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Carrot or Whip of Sustainability Reporting? Alignment of EU-Level Objectives and Finnish Firms' Interests in the CSRD Standards

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Abstract

This thesis studies the alignment between the global regulatory objectives of the European Union's Corporate Sustainability Reporting Directive (CSRD) and the local experiences of Finnish reporting companies. Based on standardization theory, the study explores how the CSRD's standardized requirements align with the practical realities and interests of firms during the directive's first year of implementation. The research adopts a qualitative multiple case study approach, utilizing semi-structured interviews with sustainability professionals from large and medium-sized Finnish listed companies.

The findings reveal both areas of alignment and misalignment between EU-level goals and firm-level experiences. While companies generally support the CSRD's aims of enhancing comparability, transparency, and digitalization, they also face challenges related to interpretation of regulation, resource intensiveness, and the risk of compliance-driven reporting. The study identifies key factors that facilitate alignment, including organizational context, leadership support, and the responsiveness of the standard to market needs. The results contribute to theory by extending research on the importance of contextual fit, stakeholder inclusion, and implementation support in regulatory standard-setting. Practically, the study offers a benchmark for peer organizations and insights for policymakers to refine future sustainability reporting frameworks.

Keywords CSRD, sustainability reporting, standardization, regulatory alignment

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Tiivistelmä

Tämä tutkielma tarkastelee Euroopan unionin uuden yritysvastuuraportointidirektiivin (CSRD) globaalien tavoitteiden ja suomalaisten raportointiyritysten kokemusten välistä yhteensopivuutta. Tutkimus perustuu standardointiteoriaan ja selvittää, miten CSRD:n standardoidut raportointivaatimukset vastaavat yritysten käytännön tarpeita ja intressejä ensimmäisen raportointivuoden aikana. Tutkimus toteutettiin laadullisena monitapaustutkimuksena, ja aineisto kerättiin teemahaastatteluilla suurten ja keskisuurten suomalaisten pörssiyritysten vastuullisuusasiantuntijoilta.

Tulokset osoittavat sekä yhteneväisyyksiä että ristiriitoja EU-tason tavoitteiden ja yritysten kokemusten välillä. Yritykset tukevat yleisesti CSRD:n tavoitteita raportoinnin vertailtavuuden, läpinäkyvyyden ja digitalisaation edistämiseksi, mutta kohtaavat samalla haasteita liittyen regulaation tulkintaan, resursseihin ja puhtaasti lain noudattamiseen painottuvaan raportointikulttuuriin. Tutkimus tunnistaa keskeisiä tekijöitä, jotka edistävät tavoitteiden ja käytännön yhteensopivuutta, kuten organisaation konteksti, johdon tuki ja standardin markkinalähtöisyys. Teoreettisesti tutkimus syventää ymmärrystä sääntelyyn perustuvasta standardoinnista korostamalla kontekstisidonnaisuuden, osallistavuuden sekä tuen ja ohjauksen merkitystä. Käytännössä tutkimus tarjoaa vertailupohjan muille yrityksille ja suosituksia tulevien vastuullisuusraportointistandardien kehittämiseksi.

Avainsanat CSRD, kestävyysraportointi, standardointi, sääntelyn yhteensopivuus

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Preface and acknowledgements

Firstly, I want to thank my thesis supervisor Dr Esko Penttinen for his insightful advice and guidance throughout the process.

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Abbreviations

CSR	corporate social responsibility
CSRD	Corporate Sustainability Reporting Directive
EFRAG	European Financial Reporting Advisory Group
ESG	environmental, social, and governance
ESMA	European Securities and Markets Authority
ESRS	European Sustainability Reporting Standards
EU	European Union
GRI	Global Reporting Initiative
NFI	non-financial information
NFR	non-financial reporting
NFRD	Non-Financial Reporting Directive
XBRL	eXtensible Business Reporting Language

1 Introduction

The Corporate Sustainability Reporting Directive (CSRD) is a European Union policy approved and published in 2022 (European Union, 2022). It mandates large companies and other public entities within the EU to disclose specific, finance-grade information on their corporate social responsibility (CSR) activities (European Commission, 2023a). The CSRD replaces the previous Non-Financial Reporting Directive (NFRD) and introduces a phased implementation schedule: the first sustainability reports under the CSRD will be published in 2025, covering the 2024 financial year, with full compliance expected by 2028 (European Union, 2022; Yamamoto, 2023). The NFRD, non-binding in nature, did not produce the desired improvements in the quality and comparability of sustainability disclosures (European Union, 2022). In response, the CSRD introduces mandatory reporting standards aimed at enhancing transparency, accountability, and comparability. These changes are intended to improve stakeholders' understanding of firms' environmental, social, and governance (ESG) performance, thereby supporting more informed decision-making and directing investments toward sustainable businesses. Ultimately, the directive seeks to advance the objectives of the European Green Deal (Yamamoto, 2023).

A useful lens through which to examine the CSRD is the theory of standardization, as sustainability reporting frameworks function as regulatory standards. Standardization refers to the formulation, diffusion, and adoption of standards (Timmermans and Epstein, 2010). Its primary objectives include achieving compatibility, coordination, and comparability through harmonization. In the context of sustainability reporting, compatibility ensures that reports are comparable and usable across firms. Standardization can also enable the diffusion of innovations and confer competitive advantages to early adopters (Farrell and Saloner, 1985; Katz and Shapiro, 1985). Moreover, standardized processes enhance transparency, accountability, and legitimacy (Timmermans and Epstein, 2010). When aligned with market needs, standards can foster innovation, economic growth, and investment, benefiting both firms and the broader economy (Shin, Kim and Hwang, 2015).

However, standardization also presents several challenges. Standards often favor large firms with greater resources to implement and influence their development. Compliance can be difficult, particularly when regulations are misinterpreted (Hummel and Rötzel, 2019). From the regulators' perspective, the window for effective policy influence is limited, and decision-making processes may suffer from unequal stakeholder representation, reducing legitimacy (Greenstein and David, 1990). Another key issue is cross-industry comparability: achieving it requires broadly applicable standards, yet mandates must also avoid generic, boilerplate language and promote detailed disclosure (Christensen, Hail and Leuz, 2021). Successful diffusion of regulatory standards depends on alignment between regulatory objectives and the realities faced by firms, as well as consideration of key implementation challenges (Abbott and Snidal, 2001).

Existing literature reveals a gap between the theory of international regulatory standard development and implementation, and the field of sustainability reporting mandates. This study aims to bridge that gap by examining the alignment between the interests of standard developers and implementers in the context of the CSRD. Additionally, national reporting practices within EU member states may pose challenges to achieving comparability (La Torre, Sabelfeld, *et al.*, 2018; La Torre *et al.*, 2020). Accordingly, this thesis focuses on the experiences of Finnish companies.

The research adopts a qualitative approach, exploring the experiences of sustainability managers and professionals responsible for CSRD reporting in large and medium-sized listed Finnish companies. Through interviews, the study investigates the transition to CSRD reporting, the challenges encountered, and the firms' perspectives on the desired direction of CSR disclosure. These insights are then compared to the global objectives of the directive's developers and standard-setting bodies to assess the degree of alignment.

The study seeks to identify the factors influencing alignment, the challenges faced during implementation, and potential opportunities for improving alignment. The findings aim to inform the ongoing development of the CSRD and future regulatory efforts in CSR reporting. Practically, the results offer a benchmark for firms

navigating the first year of CSRD reporting and provide guidance for those preparing for future compliance phases.

1.1 Research problem and question

The CSRD represents a significant shift in the EU's approach to sustainability reporting, aiming to enhance transparency, comparability, and accountability across member states. While the directive is grounded in global objectives such as harmonizing ESG disclosures and supporting sustainable investment decisions, it must be implemented by firms operating within diverse national contexts. This creates a potential tension between the standardized expectations set by regulators and the practical realities faced by reporting companies.

The research problem is understanding whether and how these global regulatory aims align with the experiences of firms tasked with implementing the CSRD. Standardization theory suggests that successful diffusion of standards depends on their compatibility with the needs and capacities of adopters. However, challenges such as resource constraints, interpretative issues, and sector-specific reporting characteristics may hinder alignment. As national reporting practices and institutional contexts may differ from broader EU assumptions, it is essential to assess how firms perceive and respond to the directive's requirements.

To address this problem, the study poses the following research question:

- **How do the global objectives of standardizing sustainability reporting in the CSRD align with the local experiences of the reporting companies?**

This question guides the examination the directive's implementation from the perspective of Finnish firms. The aim is to identify factors that influence alignment and to contribute insights for improving the effectiveness and legitimacy of sustainability reporting regulation.

