Quality

3.4.1 Validity

Validity can be seen from two perspectives, internal and external. Internal validity proves if the observations done in the research matches the theoretical findings in the subject (Bryman & Bell, 2013). External validity on the other hand shows if the observations could be generalized and applied in a larger context. Due to this, external validity could be weaker in a semi-open qualitative study, with fewer respondents, as in this research (Bryman & Bell, 2013). This study could however be seen as having relatively strong internal validity since the qualitative interviews open up for more elaborate answers and therefore adding depth to observations. This allows the research to get a clearer connection between the theoretical framework and the responses by the employees. The interviewed employees had different positions and background at the observed companies but nevertheless the responses were similar to each other and to the theoretical framework. The interviewees were allowed to be anonymous which allowed them to elaborate their responses from authentic perceptions and

not altered for the benefit of the company. This creates a stronger internal validity even though the employee despite this might be biased because of its position. From an external validity perspective, this study might be perceived as being strong in the sense that it might be generalized and applicable outside this study.

3.4.2 Reliability

Trustworthiness, authenticity and stability are expressions of strong reliability. One way of studying if the research is reliable is to replicate the same study and see if the outcomes match the previous findings. Consequently, a qualitative study can have difficulties with this kind of reliability since the since semi-structured qualitative interview creates rich, deep data.

Therefore, the risk of getting different responses in different surveys are high (Bryman & Bell, 2013). On the other hand, it is important for the study to get deep answers for a good analysis Therefore, semi-structured interviews are chosen for this study. Regardless, while doing the research it is possible to see that even if the questions and responses to some extent differs from each other, the overall result is homogenous. This strengthen the reliability for the conducted interviews and this research.

3.4.3 Limitation

The balance between subjective thoughts and objective statements is hard to separate in a qualitative study based on authentic and present resources from the university library at the University of Gothenburg. Wideberg (2002) states that objectiveness is a problem while doing qualitative research. The answers given by the interviewee could be affected both by the expectations the company has on what answers should be delivered but also by the expectations the researcher might have. The first issue named is hard to predict but hopefully less probable to occur given the anonymity of all respondents. However, the respondent might nevertheless be biased by its employer and the employer branding. The second issue puts even more pressure on the researcher and is prevented by not asking leading questions and planting thoughts in the respondent. Furthermore, a limitation the research is facing is the belief that the respondent possesses the accurate and relevant information to answer the questions properly and if the responses reflect the reality. Moreover, the interviews are recorded and transcribed in order to have the possibility to revise the core material, which will enable a more objective analysis. This in turn, is important to avoid a skewed perception

which might lead to inaccurate conclusions. Another aspect, that Saunders et al. (2015) discuss is the limitation of the researchers, as error regarding the interpretation of data might occur and there is a risk that the researcher could be biased. Due to the scope of this report, the collection of data is restricted to very few companies and employees, which is to be regarded as a weakness.

3.4.4 Resource Critique

The resources for the thesis is gotten from primary and secondary data. The primary data is collected from interviews with anonymous sustainability representatives, each one employed at a large Swedish company. The anonymity counteract bias created by the interviewee's employer. On the other hand, there is no way to ensure the accuracy of the answers of the respondents and how well it aligns with the real situation the company is facing. When looking at the secondary data, it is chosen out of the collection of resources provided by the University of Gothenburg ensuring that the information is trustworthy and relevant for use.

4. Results and Analysis

In this section the results of the empirical study are presented. To enable relevant considerations of the empirical findings, an analysis of the EU-directive and its purpose is conducted. Furthermore, the results are connected with an analysis that includes reflections on the respondents answers in relation to the theoretical framework in order to answer the research question. This includes organizational changes, effects on large Swedish companies' implementation of sustainability as an outcome of the directive. An analysis of the EU-directive in a long term perspective and its interpretations as well as possible future outcome is subject for a short discussion. It is possible to see a pattern throughout the results where it is obvious that no major changes have been done due to the directive because of vague definitions. However, as a general empirical finding, the attitudes towards the directive is that the respondents have been positive or neutral and most of the respondents are suggesting future improvements to facilitate compliance to sustainability reporting.

The EU-directive is a result of a global pivot towards corporate sustainability. There has never before been a directive or law addressing how companies within the union work with sustainability reporting, making this new directive ground-breaking and important. It is evident both in the legitimacy model and the stakeholder theory that laws and regulations as together with institutional pressure brings new stakeholder perspectives and puts pressure on companies. The directive is a driving force of that kind, which implement a minimum level of sustainability engagement that all large companies within the EU have to comply with. The companies will therefore be forced to implement sustainability in its reporting to enhance legitimacy (Deegan, 2014). Through the EU-directive the companies in the union are obliged to publish a report but may choose the content, the directive is a law but the content has to be considered as voluntary. This has opened up for the question of legitimacy and what is accepted sustainability reporting on non-financial information according to stakeholders and society. The directive is a law but according to the respondents, the vague guidelines there is a large room for interpretation which seems to strengthen the importance of legitimacy further. Furthermore, the directive is created by member states of the EU and the driving forces for developing sustainability are the countries in the union who spearhead the work with sustainability reporting standards. Sweden is one of these leading countries, according to the results in the study. Most of the companies have already followed the voluntary GRI standards since many years. It is a result of the importance of public legitimacy for large

Swedish companies. The directive is co-founded by the GRI and is mainly based on their standards, which is why the EU-directive on disclosure of non-financial information is very similar to, if not a developed version of, the GRI. However, it is obvious that the union members have achieved different levels of progress in their sustainability reporting.

Sustainability reporting, the EU-directive, may be a result of the need for legitimacy and is depending on the social contract between society and organisation (Suchman, 1995).

Companies in the union will achieve legitimacy when they act as expected by the industry and society, which is why national and social pressure also has an effect on the companies reporting standards and the voluntary content of the EU-directive. This can explain why large Swedish companies might more than comply with the law. Zelditch and Walker (2003) express how the interpretation of what legitimacy is might differ from one country to another and depending on the industry. This can explain how normative rules affect the influence by the directive on large Swedish companies compared to other countries where the standards and expectations on companies' implementation of sustainability might be different.

Therefore, some member states might find the EU-directive to be a process of change of nearly revolutionary magnitude, while others might not find it to be a big adaptation since they have had sustainability regulations on a national level since before.

4.1 Reactions to the Definitions and Guidelines in the EU-directive

There can be several reasons for a large Swedish company to engage in sustainability. With the new EU-directive, the large Swedish companies studied are forced to publish a report on non-financial information which disclose their sustainability engagement both environmentally and socially. Their attitudes towards the implementation of the EU-directive was either positive or neutral. Out of the 14 interviews, none of the respondents gave an answer below neutral regarding attitude and the majority answered they had no major reaction to the directive. The respondents with positive reactions to the directive seem on average to be the companies that had been working with the GRI framework since many years and as such they were not very affected by the new directive. Based on the empirical findings, the absolute majority of the corporations in the study do have solid sustainability reporting systems implemented since before. This might be a result of Sweden being well prepared and in a leading position regarding sustainability matters worldwide and having the general attitude that sustainable development is needed for the future of business. For the large

Swedish companies interviewed, the directives guidelines seem to be considered as non-demanding and to only require a low level of sustainability engagement, even if it is a law. As expressed by one respondent:

“It is positive because it is something we have been doing for many years” (Respondent 7)

These companies tended to be the larger of the large Swedish companies or the companies owned partly or fully by the state. In order to find the reason for a neutral reaction to the EU-directive, a follow-up question was asked to the interviewee regarding why the reaction was neutral. The answers provided reflected the use of the GRI standards, exemplified by two respondents:

“Since we have been reporting since 2009, this is not a new thing to us and does not affect our way to approach these matters” (Respondent 3)

and

“It is ambiguous since we have already made reports on sustainability. To us this does not elicit any big changes, it is however very open to interpretation. (Respondent 2)

- *Have you been working according to the GRI previous to the new directive?
(researcher)*

“Yes” (Respondent 2)

Furthermore, other reactions on the question of attitude was that the EU-directive appears vague and unclear in the definitions and guidelines. Looking at the respondent companies, 5 out of 14 respondents solely refer to the directive as giving much room for interpretation and was of the opinion that it is confusing and hard to know what to report. Expressions such as vagueness, unclear and lack of examples appeared in the interviews, for example by respondent 14. These might in part be the underlying thoughts and reasoning for having a neutral and not positive attitude towards the EU-directive and sustainability reporting.