1.2 Scope of the study

The scope of this thesis is limited to large and medium-sized listed firms operating in Finland that are subject to the CSRD reporting requirements. The research concentrates on the first phase of CSRD implementation, examining how these companies interpret, adopt, and respond to the directive and the associated ESR standards. The study does not aim to evaluate the overall effectiveness of the CSRD across the EU, but rather to provide an analysis of its reception and practical implications within the Finnish corporate context.

The main concepts explored in the study include standardization, sustainability reporting, and regulatory alignment. The research draws on standardization theory to assess how well the CSRD's standardized reporting framework corresponds with the realities and interests of Finnish firms. While the study acknowledges the broader institutional and political dimensions of sustainability regulation, it does not delve into the legislative process behind the CSRD or analyse other member states.

1.3 Structure of the thesis

The thesis is divided into five chapters and is structured as follows: Chapter 1 introduces the topic and research problem as well as defines the research questions, scope, and structure of the study. Chapter 2 reviews existing literature related to sustainability reporting, regulatory standardization, and the CSRD. It develops a theoretical framework that guides the empirical analysis. Chapter 3 presents the methodology of the study, detailing the qualitative research design, data collection through interviews, and evaluates the trustworthiness of the study. Chapter 4 analyzes the results of the empirical data, focusing on the experiences of Finnish reporting companies and their perspectives on CSRD implementation. Finally, Chapter 5 discusses the findings in relation to the theoretical framework, evaluates the contributions of the study, and reflects on implications for future regulatory development and corporate sustainability reporting practices.

2 Literature review

This chapter covers previous research on the topics of the thesis and acts as a basis for formulating a theoretical framework for the empirical part of the study. The chapter is divided into three sections. The first part overviews prominent and relevant theory about standards and standardization, such as standard-setting processes, regulations, and international standards. The second part, in turn, examines similar themes in the context of sustainability reporting, such as CSR reporting frameworks and mandatory reporting standards. The last section utilizes the findings from standardization and CSR reporting theory to develop a theoretical framework, which is used in the empirical research to assess the alignment of global and local interests in regulatory CSR reporting standards.

2.1 Standards and standardization

This section aims to explore relevant literature regarding standards and standardization. It is divided into four parts, the first of which attempts to define standards and standardization as well as cover their history in brief. The second part explains the most common objectives, pursued benefits, and challenges of standardization in literature. The third part covers research about standard-setting processes as well as their related advantages and disadvantages. The last part examines relevant literature on standards in international contexts and how international standardization emerges.

2.1.1 Definitions and background

As a term, standards date back to the 1400s (Timmermans and Epstein, 2010). The need for standards emerged when cross-national and international mobility started, and production processes and goods were transported between societies, and diverse products and manufacturing processes needed to be coordinated to tackle compatibility issues (Timmermans and Epstein, 2010). Drawing on Timmermans and Epstein's definition, standards aim to equivalize or harmonize aspects of the world across varying cultures, geographical locations, and different situational contexts through agreed upon rules. They are meant to guide, organize, and assess behaviours

and actions towards a collectively accepted manner (Abbott and Snidal, 2001; Timmermans and Epstein, 2010). Timmermans and Epstein also highlight that standards are usually "developed and adopted through explicit procedures". According to them, most standards are developed collectively, making their creation is a social act. By this definition, standards are a form of coordinative activity, and thus challenging to separate from, for example, norms and conventions.

Indeed, there are many viable definitions for a standard, largely depending on the context and industry the standard is applied in. It is often defined in a technical manner in relation to the conventional manufacturing industry, especially in earlier studies. David and Greenstein (1990) define standard as "a set of technical specifications adhered to by a producer, either tacitly or as a result of a formal agreement". Similarly, Shin, Kim, and Hwang (2015) refer to standards in manufacturing as a set of quality norms or criteria. Such as David and Greenstein's, many definitions also highlight the authority or role of the standard-setter. Farrell and Saloner (1985) refer to standards as something set by formal industry groups, industry leaders, or consumers through demand.

Standards can be categorized according to various dimensions. Regarding their scope, they can be standards for a specific field or industry, national, or international use. Thematically, standards can be divided into virtually endless categories: there are standards for labour, human rights, food, safety, education, et cetera. A more general, cross-industry applicable categorization divides them into design, terminological, performance, and procedural standards. Design standards define objective properties and features for products, processes, and services. Terminological standards stabilize meanings for different contexts. Performance standards define outcome specifications for actions, and procedural standards describe how to conduct certain processes. Overall, different types of standards can differ regarding scope, specificity, flexibility, and many more dimensions. (Timmermans and Epstein, 2010).

Standardization, in turn, emerged as a term in the late 1800s as the phenomenon became relevant in science experiments and manufacturing issues (Timmermans and Epstein, 2010). Put simply, it refers to the formulation, diffusion, and adoption of

standards. In a sense, standardization is the act or process of setting standards and the outcome of it. The standardization process includes many different forms of standard-setters. It can involve scientists, engineers, industry representatives, nations, jurisdictions, standard-setting organizations, and activists. Each entity has a role in standard-setting, such as bringing technical and industry expertise, practical experience, or legitimacy (Timmermans and Epstein, 2010).

2.1.2 Objectives and challenges

Standards are set for several reasons that aim to achieve various objectives. As with defining standards, the reasonings in literature are largely based on technical examples. A prominent objective for setting a standard is to reach compatibility, coordination, and comparability through harmonization, whether that be for products and software or processes and actions (Farrell and Saloner, 1985; Timmermans and Epstein, 2010). In a technical context, compatibility can be defined as the ability to utilize a product or service provided by one company in or as a complement to another company's product (Katz and Shapiro, 1985).

Compatibility can lead to network externalities or more familiarly, the network effect, which means that a product or service is more valuable to users the more others have or use it (Farrell and Saloner, 1985; Katz and Shapiro, 1985). The utility that users derive through network effects depends usually on the size of the network, which can vary across industries and markets. Standardization can increase network effects by consolidating the market so that the relevant network extends (Katz and Shapiro, 1985). Resulting from this, compatibility achieved through standardization offers ease of use and flexibility for users of the product or service. In the context of standardized reporting, for example, compatibility implies that the sustainability reports of companies are comparable to each other and their "user" can utilize them in the same way. It creates economies of scale on the demand side, because the more entities utilize a product or a service, the more available and affordable it will be (Farrell and Saloner, 1985).

Following network effects, standardization may be a prerequisite for the success of new services and technologies, as benefits of compatibility are important to users,

who are unwilling to adopt incompatible systems (Farrell and Saloner, 1985; Katz and Shapiro, 1985). Thus, it can act as an enabler for the diffusion of new innovations and give competitive edge to the companies embracing it. Relatedly, if standards are generated through policies, they can have positive effects on national innovation policies to derive economic growth. Standards can act as key tools for nations in developing technological knowledge in the economy, demonstrating that regulatory standardization can match the objectives of firms' local interests. According to Shin, Kim, and Hwang (2015), when a standard is in touch with real market needs, it can create innovation, growth, and secure investments, offering benefits for companies and the market or national economy.

Additionally, standardized processes are often more transparent, facilitating accountability and legitimacy of firms (Timmermans and Epstein, 2010). This can result in the added benefit of reputational improvements and image enhancement for firms as perceived by their customers and other stakeholders. Standardization can also offer firms the benefit of cost savings (Farrell and Saloner, 1985). In a manufacturing context, companies can achieve greater scale economies through standardization of components and products, as it enables them to supply from a broader supplier base, which in turn saves costs. In the context of information processing, standardization of systems enables savings in time, as less effort is required to learn new systems. (Farrell and Saloner, 1985). Often standardized systems are optimized regarding many dimensions and may prove to be more cost-effective than customized choices.

Although standardization offers possibilities for positive outcomes for firms and markets, it does not stand immune to criticism. The economic effects it poses for market structure and anticompetition are a key concern according to Farrell and Saloner (1985). Standards tend to favour large firms that have more resources and strategies to affect the development of the standards to their advantage. In the case of industry leaders being capable of setting standards, they may inflict disruption and damage to smaller competitors. Standards may discourage or even prevent market entry, particularly of new, emerging technologies, which is rather contrary to the perspective that standards can act as encouraging or fostering innovation. Similarly,

Shin, Kim, and Hwang (2015) found that firms who adopt standards display evidence of declining intellectual property (IP) activity, supporting that standardization can hinder firm's IP and innovation efforts. If standardization prevents differentiation of products or services, it can be a competitive disadvantage for firms. This also poses a reduction in variety and loss in innovation for buyers and users, with less diverse needs served on the market. Simplified, there is always a trade-off between differentiation and economies of scale. (Farrell and Saloner, 1985).