The representative for the companies with whom the interviews are conducted was either the head of sustainability or held a similar title, which means that the person could be prone to

having a positive attitude towards sustainable development because of their position at the company. The positive attitudes could therefore be explained by the employee's personal opinion and interest, risking not to be representative for the entire organization. Furthermore, the interviewee might want to consolidate the image of the company as greatly caring for sustainability matters as this seem to be a normative isomorphism process in the Swedish corporation climate (DiMaggio & Powell, 1983). Even though they are anonymous and instructed to freely express honest opinions, this might still be a tool for a company to gain legitimacy (Deegan, 2014). This could also be an expression of company affiliation or for the interviewee to fortify their own sustainability work at the corporation. Furthermore, it is important to not underestimate the power of a personal opinion, in this case regarding sustainable development. The positive attitudes could be a result of the general opinion in Sweden that a sustainable future is necessary.

The EU-directive together with the homogenous responses and high levels of engagement in matters of sustainability among large Swedish companies, might have beneficial effects on the entire EU through the process of isomorphism (DiMaggio & Powell, 1983). In Sweden there are ten million inhabitants (Countrymeters, 2018) which could make the actual global impact of sustainability implementation in large organizations relatively low. However, when the EU is implementing a directive on sustainability in large corporations, 508 million people are included (Europa.eu, 2018) and the possible impact is much greater as it is a global issue. Sustainability development is partly a market-driven process, but political decisions are needed and Kitzmueller and Shimshack (2012) highlight the importance of governmental power to achieve a unified action towards corporate sustainability. The EU-directive is a political statement which put pressure on firms who might not be interested in implementing sustainability but will comply with the law. Even if the Swedish companies included in this study appears not to be greatly affected by the implementation of the new EU-directive, the implications of a union-wide universal directive might be huge.

4.2 Compliance and Reporting on the EU-directive

4.2.1 Organizational Changes for Compliance

The general reaction is that the EU-directive has not changed the management of organization. Five of the respondents said there was no change at all, they have continued with business as usual and the majority claims there has been only small changes after the implementation of the directive. According the respondents, this has to do with previous sustainability engagement and not the directive as a driving force for organizational change and adaptation:

“No, not more than in certain weaker areas. There we have been forced to work with these questions in a more controlled way. I can only see positive effects” (Respondent 5)

“Very little” (Respondent 2)

On the other hand, a few respondents answered that they did make an organizational change as a result of the EU-directive. Most of these responses indicated that the changes were made complementary to the GRI standards that the companies aligned with in previous reports. Only a few organizations admitted that change was of an extensive scope due to the directive and one of the large Swedish companies declared they had to install major changes as a result of the new directive. What could be seen was that those companies that had big changes also were the smallest ones among the large Swedish companies.

“Not organizationally but it has given the subject a greater focus, which in my opinion is positive concerning sustainability from a strategic perspective. It creates a consciousness concerning the priorities of stakeholders” (Respondent 13)

The response is strengthening the theory of Oliver (1991) who address the organizational responses being a result of the company’s need for reducing uncertainty and risk. Some organizations admitted the need for adding resources has increased, to be able to adapt to sustainability reporting according to the EU-directive. One company had to invest heavier on strategy and prioritize sustainability matters and stakeholders.

“It is very clear concerning the materiality and the areas highlighted in the directive. We think that is a good thing and there are those who forget these elements. Corruption for example” (Respondent 10)

Companies might over-comply with the law to gain legitimacy due to self-interest (Deegan, 2014). The companies in the study have practiced sustainability reporting before it was implemented as mandatory by Sweden. However, underlying causes for companies' compliance to the directive are not asked directly. The preparedness for a directive of this extent by the large Swedish companies indicates they might not comply with the law due to self-interest, but perhaps use sustainability reporting as a tool to gain legitimacy. A possibility created as the reporting content is voluntary due to vague guidelines. This is exemplified by answer provided by respondent 12 who says the directive has increased the range of non-financial information disclosed and as a result the company have now implemented a diversity policy in the board. This is also exemplified in Respondent 9 who answered they had to employ a head of sustainability at the company in order to comply with the EU-directive. Another company responded they had brought up discussions regarding corruption in the company and another replied it had changed guidelines in some sectors concerning risks out of a non-financial perspective. One respondent addressed some changes but did not want to share further information on what kind of changes that had been made. One company shared the information regarding an increase in their resources on strategy and prioritize regarding sustainability matters and stakeholders. This indicates that the EU-directive have had an influence on large Swedish companies to a small extent.

4.2.2 External Help for Compliance

To create a properly done sustainability report is a way for a company to gain legitimacy by undertaking certain actions such as having an integrated reporting system, risk analysis and to show awareness of the entire value chain according to ACCA (2017). When the organization publish a sustainability report, they will appear as a more transparent and proactive company through their sustainability engagement, which is a long-term investment pointed out by Porter and Linde (1995). Therefore, it should be in the best interest of companies to continue to develop their sustainability implementation and engagement.

Compliance with the EU-directive means that large Swedish companies have to disclose non-financial information annually. During the interview sessions it was obvious that some companies managed to handle this process by using in-house competence. 6 of the 14 companies answered clearly that they do not need any external help at all. However, most of the companies required external help to succeed. The audit committee is often responsible for this matter but there is a lack of experience and lack of knowledge regarding the content of the sustainability report. This becomes evident in several interviews, as one respondent expressed it:

“Yes, that is how we came in contact with Grant Thornton. We chose to hire consultants to create our sustainability report, to ensure that it meets the legal requirements” (Respondent 13)

On the other hand, it is clear that the larger of the large Swedish companies is less dependent on external reporting consultancy to comply with the EU-directive. These firms tend to have internal competence regarding sustainability reporting and they manage to adapt to changes in reporting standards on their own. It seems more likely for these firms to use a third party authority only to confirm, authorize and validate the report. According to the respondents this is not necessarily a change, many of them had the same process even before the implementation of the EU-directive.

“No, we have brought in external help, but we have done that before as well. Therefore, I would not say that it is something that is connected to that specific directive” (Respondent 11)

Another respondent express the need of external help while doing gap-analysis for example.

“No, or yes. We did a GAP-analysis with the aid of our accountants. On the other hand, they are engaged in the company anyway. Thus we have not used external resources, i.e. external consultants, in this matter (to comply with the directive)” (Respondent 5)

According to the legitimacy model (Deegan, 2014) and the stakeholder theory (Freeman, 1984), legitimacy requirements put pressure on companies to progress in sustainable development. Due to this, the EU-directive initiate positive isomorphism to the member states

through normative standards and coercive institutional pressure (Oliver, 1991). For example, respondent 9 hired one person responsible for sustainability at the company, who is ensuring a correct outcome of the sustainability report.

“...how the directive has affected your operations. You said that you had hired a sustainability manager?” (Researcher)

- *“No not a chief but simply one person in my department who is working with sustainable development” (Respondent 9)*

“Okay, so more like a person responsible for that?” (Researcher)

- *“Yes, someone who makes sure that the sustainability reporting is presented correctly” (Respondent 9)*

Companies have practiced sustainability reporting previously but the EU-directive seems to introduce a need for standardization among the companies in the study. What has been seen in other literature (Vigneau, Humphrey & Moon, 2015) is that sustainability reporting guidelines such as the GRI shape organisations to a sustainable management. Therefore, it is possible that companies that use external support today because they have lack of resources and need to increase knowledge might adapt the organization in the future. However, using external help and using a third party authority may also be a tool to gain legitimacy (Epstein & Buhovac, 2014). The question of positive effects regarding enhanced legitimacy through the EU-directive due to increased internal and external stakeholder insight was not asked directly, however only one of the respondents mentioned it as a positive effect.