As standards are set to achieve certain objectives, usually harmonization through compatibility, they foster practices and technologies that serve primarily this purpose and might be inferior to state-of-the-art solutions, which in turn, can cause losses in efficiency and other capabilities (Farrell and Saloner, 1985). The efficiency of standards has also been discussed in the context of their establishment process. As developing and changing standards can be slow and inflict switching costs for companies or momentarily lose network effects, the market often does not switch when it should but demonstrates excess inertia (Farrell and Saloner, 1985). The ability of standards to achieve their theoretical objectives has also been discussed on a higher level. Non-technical standards, such as certifications, may be perceived as merely "empty shells" that firms utilize for reputational and compliance purposes but provide no real impacts (Timmermans and Epstein, 2010).

Despite the diverse criticism that standards face, they have stabilized their position as instruments to harmonize and coordinate various processes to reach desired outcomes. Achieving the objectives of standardization depends largely on the standard-setting process in question, which can provide grounds for success or more challenges (Farrell and Saloner, 1987; Greenstein and David, 1990).

2.1.3 Standard-setting processes

Standardization is a sub-area of governance (Abbott and Snidal, 2001), as its purpose is to guide, govern, and harmonize actions. Standard-setting follows a process, which is usually guided by well-specified procedures and phases (Farrell and Saloner, 1985) depending on the standard-setting mechanism. Additionally, the nature of the creation process can vary depending on the area of standardization (Abbott and

Snidal, 2001). As a phenomenon, the process can be observed from two perspectives: on the demand side, how standards are adopted and diffused by users in local contexts and on the supply side, how they are created and promoted by standard-setting organizations or leading firms with a global perspective. Greenstein and David (1990) have studied the standard-setting mechanisms and their processes quite extensively. Standards can be set through two general mechanisms: market competition and formal standard-setting.

De facto standards refer to standardization through market competition, where standards emerge from a consensus among stakeholders (Greenstein and David, 1990; Timmermans and Epstein, 2010). According to Greenstein and David, a common de facto situation is market competition with sponsored standards, when firms in an industry adopt practices from a leading firm with proprietary control. Market competition with unsponsored standards is also a possible situation. It means that there is no identified originator for a standard and no company has enough market dominance or proprietary interest in relevant standards to lead market choices. Hence, market mechanisms do not always achieve standardization, and there are industries where incompatible systems and practices are in use and harmonization efforts lag even though standardization would offer benefits. This system is imperfect, when there is no clear or predetermined leader to set a standard and when there are different preferences across standards. Such a situation could occur when a needed standard concerns virtually all industries, which is the case for sustainability reporting format, for example. (Greenstein and David, 1990).

De jure standards, on the other hand, are developed or established through a top-down approach by formal standard-setting organizations (Timmermans and Epstein, 2010). According to Greenstein and David (1990), de jure standards are also divided into two cases: voluntary standard-writing organizations and direct (governmental) regulation. Voluntary standardization through organizations is also referred to as committee-based standardization, especially in earlier literature (Farrell and Saloner, 1985). Committees form of firms, organizations, and experts and they collect, disseminate, and coordinate standards in various industries (Farrell and Saloner, 1987), and are a combination of the participants' interests and motives (Greenstein and

David, 1990). They are characterized by formal and often complicated processes for developing standards or reviewing them. A well-known example of a committee is the International Organization for Standardization (ISO), which attempts to harmonize standards internationally. Like many other standard-setting organizations, its aim is to achieve greater common good by discovering optimal solutions to recurring problems in an industry through voluntary compliance of standards (Timmermans and Epstein, 2010).

Standardization may be organized through committees, because they are intended mechanisms for achieving coordination. Decision-making regarding standards in committees is preceded by explicit communication and negotiation, which is not the case for market-based mechanisms. In this sense, committees are examined to be more likely to achieve coordination and outperform market mechanisms, although they tend to be slow. Communication and commitment to adopt a standard through an agreement set by a committee solves the market issue of not necessarily having a leader whose bandwagon to join. (Farrell and Saloner, 1987).

However, the committee mechanism is by no means perfect. In addition to being rather slow, it is characterized by a principle of voluntary standard-setting that requires consensus for decisions. This can lead to inertia in reaching the committee's goals and hampers the creation of standards. Additionally, when committees aim at developing anticipatory standards, i.e., before a certain product or service exists, they use reference standard frameworks. This highlights the lack of innovative solutions and awakens a concern regarding if committees are merely rewriting old ideas (Greenstein and David, 1990). Farrell and Saloner (1987) find that a hybrid mechanism, a consortium of firms, could yield greater standardization payoffs than a committee. It would draw the benefits of both mechanisms with more chances to coordinate than at the market-level, but less time required to do so than in a committee. This implies that the participation of entities that the standard applies to, such as firms or nations, in the standard-setting process can create better outcomes.

As mentioned, Greenstein and David (1990) separate direct regulation from committees as a form of de jure standardization. Direct regulation as a mechanism

emerges when a specific agency regulates the industry, when the standard would affect important national (or regional) goals, or when voluntary industry standardization has led to stifling of competition. The intervention by authority is often justified based on the aims of standards to achieve 'public good'. However, developing regulatory standards has its own concerns. There is a limited window of time where policy can effectively influence the standard matter, before the market locks in a de facto standard. Relatedly, when a regulatory body has the most influence over a certain matter, they often have the least information about what should be done about it – meaning that they are essentially leading blind. Usually, there is also an unequal representation of relevant parties regarding the standard present in the decision-making process, making the process less informed and legitimate. It has been studied that regulatory standardization also tends to protect old standards at the cost of optimal or efficient solutions. Additionally, standards may be used to promote national goals even when they are conflicting with global, optimal outcomes. The European Union (EU), for example, attempts to tackle this by issuing standards at a regional level instead of national governance. (Greenstein and David, 1990).

Due to the above challenges regarding standardization by governing bodies, Greenstein and David proposed suggestions for good regulatory standard-setting. Firstly, agencies here should rely on relevant existing industry assessments rather than spending time conducting their own. Next, they should not mandate standards that might soon expire or require revision. Third, signs of ineffective or premature standardization efforts should be considered, meaning that industry reactions to standard development and attempts to break the standard are important to notice. Last, in formulating the contents of a standard, performance measures as guides are preferable to design specifications. However, this can depend on the primary objective of the standard. For example, in the case of the European Commission's Corporate Sustainability Reporting Directive (CSRD), the goal is to harmonize companies' sustainability reporting processes so that the reported information is comparable, which would justify design specifications in the standard. This may often be the case in more international standards, demonstrating how the scope and context may

require unique considerations in standard-setting processes (Greenstein and David, 1990).

2.1.4 International standards

The previous section introduced some examples of standard-setting processes and bodies in international contexts. Abbott and Snidal (2001) define international governance in the area of standardization as "the formal and informal rules, roles, and relationships that define and regulate the social practices of state and nonstate actors in international affairs". According to them, it is important to separate the terms governance and government – although standards can be enforced through a regulatory de jure process, international standards may also be voluntary and nevertheless governed by formal organizations or private actors. Standards as a form of international governance are often used to drive collective wellbeing or create efficiency gains by guiding and controlling individual behaviours, also called externalities. Actors involved in a scenario may prefer different standards to achieve these outcomes or different processes to set the standard in place. To explain the need for international standards, Abbott and Snidal studied how these different externality problems in standardization lead to international governance. Depending on externality types, four problem scenarios that create demand for international standards can be categorized: technological interconnectivity, transactional interconnectivity, physical externalities, and policy externalities. (Abbott and Snidal, 2001).

	Network externalities (Coordination)	**Traditional externalities (Prisoners' Dilemma)**
Technological/ physical externalities	I Technological interconnectivity	III Physical externalities
Regulatory externalities	II Transactional interconnectivity	IV Policy externalities

Figure 1: Problem scenarios of standards (Abbott and Snidal, 2001).

Technological interconnectivity problems call for common standards for technologies to ensure compatibility. This situation usually results in de facto or private governance processes, as leading firms or formal organizations initiate standards. However, governing bodies can reinforce this private standard-setting by incorporating the created standards in building common rules. For example, the European Commission chose the widely accepted eXtensible Business Reporting Language (XBRL) standard as the reporting format in the CSRD. (Abbott and Snidal, 2001).

Transactional interconnectivity problems, on the other hand, call for transaction standards for commercial interactions. Transaction standards often serve public purposes, such as the harmonization of accounting standards, which is why such standardization efforts often have grounds for regulatory policy. Private standard-setting is still typical, but especially when transactions involve a larger base of participants, greater standardization is desirable. The example of the CSRD applies here as well, but from the perspective of the EU harmonizing member state law in accounting non-financial information. (Abbott and Snidal, 2001).

In physical externality problems, participants should reach a common goal of stopping harmful behaviour to gain collective good. For example, social and environmental problems often fall in this category. The key challenge is that states and firms may have differing opinions on the optimal amount of externality allowed, which is why international governance is required. Here, the third trait of Greenstein and David's good governmental standard-setting process applies: the standards do not need to mandate all international participants to act the same, but the rules should be expressed as targets. However, without legislation, these international solutions must often be created by agreement, i.e., regulatory treaties, such as the Paris Climate Agreement. (Abbott and Snidal, 2001).