“...It creates a consciousness concerning the priorities of stakeholders” (Respondent 13)

Furthermore, DiMaggio and Powell (1983) explains how organizations, in times of insecurity, will become similar. As the EU-directives guidelines are considered vague by many respondents, this could be considered an insecurity in how and what to report. Using the GRI standards is a way to gain legitimacy and to erase insecurity and confirm the level of

sustainability engagement to a low cost (Vigneau, Humphreys & Moon, 2015). Due to the extent the respondents answered they do use external help to adapt to the EU-directive, or confirm their sustainability report, it seems like companies believe imitation and follow best practice is a way to succeed. One reason to why there is a homogenization could be because of the non-financial content in sustainability which is difficult to measure and therefore further complicates benchmarking and to track development.

4.2.3 Strategic Reporting when Complying

An extension of the issue of the EU-directive having voluntary content due to vagueness and the easy adoption of the EU- directive for large Swedish companies is that the response from corporation, hence the sustainability report, might be a question of strategic interest.

Considering this and the EU-directives guidelines being vague, there is a possibility that corporations can modify their content and what they can argue is reasonable. Adding the fact that the corporation's board can choose how and what they report, as long as they justify what sustainability is for their specific company, this is clearly something a company can tweak into a strategic opportunity. This could increase the risk of greenwashing, hence disclosures of only positive information. Either to disclose the information which the company prefer, or what strategically is suitable and look good. In the context of the EU-directives purpose, increased comparability and transparency, this could be contradictory. Passive acquiescence, compliance with no further strategic interest (Oliver, 1991) make companies create meaning and value to stakeholders. According to respondent 13, this is an outcome of the directive.

However, the reasons for a company to comply with the law through passive acquiescence or more strategically is not in the scope of this report. Furthermore, Oliver (1991) claims values and long-run viability is vital components for a company to more than comply with a law.

What the large Swedish companies' sustainability reports on non-financial information will look like is yet to be discovered. One possibility is that the outcome, due to different strategic responses, might differ from one company to another as a result of interest (Oliver, 1991).

This is supported by respondent 3 who claims some companies do exclude necessary information.

“... I have seen that many companies skip matters of obvious materiality and I understand that it is hard to follow-up on those...” (Respondent 3)

According to literature on organizational approach to external pressure (Oliver, 1991) the response is based on a company's capabilities, motives and resource dependency. A pattern in answers by the companies' subject for the study is that the larger of the large Swedish companies have in-house competence and manage the sustainability report on their own to a greater extent, according to the answer by respondent 5, 7, 9 and 10. This could be due to motives, economical reasons or as an answer to institutional- and market pressure, or because of their position and stronger concern for risk management. On the other hand, 8 out of 14 respondent companies do need external help. The purpose of the EU-directive might not be to increase the need of auditing firms or increase the costs for large Swedish companies to comply with the directive. Undoubtedly it seems like because of insecurity regarding the content due to vague definitions and a lack of competence in sustainability reporting, there is a gap between required competence needed to be able to comply with the directive, and all companies' present competence. This might be a process of adaptation and the need of external help could decrease over time and look different when companies have settled in to the new requirements and established methods for non-financial reporting.

Previously, it is highlighted that it seems easy for the companies in the study to adapt to the directive since they could follow the methodology of the GRI standards. The EU-directive can be interpreted as a soft law (Vigneau, Humphreys & Moon, 2015) and one possibility is that the large Swedish companies are following the standards due to vagueness in the guidelines of the directive. It is communicated that Swedish companies are performing well in sustainability, but on the other hand it could be questioned if the guidelines of the directive are too vague to make a difference in sustainability reporting and sustainability implementation. What is seen when conducting the interviews is that companies that are state-owned are better prepared and had less organizational change after the implementation of the EU-directive. A result of the national law that was put in place in 2007 which is very similar to the directive. If it is a strategic choice by the Swedish government to make state-owned companies act as good role models, or because they had knowledge of the implementation of the EU-directive and could nudge them into the sustainability reporting direction is only a speculation. Also, in the study, real estate corporations seemed to have better knowledge regarding sustainability matters than other companies and their engage in a proactive sustainability work. It is possible to believe that their affluent, generation based business model and meticulous evaluation in decision-making need to consider all aspects in a long

term perspective and therefore includes non-financial information. Their stakeholders, clients and habitants, are very dependent on the company which is why they might have a responsibility that is even more important than a production company or a trade company.

4.3 Improvements of the Guidelines in the EU-directive for Future Implementation

The first sustainability reports generated by the new EU-directive has not yet been released by all companies included in the study and have therefore not yet been analyzed. Subsequently, there is no official analysis or conclusion that has been released regarding the actual outcome of the directive. Important parts of the directive leaving a great deal to be interpreted by the companies is the risk analysis for example. The room for interpretation also implies a subjective view on the content of the report and what information the company choose to disclose and to not disclose. ACCA (2017) address the importance of having relevant materiality to create value to the report. Respondent number 3 also express the need for someone to assert that the content is reasonable and not only strategically angled or containing only what is convenient for a company to publish. This could be a tool in the progress for better substance in the sustainability report.

“...There is no one who checks that your materiality analysis actually is material. This means that this is completely up to the companies themselves...”(Respondent 3)

The general summary of the responses shows that the perception of the directive was vague and very similar to the GRI standards. Most of the large Swedish companies in the study already report according to the GRI guidelines. Therefore, the implementation of the directive was not revolutionary for the companies in the study. When examining complications with the directive, responses referring to vagueness of the directive and uncertainty in how to conduct the non-financial report were common. In the study, one question regarding improvements of the directive or for a future complementary directive or regulation was asked directly to the respondents. The general response from the interviewees was to make the EU-directive stricter in order to achieve a higher standard of sustainability improvement. For the time being, the Swedish companies continue as before, since the directive is not pushing towards a higher degree of dedication due to the fact that the companies are already at or above the minimum requirement-level set by the directive.

One specific area in which respondent 3 expresses a need for action is human rights. Respondent 2 asks for clear examples for the course of action, respondent 7 highlight the need for more best practice examples and respondent 8 asks for clearer instructions and definitions, and express clarification of how the reporting is connected to the EU action plans in sustainability. Two respondents express it this way:

“...more good examples that illustrates the situation. That you can highlight the spearheading companies that performs highly” (Respondent 7)

“...points of improvement are clarifications and the progress regarding concepts. More specifications and definitions concerning sustainability...” (Respondent 8)

It is obvious that the introduction of these guidelines is anticipated. Seen from the examples shared by the respondents, the general improvement areas are increased comparability through the use of best practice examples, the requirement of third party validation, integrated reporting, materiality analysis and content regarding future improvements for sustainability work instead of reporting the historical perspective. According to the respondents, there is a lack of instructions which also proves vagueness in the directive.

This research focuses on large companies based in Sweden, a sub-group to all the companies in the EU defined as large, and therefore targeted by the new EU-directive. The following discussion is based on the large Swedish companies' interviews' and does not involve all other target groups, i.e. other member states. However, it is unclear if an enhancement of the directive is feasible as there are other less developed member states. In the perspective of large Swedish companies, there is a need for improvement and also a potential to further develop the EU-directive, based on the answers given in the interviews. Solely, the respondents seem to agree on that changes for sustainability reporting is needed to further push the companies that already complies and actively engage in this kind of reporting.

If the directive aims to improve the sustainability engagement, within the corporations in the EU it might be disappointing considering no large improvement is made organization wise. Sustainability is in itself a vague process and the goals for sustainability can always be set higher than what it is today. Ambitious goals are needed in sustainability to achieve a sustainable development. Seen from this perspective it could be a loss of the main purpose of

the directive if large Swedish companies can continue reporting as they have done before with no further development or further implementation of sustainability. An improvement of the directive could however not be done until each member state is following the present directive standards, at least without demanding extensive structural changes within the countries. Moreover, ACCA (2017) discusses the importance of integrated reporting in order to get a long term working corporation process from a holistic spectrum of the company. This is exemplified by answer provided by respondent 12 who says the company has implemented a diversity policy in the board in order to comply with the directive. According to ACCA's (2017) argument for increasing integrated reporting and its reliability could be a result of having internal control systems, such as diversity policies. This improves the legitimacy and understanding, and improves decision-making through a holistic view of the company. Therefore, it seems like it could be beneficial and that there is a need of integrated reporting. This could enhance comparability of sustainability reporting (ACCA, 2017), which aligns with the main purpose of the EU-directive.