Lastly, in policy externality problems, differing national policies can create issues of inefficiency. International harmonization is optimal and collectively preferred, but unilaterally impossible to achieve. This creates demand for international regulatory standards to harmonize policy. (Abbott and Snidal, 2001).

Deriving from the results of this analysis, Abbott and Snidal present implications on how international standards should optimally be set. Firstly, selecting the appropriate governance method requires extensive comparative institutional analysis. Typically, there is a need for a mix of private and public governance to achieve standards. Secondly, the level of governance (national, regional, global) should be selected considering the problem's scope. For example, the EU has a principle of subsidiarity which states that standards should be handled at the lowest level of government able to address them effectively. In general, effective standards must apply to all participants that affect or are affected by the externalities. All these actors should also be represented in the standard-setting process. However, this is easier said than done, as the application and adoption of standards is hindered by the fact that in most cases, all actors simply cannot be included. (Abbott and Snidal, 2001).

Resulting from the above, the disproportionate influence and participation can be a challenge in international standards-setting. Accounting for all participants' views burdens the process, and heterogeneous desires of actors create further bargaining problems. Hence, international standards and governance processes tend to be easier between states and actors that are similar in context, such as in the EU. Generally, global and local interests may conflict in international standard-setting, as national organizations want to protect the interests of domestic firms by driving certain standards that differ from the optimal solutions on an international level (Farrell and Saloner, 1987; Abbott and Snidal, 2001). Differing externality scenarios actualize in many areas of governance, including sustainability, as was highlighted by the various examples. Sustainability reporting, especially, is an area of corporate social responsibility (CSR) in which international standards have been called for.

2.2 Sustainability reporting

This section dives into literature about corporate sustainability reporting. It is divided into six parts, the first of which attempts to define relevant terms and summarize the history of reporting efforts. The second part overviews literature on the development of CSR reporting standards and frameworks, and addresses issues related to their

harmonization. The third part explores digital reporting and more specifically, XBRL as a technological reporting tool, as well as its implications in sustainability reporting standards and mandates. The fourth part reviews research regarding regulatory CSR reporting standards, their objectives, and challenges. The fifth part draws findings from studies about the NFRD to develop an understanding of regulatory sustainability reporting standards in practice. Finally, the sixth section introduces the CSRD and its current state in regulating CSR reporting in the EU.

2.2.1 Definitions and background

Research regarding general firm reporting efforts and especially financial reporting is extensive. Financial reporting or disclosure refers to the communication of a firm's financial information through regulated financial reports like financial statements, but there can also be voluntary communication about a firm's information (Healy and Palepu, 2001). In this thesis, reporting refers to the provision of explicit disclosures about firm information for internal and external stakeholders in official report documents. Traditionally, reporting has been an important tool for firms to communicate their performance, strategy, and governance to investors, and a crucial factor for achieving efficient capital markets (Healy and Palepu, 2001). The purpose of public corporate disclosure as mitigating information asymmetries in the market as well as agency conflicts between firm management and investors (Healy and Palepu, 2001; Christensen, Hail and Leuz, 2021).

As the key objective for reporting is mitigating information asymmetries and informing firm stakeholders and market participants, standardization of disclosure efforts is a relevant theme in accounting research. Regarding the benefits of standardized reporting, Tschopp and Nastanski (2014) examine the importance of harmonization in accounting, stating that increasing comparability of reporting practices reduces variation between entities in the market. Similarly to previous standardization research, the harmonization of reporting in accounting lowers trade barriers by decreasing required reporting translation costs and improving availability of information. Following this, investments and economic growth are encouraged, as harmonized standards increase credibility of reports, and they are easier for investors

and other stakeholders to read and analyse. Zarb (2006), conformingly, highlights transparency, comparability, and reliability as key benefits from the standardization of financial reporting.

Sustainability reporting, more specifically, refers to providing information about firms' corporate social responsibility (CSR) matters for stakeholders through formal communication (Hahn and Kühnen, 2013). CSR is defined as firm activities that measure, manage, and drive its efforts and impacts related to environmental, economic, and social performance, the goal of which is to improve welfare and sustainability (Christensen, Hail and Leuz, 2021; de Oliveira, Menezes and Fernandes, 2024). The concepts of CSR and sustainability overlap on many dimensions (de Oliveira, Menezes and Fernandes, 2024), and are used interchangeably in this thesis. Consistent with financial disclosure, sustainability reporting aims to increase transparency, legitimacy, accountability and reputation of firms (Hahn and Kühnen, 2013).

Figure 2: CSR reporting concepts (Hahn & Kühnen, 2013).

CSR reports differ from financial ones essentially in the sense that they serve not only investment purposes but a wider network of stakeholders. The need for firm

accountability has stemmed from public awareness, stakeholder pressures, and social concerns over the matter. Although CSR reporting has seen new heights in the recent years, some social and environmental dimensions have been reported by firms ever since financial reporting emerged (Marlin and Marlin, 2003). More extensively, environmental concerns arose in the 1960s and 1970s by activists and the public, demanding firms for accountability. The early attempts, however, were limited in scope and success as there were no commonly accepted standards to define what information was to be reported and in which format. Thus, ESG disclosure later resurfaced in the 1990s with what Marlin and Marlin coin as the second phase of CSR reporting. Information was more available, quantifiable, and possible to verify, increasing credibility. Simultaneously, socially responsible investing (SRI) emerged, pushing demand for CSR reports even further. (Marlin and Marlin, 2003).

In the 21st century, there have been further pushes for increased information regarding ESG matters, resulting in the third stage of CSR reporting (Marlin and Marlin, 2003). Now, the focus is on multiple stakeholders, especially investors and activists, to produce CSR reports as a support for their decision-making. There has also been a significant rise of assurance organizations providing credibility to reports. Together with this stage, SRI has increased just as much. Most companies, especially large corporations, produce CSR reports compliant with certain (voluntary) reporting frameworks, or standards, that have gained widespread acceptance (Marlin and Marlin, 2003). One of the most pressing concerns regarding CSR reporting today is the credibility of firms' disclosure to diverse stakeholders. Credibility of reporting can be enhanced through standardization by standard-setters and regulators (Healy and Palepu, 2001), which is why there has been a push towards more harmonized CSR reporting practices through voluntary and regulatory standards.

2.2.2 CSR reporting standards

As sustainability reporting has seen significant increases in the recent decades in both business and academia (Hahn and Kühnen, 2013), there have been developments in both voluntary and mandatory reporting frameworks as well as in national, regional, and international contexts. These frameworks, or CSR reporting standards,

attempt to govern how to disclose sustainability information (Christensen, Hail and Leuz, 2021). The general objective with CSR reporting standards, in accordance with the suggestions from standardization theory, is to reach comparability and compatibility of firm's external sustainability reporting so that the "users", or investors and consumers in the market, can access and analyse CSR reports of companies easily and decrease information processing costs (Christensen, Hail and Leuz, 2021).

As the process of harmonization is still actively going on for CSR reporting standards, comparing the timeline and challenges in the evolution of financial reporting standards could provide useful insights and be used as a benchmark (Tschopp and Nastanski, 2014). In financial disclosure, there was a similar period of transitioning from voluntary to mandatory reporting starting in the 1930s as legal requirements for firms' reporting emerged (Previts and Bricker, 1994). However, reporting did not properly meet stakeholders information needs until harmonized international standards for accounting were established by the International Accounting Standards Board (IASB) (Previts and Bricker, 1994). Standardizing reporting could provide the same benefits for CSR as it has for financial reporting, providing a case for international harmonization of sustainability reporting frameworks. A considerable difference is, however, that CSR reporting often has much more stakeholders and complex relationships between them, indicating that the process of reporting standardization will be slower (Tschopp and Nastanski, 2014).

As CSR reports cover a large range of various sustainability topics, there are just as many available frameworks focusing on different aspects of CSR. Some only address social matters, and others focus on environmental issues. Most commonly, frameworks are developed around triple bottom line reporting, which means that environmental, social, and economic activities are included in the standard (Hahn and Kühnen, 2013; Tschopp and Nastanski, 2014). Some reporting frameworks are very specific, whereas others are more general in the scope of their guidelines and recommendations. In general, sustainability-related standards can be divided into performance and technology standards (Jaffe and Stavins, 1995). Performance standards set boundaries for firm actions, for example, requirements to comply with certain emissions limits. Technology standards, in turn, are requirements for firms to adopt

and utilize certain equipment or processes in their activities (Jaffe and Stavins, 1995). In this context, CSR reporting standards are a form of technology standards, as they guide and govern the reporting processes of firms.

CSR reporting frameworks can be applied both in voluntary and mandatory reporting. Mandatory reporting standards are discussed in more detail in the section 2.2.4, as they are in the focus of this thesis. Voluntary reporting, as discussed, has historically been the main form of CSR disclosure (Hahn and Kühnen, 2013). In their study, Tschopp and Nastanski (2014) examine some of the most viable, globally recognized voluntary reporting frameworks and their performance against criteria. They state these as the Global Reporting Initiative's (GRI) G3, The United Nations Global Compact's COP, and the International Organization for Standardization's (ISO) ISO26000. These reporting standards all showcase a number of strengths and weaknesses, but the authors determine the GRI's G3 as offering most potential for firms' excellence in CSR reporting. (Tschopp and Nastanski, 2014). However, as any standards, sustainability frameworks come with their challenges. According to Jaffe and Stavins (1995), technology standards evidently constrain available technological choices for firms and can hence hinder innovation, demonstrating further conformity of sustainability standards with standardization theory. Christensen, Hail, and Leuz (2021) find similar results for CSR reporting, specifically, stating that disclosure harmonization efforts can hinder firms' innovation incentives.

Perhaps above all other challenges, building on the learnings from financial reporting mandates and voluntary CSR disclosure, sustainability reporting frameworks can cause issues regarding comparability, costs, and barriers on if they are not harmonized (Hahn and Kühnen, 2013). Research has examined a level difficulty in analysing CSR reports due to their incompatibility (de Oliveira, Menezes and Fernandes, 2024). As suggested by literature on standardization, certain scenarios with market challenges and various externalities create demand for regulatory intervention. In sustainability disclosure, research has shown that firms would ideally report against one collective standard than differing ones to drive comparability and consistency (Tschopp and Nastanski, 2014). Further, the standardization of CSR

reporting practices can improve communication and accountability, a key objective of corporate disclosure (de Oliveira, Menezes and Fernandes, 2024).

Tschopp and Nastanski suggest that a solution for harmonization could be found through collaboration between reporting organizations, such as the IASB's intervention in financial reporting. However, as the prior review of standardization research shows, committee-based voluntary standardization is not always possible or effective. Until now, the development and diffusion of CSR reporting practices has largely occurred via a bottom-up process instead of a top-down regulatory approach due to the versatility of stakeholders involved, which has created inertia in the process. The authors suggest future research possibilities in the role of regulations to harmonize and legitimize sustainability reporting frameworks (Tschopp and Nastanski, 2014). Hence, mandatory CSR reporting standards (discussed more extensively in section 2.2.4) could provide a viable solution to the lagging issues of reporting divergence.

2.2.3 Digital reporting and XBRL

A key development in modern reporting has been the diffusion of digital reporting technologies. Digital or electronic reporting, in general, refers to business information published and communicated in web-based formats (Beattie and Pratt, 2003). The rise of digital reporting has been driven by the developments in information technology and the impact of the internet, which have changed the ways of doing business and consequently, changes have been demanded in external reporting, as well (Beattie and Pratt, 2003). The benefits of digital reporting in contrast to traditional, static, and periodic reporting, include the ability to provide stakeholders with additional information, supporting the dissemination of CSR information in various formats, as well as navigation and search aids for users or the reports (La Torre, Valentinetti, *et al.*, 2018). Relatedly, digital reporting supports two-way communication, i.e., the interaction between the firm and its stakeholders (Beattie and Pratt, 2003). Overall, digital reporting tools enable firms to prepare consistent and comparable disclosure (XBRL International, no date). Resulting from various benefits, digital reporting can enhance corporate image and create competitive advantage for

firms as well as provide better access to information for its stakeholders (La Torre, Valentinetti, *et al.*, 2018).

Among various reporting technologies, the eXtensible Business Reporting Language (XBRL) is one of the most prominent standards to address the challenges of modern CSR reporting. A subset of eXtensible Markup Language (XML), XBRL is a computer language for electronic communication of business information (La Torre, Valentinetti, *et al.*, 2018). It follows the static first-generation technologies, such as PDF and HTML, as a second-generation digital reporting technology (La Torre, Valentinetti, *et al.*, 2018). XBRL consists of taxonomies and instance documents. Taxonomies refer to collections of reporting concepts, essentially the structures for reporting. Instance documents, in turn, are the electronic documents with business information. A key feature of XBRL is 'tags', which enable signalling information about certain report aspects. Tags act like barcodes, identifying the content and structure of the information tagged (La Torre, Valentinetti, *et al.*, 2018; XBRL International, no date). XBRL has the following guiding principles: completeness, conciseness, and connectivity. Completeness is enabled by the categorization schemes of taxonomies, which determine the extent to which information is reported and the required level of specificity. Conciseness, on the other hand, follows from the logical, hierarchical structure of taxonomies, which is effective for users drilling down on more precise information. Finally, connectivity is driven by the semantic definitions of taxonomy items and the explicit relationships between them, achieved using various linkbases. (La Torre, Valentinetti, *et al.*, 2018).

Utilizing technologies such as XBRL in reporting allows moving from traditional, static, and periodic reports to dynamic disclosures for various stakeholders. The benefits include more detailed reports and the possibility to add metadata, effective and customised information retrieval, and the machine-readability of reports, which allows for easier manipulation of data and automated analysis across platforms (Beattie and Pratt, 2003; La Torre, Valentinetti, *et al.*, 2018; XBRL International, no date). As the potential of XBRL is not limited to the reporting of financial data, its benefits in sustainability reporting are especially customised reports that enable interactive communication between firms and stakeholders.

Reporting frameworks and guidelines, as discussed in the previous section, attempt to harmonize voluntary sustainability practices but nonetheless, firms' CSR disclosure lacks comparability (Hahn and Kühnen, 2013). Together with regulation, technological reporting tools could possibly offer a solution towards more harmonized CSR reporting. XBRL, for example, enables information standardization and thus drives corporate transparency and comparability. (La Torre, Valentinetti, *et al.*, 2018; XBRL International, no date). Although best practices, guidelines, and frameworks regarding digital reporting have emerged, there is still need for a common standard to be established. In the context of digital reporting, the users of the technologies, i.e., the firms, should be the focus in the standard-setting process, but in reality, are often considered insufficiently (Beattie and Pratt, 2003), consistent with the findings regarding regulatory standardization. Beattie and Pratt suggest that the experiences of users of digital reporting should be studied to gain insights into developing functional reporting frameworks for international and regulatory use.

2.2.4 Regulatory CSR reporting standards

Regulatory or mandatory standards for sustainability reporting refer to formal legislation and its frameworks that govern what firms must report about their CSR activities and how (Christensen, Hail and Leuz, 2021). In general, regulations over business reporting can be justified given the argument that disclosure enhances the functioning of efficient markets, and regulating reporting efforts decreases market imperfections and externalities. Regulating reporting also decreases the information gap between market participant such as informed and uninformed investors (Healy and Palepu, 2001). Previously, sustainability reporting has been mandated mainly regarding specific topics under securities laws, as CSR information may affect the estimation of firms' finances and risks. More recently, jurisdictions have introduced holistic sustainability reporting standards into legislation (Healy and Palepu, 2001).

As discussed, the growth of CSR reporting is driven by the growing demand for sustainable investments and information about ESG activities, as well as need for comparable and verifiable information. As several characteristics of CSR reporting indicate a variance in firms' reporting practices, standardizing mandatory reporting

formats could impose certain benefits. Thus, jurisdictions are adopting sustainability reporting frameworks into legislation that increase the level and specificity of firms' sustainability disclosures. According to Christensen, Hail, and Leuz (2021), regulators' choice of framework may take two forms: narrow and wide. Narrow reporting frameworks focus primarily on investors' information needs and aim to cover the possible consequences of ESG issues on financial performance. Wide frameworks, in turn, address the perspectives of a broader group of stakeholders in society and attempt to drive change by incentivizing desirable behaviour with transparency (Christensen, Hail and Leuz, 2021).

Consequently, regulatory mandates on sustainability reporting have diverse impacts on various stakeholders. For equity investors, CSR reporting can affect estimations of firm value and risk, impacting financial outcomes but also increasing comparability and reducing information costs. Similarly, CSR disclosure can affect the predictability and impact of risk for firms' debtholders, so mandates can enhance comparability and decrease information costs. Through similar benefits, reports following standards can decrease forecast and information errors for analysts and the media. For customers and the general society, mandatory reporting could affect the credibility of firms to their stakeholders. Within a firm, regulatory CSR reporting according to standards could increase employee motivation and loyalty as well as improve internal data availability. Standardized reporting resulting in lower information costs also makes peer benchmarking easier for firms, increasing the adoption of best practices with potential to improve overall ESG performance. Additionally, an incentive for firms to adopt these standards is avoiding sanctions due to noncompliance (Hummel and Rötzel, 2019). (Hahn and Kühnen, 2013; Christensen, Hail and Leuz, 2021).