Another aspect is that it seems like the Swedish companies require only to make small changes to comply with the new EU-directive but the question is how fast all large companies can change if the directive would be stricter formulated. Johan Carstedt (2018) means that larger companies often adapt new trends and norms slower than smaller companies. With this information, a stricter and more clear formulation of the directive might be counterproductive for larger companies in their adaptation and development of corporate sustainability. This is of course something the EU do not want to risk, which might be one of the reasons for the EU to make the first directive open for interpretations. On the other hand, the interviews indicate the Swedish companies did not have to undergo any major changes in order to adapt to the directive. If there is no change for corporate sustainability due to the directive, this is a strong indication that it has not been efficient enough and the main purpose is not fulfilled, at least seeing from a national perspective in Sweden. All corporations do need to improve their sustainability development as no corporation is fully sustainable.

In contrary to the previous paragraph, Oliver (1991) discuss the risk of not taking new regulations seriously and not fully complying, because of unclear instructions, purpose and goals. Considering the directive and the empirical results, vagueness is a factor to consider when discussing improvements. The companies seem to be positive or neutral to the directive but on the other hand they have not changed their organization to any larger extent. As the

requirements and the directive is somewhat undefined this might be what Oliver address by discussing the risk of unseriousness. In the end it is a question of what is interpreted and who is interpreting the directive, which leaves room for interpretation and strategic responses to the EU-directive.

When asking the respondents how the directive could be more useful, the question was interpreted as how could the guidelines support their reporting, which is not necessarily the same as increase sustainability implementation. Respondent 2 also asked for more clear instructions in the guidelines. This can be a hint of the proportion of insecurity there is amongst large Swedish companies. DiMaggio and Powell (1983) explains, mimetic isomorphism is a result of insecurity and the need of a safe and beneficial system. However, more than complying with the law is a way for large Swedish companies to avoid costs and sanctions and gain legitimacy when taking part in the system of over complying. This is why this could be seen as a normal process in organizational changes due to the EU-directive, companies want to create a correct report but not putting too much risk and resources on it. Today there seems to be a consensus of the need of a sustainability report which is reflecting the reality. Respondent 7 address the potential need of an EU-directive on accounting frameworks and respondent 2 claims the need of reliability that all companies are sustainability reporting properly with no possibility to escape the law. It is therefore clear that large Swedish corporations do need the non-financial report to be a genuine description of a company's performance and not only a marketing tool to gain legitimacy.

5. Conclusion

The empirical findings allow a great insight in large Swedish companies' relation to the guidelines of the EU-directive. All examined companies have a positive or neutral attitude towards the directive, its guidelines and its purpose. However, the directive has not affected the organizations to a large extent, when it comes to sustainability implementation. The general opinion is that the directive is vaguely defined and therefore it is difficult to know what to report. This has made companies, in general, follow their old sustainability standards, i.e. GRI-standards. Even though no major changes have been made due to the EU-directive, it has opened the discourse and has to some extent increased the proactiveness regarding corporate sustainability. From a Swedish perspective, the desire for more guidelines and best practice examples are reactions from the respondents to make the directive as useful as possible for sustainability reporting.

As a conclusion, almost all respondents admit they continue as usual, even though they need to report according to the EU-directive. This prove the directive is either too vaguely defined, or has too low standard, perhaps both, for large Swedish companies to improve their sustainability reporting standards. However, due to the scope of this research, limited to large Swedish companies, the investigation is not on the EU-directive from a holistic point of view. If further research were to be conducted, it would be interesting to analyze how companies got influenced by the EU-directive on an international level. Also, to study how companies not included directly by the directive got influenced, whether there has been any spillover effects on smaller companies. Whether there is any difference in the outcome of the directive depending on early or late adopters of sustainability reporting on non-financial information could also give valuable information on the influence by the EU-directive.

Finally, how have the guidelines in the EU-directive influenced large Swedish companies in their implementation of sustainability? If the guidelines and the EU-directive is the final outcome of regulations by the EU of sustainability reporting in promoting corporate sustainability, it has to be considered as ambiguous. On the other hand, if it is the first step towards a more extensive directive, it does provide a great first step for many countries in their sustainability implementation even though Sweden is not greatly affected at this stage.

6. References

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