Similarly to the findings from general standardization theory, regulatory sustainability reporting standards offer not only benefits but pose implementation issues. As the stakeholders of CSR reports are a broad group, a key challenge is how to include their interests in the reporting process. Secondly, mandatory CSR reporting aims for cross-industry comparability, but the differing nature of industries makes it unlikely to achieve fully. It would require very widely applicable, general

standards. However, as another focal concern in reporting mandates is avoiding boilerplate language and promoting in-depth disclosure, there is need to prescribe in detail what information firms must provide and how. This increases the specificity of standards and, in turn, reduces the applicability and generality of them. (Christensen, Hail and Leuz, 2021).

In addition to challenges in the formulation process and scope of regulatory CSR reporting standards, there are issues related to their adoption and compliance. Hummel and Rötzel (2019) present three reasons due to which this may happen: unintentional neglect, misinterpretation of regulations, and intentional noncompliance. Firms may fail to comply with standards unknowingly, especially in situations where regulations lack enforcement. Given the often complex and technical content of legislation, regulatory standards may be easy for firms to misinterpret. Finally, firms may conduct intentional disobedience, which may imply a lack of legitimacy of normativity from the regulatory body. Similarly, La Torre et al. (2018) examine external forces that affect the adoption of mandatory sustainability reporting standards. Such policy formulation is complex and affected by various factors in different parts of the process, often resulting in externalities that create barriers for these mandatory standards to achieve their aims.

2.2.5 Implications – Evidence from the NFRD

The theoretical benefits and challenges regarding formulating and adopting sustainability reporting mandates should be compared to practical findings from previous regulatory attempts. Perhaps the most relevant sustainability reporting mandate in the past has been the Non-Financial Reporting Directive (NFRD, 2014/95/EU), enforced in the EU in 2014. It mandated firms qualifying as large undertakings to publish non-financial statements either as standalone reports or a part of the annual report, describing information relevant to the firm's environmental and social impact from 2017 onwards (European Union, 2014). In research, Breijer and Orij (2022) and La Torre et al. (2018; 2020) explore the impacts of this directive on the comparability of sustainability information and corporate accountability. The NFRD had no standardised framework to specify the manner of reporting but focused on

harmonizing the information to be reported. Prior to this directive, NFR was mainly voluntary in Europe. The EU's aim and the primary objective with the NFRD was to improve information comparability and increase firms' accountability and transparency to stakeholders, especially investors. The pursued benefits for firms, on the other hand, were increased perceived legitimacy and public image. (La Torre, Sabelfeld, *et al.*, 2018; La Torre *et al.*, 2020; Breijer and Orij, 2022).

However, the directive proved to have its limitations and challenges. As reporting practices were not expected to be harmonized in the directive, its ability to succeed in its objectives and mitigate information asymmetry was limited (La Torre *et al.*, 2020). Related to this, Breijer and Orij find a few key impacts from implementing the NFRD. Together with the primary aim, there was an increase in the use of investor-oriented NFR frameworks in firms. Frameworks focusing on a wider range of stakeholders were mainly adopted by organisations that were not mandated by the NFRD but reported voluntarily. Consistent with the findings of CSR reporting framework, the most common framework for reporting to comply with the NFR legislation was the GRI standard (La Torre *et al.*, 2020). Further, Breijer and Orij claim that the directive's impacts were limited specifically because there was no explicit standard for mandating the reporting format. Similarly, Ramanathan and Isaksson (2023) have examined that generally, the lack of a top-down approach in mandating a reporting format leads to the freedom for firms to essentially choose which sustainability impacts to report. This gives valuable insight into implications for the CSRD, the aim of which is to increase the comparability of reported sustainability information. Under the CSRD, firms are mandated to adopt European Sustainability Reporting Standards (ESRS) to consolidate global NFR frameworks in the regional context. (Breijer and Orij, 2022).

Similarly, La Torre et al. (2020) examine the faced challenges arising from the roles of and impacts to regulators, undertakings, and standard setters under the NFRD. They find that the objective of regulators to harmonize reporting largely rose from the comparability needs of the users of the information, but they had a limited role in shaping the regulation. In terms of the goal to enhance corporate accountability through the directive, the study finds that formal legislation on reporting can

increase transparency and accountability but may not be sufficient alone to create a norm of sustainability reporting and achieve this. There is a need for further assessment of domestic reporting practices of different states in the EU that still act as a challenge to achieve comparability. (La Torre, Sabelfeld, *et al.*, 2018; La Torre *et al.*, 2020).

The firms, i.e., undertakings, under the directive formulated their NFR mainly around traditional periodic reporting, as there was no strict standard on how to report the sustainability information. The comparability was thus limited, which offers another focus for the CSRD, as comparability could be improved by adopting digital reporting. In terms of firms' achievements in accountability, the study finds that enhancing true accountability would require extending the participation of stakeholders in standard setting and inclusivity in governance decisions. It also raises questions regarding if mandatory reporting of non-financial information is a useful tool to increase corporate accountability. The authors suggest it may only hide real problems by shifting the focus of sustainability activity to communicative purposes instead of real action. They propose further research, and discussion is needed to assess whether mandatory NFR will lead to better sustainability performance of firms, which should objectively be the end goal of all CSR-related efforts. (La Torre, Sabelfeld, *et al.*, 2018; La Torre *et al.*, 2020).

In the process of regulatory standards, the role of standard-setters (i.e., external organizations promoting standardization, or committees as discussed in standardization theory) is developing and promoting the reporting frameworks and guidelines that regulators utilize in de jure standard-setting. As there was no format mandate in the NFRD, firms had the freedom to choose. There are inconsistencies among different voluntary reporting frameworks, thus contributing more to using the same language than the same information in terms of the comparability objective. La Torre et al. (2018; 2020) conclude that assessing the sociopolitical context where frameworks and standards are used and produced, could provide information on why or why not they are adopted under the directive. They suggest that digital reporting infrastructures need to be developed, using for example XBRL, to be compatible with each other to translate the objectives of the directive into action. The development of the

directive through adopting standard technological tools could also improve accountability through the dialogic nature of digital reporting. This is accounted for in the CSRD, as its reporting format is developed following XBRL taxonomy. (La Torre, Sabelfeld, *et al.*, 2018; La Torre *et al.*, 2020).

2.2.6 The CSRD

The Corporate Sustainability Reporting Directive (CSRD), the successor to the NFRD, is an EU policy approved and published in 2022 (European Union, 2022). The directive requires large companies and other public entities in EU to report specific information on CSR activities at finance-grade (European Commission, 2023a). The CSRD replaces the previous NFRD directive in regulating CSR reporting in the EU and expands the mandate to cover nearly four times as many firms (Yamamoto, 2023). The directive mandates listed firms, large companies meeting specific criteria, and non-EU firms meeting certain criteria on a gradual basis. The first sustainability reports under the CSRD are published in 2025, disclosing information about the 2024 financial year. All mandated firms are expected to comply by financial year 2028 (European Union, 2022). The CSRD is a part of the 2020 European Green Deal, a compilation of policies and strategic initiatives by the European Commission that attempt to drive the EU's shift towards climate neutrality by 2050 (Szpilko and Ejdys, 2022).

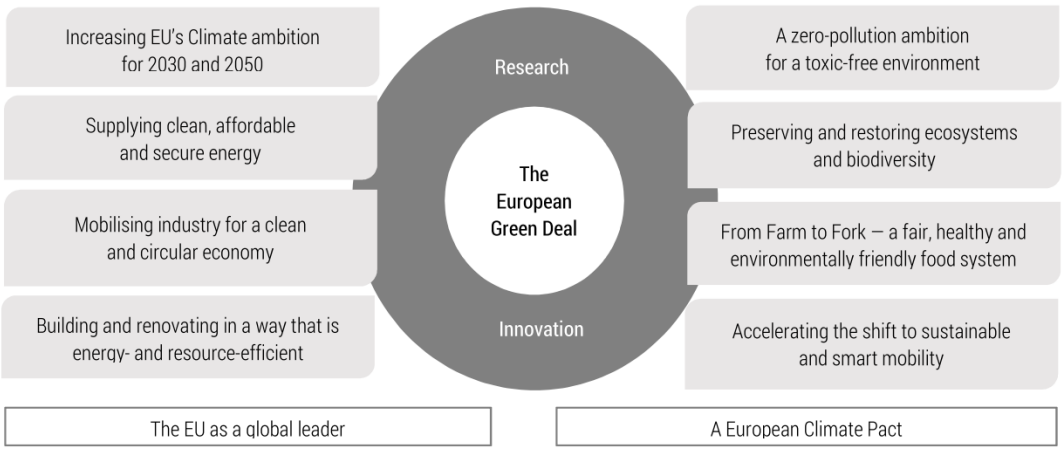

Figure 3: The European Green Deal (Szpilko and Ejdys, 2022).

The European Union (2022) justifies and explains the grounds for the creation of CSRD in relation to the NFRD. The previous, loose-in-nature, guidelines did not significantly impact the quality of NFR as was hoped (European Union, 2022). Therefore, the EU saw that there was need for mandatory sustainability reporting standards, ensuring comparability and compliance. In addition to comparability, a primary objective of the CSRD is to improve firms' transparency and accountability regarding sustainability reporting. The directives effects are expected to enhance investors and various stakeholders' understanding of the ESG performance of firms and support them in making more informed decisions (Yamamoto, 2023). As a result, the CSRD is hoped to direct investments towards sustainable businesses, encourage firms to take accountability of their impacts, and drive goals of the European Green Deal.

Compared to the NFRD, a key feature of the CSRD's contents is requiring firms to clarify double materiality of their activities. Double materiality refers to reporting sustainability-related risks potential impacts on the firm as well as the impact of the firm's activities on people and the planet (Yamamoto, 2023). Subject to the directive, the newly created European Sustainability Reporting Standards (ESRS) further govern and instruct the contents of firms' sustainability reports (European Commission, 2023a). The standards are a response to the issues of the NFRD, as the lack of a common mandatory reporting framework hindered the directive's success in terms of comparability. The ESRS, adopted by the European Commission, were developed based on EFRAG's (European Financial Reporting Advisory Group) technical advice and claim to account for insights from various stakeholders, with a high level of alignment with global standards such as ones from the International Sustainability Standards Board (ISSB) and the GRI (European Commission, 2023b). The standards attempt to help firms in communicating and managing their ESG performance by framing a broad range of environmental, social, and governance related datapoints that firms must disclose (European Commission, 2023b; ESMA, 2024). The ESRS include 12 standards, of which the first two are general requirements and disclosures mandatory to all firms. Standards E1-E5 cover environmental topics such as climate and pollution. Similarly, S1-S4 govern disclosure about social issues throughout

different stakeholder groups. Finally, G1 regulates information reported on governance and business conduct. (European Commission, 2023b, 2023a).

Coherent with the International Financial Reporting Standards (IFRS) and aligned with the objectives of the European Single Electronic Format (ESEF), the ESRS propose the utilization of the open, internationally standard XBRL to conduct digital sustainability disclosure under the CSRD (ESMA, 2024). The authors of the directive aim to adopt an XBRL taxonomy for a consistent digital data structure as well as streamlined content and technical format among reporting entities (Suta *et al.*, 2023). The objectives of developing a taxonomy for digital reporting in the CSRD involve improving data exchange and accuracy through a specific document structure with default file extensions and certain methods to describe data (Suta *et al.*, 2023). The sought-after advantages would result from the various benefits that digital reporting and XBRL offer, such as digital tagging and machine-readability of reports (ESMA, 2024), as discussed in section 2.2.3. However, the development of the XBRL taxonomy faces delays and technical challenges. The XBRL taxonomy is developed by EFRAG, which handed over its proposition to the European Commission and the European Securities and Market Authority (ESMA) in August 2024. Based on this, ESMA develops a taxonomy structure for sustainability statement tagging under the ESRS (EFRAG, no date a). As of April 2025, the first phase of firms mandated to report of under the CSRD have published the first sustainability statements, which are mostly in PDF format as the standard for XBRL taxonomy could not be enforced yet.

2.3 Theoretical framework

Reviewing CSR literature, it is quite evident that research is often conducted based on either stakeholder theory, legitimacy theory, or institutional theory. However, utilizing concepts of standardization as a theoretical background appears to be rare, although sustainability reporting is largely based on and guided by standards, as discussed in the previous chapter. Regulation for CSR reporting, especially, attempts to create standards to harmonize firm sustainability disclosures for various benefits

(Christensen, Hail and Leuz, 2021). Therefore, applying theory of standardization in the area of regulatory CSR reporting could offer novel perspectives to explore how firms adopt mandatory standards such as the ESRS in CSRD. Frameworks for such research appear non-existent in the covered literature, which is why the development of an original theoretical framework in this thesis is justified. The framework is developed by extracting and summarizing findings from the literature review of standards and standardization, especially in regulatory and international contexts, and consolidating them with the unique characteristics of CSR disclosure and previous reporting mandates such as the NFRD. The objective is to generate a framework suitable for comparing empirical observations of global (regulators) and local (firm and country level) interests in the CSRD and assessing their alignment.

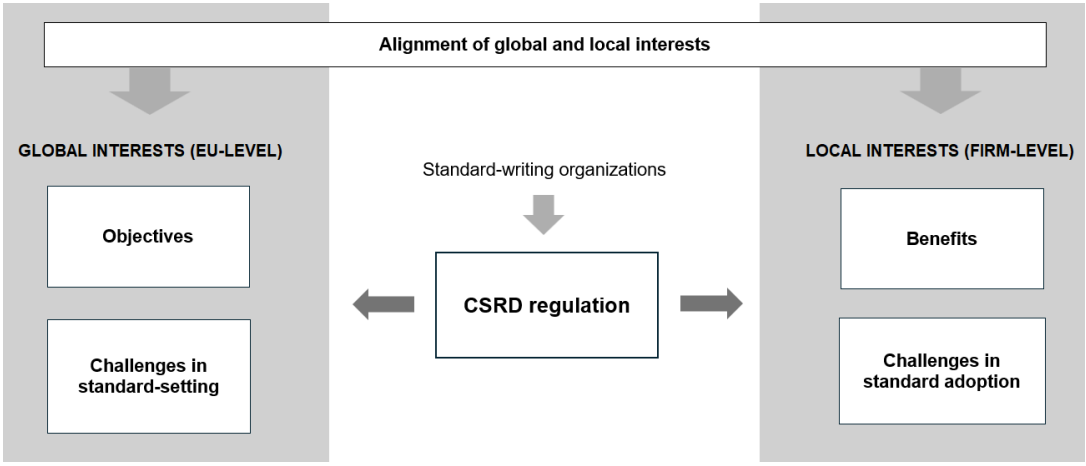

Figure 4: Theoretical framework (source: author).

As discussed, the demand for ESG information and sustainable investments in recent decades has driven developments in CSR reporting (Marlin and Marlin, 2003). Sustainability reporting standards attempt to govern how firms should disclose sustainability information and define the level and specificity of ESG disclosure (Christensen, Hail and Leuz, 2021). However, as there have been a large amount of different voluntary standards, the major objectives of standardized CSR reporting have not been reached. Thus, regulation of CSR reporting, i.e., mandatory standards, can act as a solution to harmonize and legitimize reporting efforts (Tschopp and Nastanski, 2014). In regulatory CSR reporting, direct de jure standardization takes

place, because such standards affect important regional goals (Greenstein and David, 1990). In the context of this thesis, the CSRD addresses goals of the EU under the Green Deal through standardizing an aspect of sustainable business. In addition to the regulatory bodies, the process is affected by voluntary (committee-based) standard-writing organizations, which provide the 'existing' industry assessments that the regulator should rely on (Greenstein and David, 1990). EFRAG, XBRL, ISSB, and GRI have provided crucial information, benchmarks, customized content and other supporting materials for the development of the CSRD and ESRS.

As a basis for the development process of the mandatory CSR reporting standard, the regulators have certain objectives that are attempted to achieve. These can be coined as the global, or EU level, objectives of such standardization. Most importantly, the EU aims to harmonize and legitimize CSR reporting across the member states (European Union, 2022). The goal is to enhance comparability of sustainability reports and thus improve information availability for various stakeholders. As discussed, this can support innovation and technology diffusion in the region as well as drive sustainable investments and create growth, given that the standard is in touch with market needs (Farrell and Saloner, 1985). Importantly, the standard creates an incentive for firms to assess and improve their ESG performance (Hummel and Rötzel, 2019).

These global objectives are also constrained by certain challenges that regulators such as the EU face in standard-setting. The limited policy-making timeframe and availability of information at the given time create barriers for effective policy influence (Greenstein and David, 1990). Literature calls for the inclusion of all relevant parties in standard-setting processes but on an EU level, this creates major challenges. In the development process of CSR reporting standards, conflicts between local and EU priorities may arise, and there is a challenge in balancing domestic and regional practices (Greenstein and David, 1990). Similarly, achieving cross-sector applicability (as is the goal in CSRD), which requires generalization, can create a conflict with specificity, which in turn is a key aspect of effective standards.

Evidently, CSR reporting standards create benefits and challenges also on the firm level. These can be regarded as the local interests in the standardization and regulation process. In sustainability reporting mandates, the benefits for firms include enhanced transparency and credibility resulting from standardized and assured reporting. Mandates enhance information availability and followingly, reduce data processing costs. With comparable sustainability reports, firms are also able to benchmark peers more easily (Hahn and Kühnen, 2013). In the CSRD, specifically, firms may experience technological advancements as the directive sets out to develop and harmonize digital reporting (La Torre, Valentinetti, *et al.*, 2018).

Regulatory standards, especially on a broader regional level, create certain challenges for local firms. Mandated companies may struggle with compliance due to misinterpretation of legislation or unintentional neglect of standards (Hummel and Rötzel, 2019). Standards may often be biased toward large firms with more resources to adopt the new practices, systems, and technologies set out in the standards (Farrell and Saloner, 1985). Literature also suggests that although standards attempt to diffuse certain innovations on a broad level to reach regional goals, standardization creates constraints for innovation on a firm level (Shin, Kim and Hwang, 2015). Standards can lead to reduced differentiation, which for firms means loss of competitive edge or certain firm-specific priorities. In the context of sustainability reporting and CSRD, the standards of the directive set limits on the amount and variety of CSR data to be reported. For some companies this may be an extension to existing reporting but for others it may mean reducing information aimed at specific stakeholders or commercial purposes.

For regulatory standards to succeed, the global and local interests should be aligned as well as possible. Based on literature, certain factors can be found to affect the level of alignment in standardization. Firstly, the degree of inclusion of relevant actors in standard-setting processes is important (Farrell and Saloner, 1987; Abbott and Snidal, 2001; Christensen, Hail and Leuz, 2021). Entities that experience the possibility to influence regulation development are more likely to understand, accept, and adopt it. Secondly, for a regulatory standard to achieve its objectives, it needs to be responsive to market needs and arise from a level of demand (Katz and Shapiro,

1985; Shin, Kim and Hwang, 2015). Otherwise, standards are seen as merely regulatory burdens and not as directing necessary developments. Similarly, standards must demonstrate a certain level of fit with national contexts (Greenstein and David, 1990; Abbott and Snidal, 2001; La Torre, Sabelfeld, *et al.*, 2018), although they aim for broader harmonization. In areas of high conformance, such as the EU, this may not be an issue of crucial focus (Abbott and Snidal, 2001), but some national differences always exist. Lastly, regulatory standards should develop appropriate and useful supporting infrastructures. Especially in the context of CSR reporting, literature suggests that digital technologies can and should be utilized to achieve objectives of the standard (Beattie and Pratt, 2003; La Torre, Valentinetti, *et al.*, 2018; La Torre *et al.*, 2020).

The objectives, benefits, and challenges on a global EU level and a local firm level are to be examined in the context of the CSRD regulation, as the alignment of interests of the EU and Finnish companies under the mandate may largely depend on the factors discussed above. The methodology of this thesis, presented in the next chapter, utilizes this theoretical framework to examine and compare the views of Finnish firms reporting under the CSRD in relation to global objectives of the directive.

3 Methodology

This section details the methodological choices of this thesis and their constraints. It is divided into four parts. The first part introduces the approach and design of the research method. The second part explains how data collection was planned and executed, and the third part dives into how the gathered material was analysed for results. The last part examines the reliability of the research method and the possible limitations of it.

3.1 Research design and approach

The thesis follows a qualitative research approach, more specifically, a multiple case study. Qualitative research refers to the empirical collection of narrative data and it can be conducted through various approaches (Adeoye-Olatunde and Olenik, 2021), one of which is a case study. The intention of case studies is constructing a case or multiple cases, which the research questions attempt to solve or understand (Eriksson and Kovalainen, 2008). The objective of such research is to assess the cases in relation to their context. The benefits of a case study as an approach include that it enables presenting complex issues, especially in business, in an informed and simplified way and that it can help gain information about changing practices. In nature, case studies tend to be practical and normative in order to aid and inform managers and decision-makers (Eriksson and Kovalainen, 2008), demonstrating the suitability of the approach for this thesis.

However, the practicality of case studies, as they represent real-life scenarios, has also been criticized as lacking scientific rigor (Eriksson and Kovalainen, 2008). The emphasis of case studies is on producing holistic information, based on the analysis of multiple empirical sources from often various contexts. Hence, there are usually possibilities for very broad research, and one pitfall of case studies is that often it is difficult to define where cases start and end – although they must have boundaries. Therefore, defining research questions well is a fundamental part of conducting a successful case study. This is often a process, where the empirical part also plays a role in determining the boundaries (Eriksson and Kovalainen, 2008).

Case studies are not considered methods in themselves, but more as approaches to research. The methodology of case studies is often qualitative, but they can also be constructed from quantitative data. However, the case study approach is most appropriate when the research topic is difficult to examine merely with quantitative methods (Eriksson and Kovalainen, 2008), such as the topic of this thesis. There are various ways to conduct these studies, depending on the background, purpose, design, and number of cases involved. Due to these factors, the multiple case study was selected as the research approach. When making this choice, it is often a trade-off between depth and extensiveness, as single case studies are able to dive deeper into one case and explore it intensively whereas multiple case studies can find patterns and common characteristics or differences across various cases, being more extensive (Gillham, 2001; Eriksson and Kovalainen, 2008).

In extensive case studies, the aim is often to test or extend prior findings and explore a broader phenomenon instead of a single context. Thus, the researcher may be able to develop the existing theory further or construct new models (Eriksson and Kovalainen, 2008). In this thesis, the findings from existing research are attempted to somewhat extend through applying and testing them in the context of new regulation. In extensive case studies, the goal is often to generalize findings from various cases. In reality, extensive case studies cannot produce generalizations that would hold statistically, but the research findings can be generalized to a theoretical base, which they then support (Eriksson and Kovalainen, 2008).

3.2 Data collection

Qualitative research can be conducted through various methods, such as interviews and observations (Adeoye-Olatunde and Olenik, 2021). Interviews were selected as the data source for the empirical part of this thesis, as in case studies they are often the primary source of empirical data and other options are more complementary in nature (Eriksson and Kovalainen, 2008). The objective for the data collection in this thesis was to gather around 10 interviews. This was considered as an appropriate

sample, as several sources of empirical data used in a case study are considered more convincing, rich, and accurate (Eriksson and Kovalainen, 2008).

Due to the topic of the thesis, the selection of case companies was limited by the EU mandate on which companies report during the first year (FY2024) of the CSRD. Additionally, only Finnish companies were considered as they are in the scope of the thesis. Hence, a list of large, publicly listed Finnish companies subject to the CSRD was compiled. Most interviewees from the companies on this list were scoped from LinkedIn, with some target roles of the search being "sustainability reporting manager", "head of sustainability", and "ESG manager". Potential interviewees were then sent invitations to interview via e-mail. The final sample consisted of 9 interviewees from 8 companies of diverse industries. The interviews were conducted using Microsoft Teams, with a target duration of approximately 45 minutes. All interviews were recorded and transcribed in Teams to gather all possible material in an effective manner (Adeoye-Olatunde and Olenik, 2021).

Interview	Date	Duration	Interviewee	Firm industry
1	3/24/2025	53m34s	A B	Retail
2	3/28/2025	41m25s	C	Chemical
3	4/7/2025	44m52s	D	Pharmaceutical
4	4/11/2025	48m36s	E	Financial
5	4/22/2025	51m28s	F	Telecommunications
6	4/25/2025	37m7s	G	Consumer goods
7	4/25/2025	42m32s	H	Healthcare
8	5/23/2025	44m12s	I	Packaging

Table 1: Interviews.

The data collection method, more specifically, was semi-structured interviews. This choice of methodology is suitable when the objective of research is to gather an understanding of interviewee's perspectives rather than set-out phenomena (Adeoye-Olatunde and Olenik, 2021). Eriksson and Kovalainen (2008) define this method as a guide that outlines the topics and themes that the interview will focus on, but leaves room for variance in the execution and direction of the interview questions. This type

of interview can be used to study questions that answer both ‘what’ and ‘how’. The benefits of the semi-structured method include that there is room for change in the interviews depending on the case company and the interviewee, but the resulting data is mostly systematic across all interviews (Eriksson and Kovalainen, 2008). Most common benefits include being able to cover all themes that were outlined in advance but simultaneously ask additional questions and specifications on themes that arise to gather more in-depth information (Eriksson and Kovalainen, 2008; Adeoye-Olatunde and Olenik, 2021).

According to Eriksson and Kovalainen (2008) and Gillham (2000), interview questions should be derived and developed based on the set research questions, but they should not be confused with each other. The purpose of qualitative interview questions is to gather data that helps answer the research question. Additionally, theoretical or conceptual frameworks act as a way to develop interview questions based on previous research (Adeoye-Olatunde and Olenik, 2021). The type of interview questions, more specifically, is determined by the type of the interview study chosen, which can take various forms (Gillham, 2001). The interview questions in this thesis follow a mix of positivist and emotionalist approaches, meaning that the questions attempted to grasp factual information on processes of organizational change, but also understand interviewees’ perceptions, viewpoints, and emotions (Eriksson and Kovalainen, 2008).

The developed interview questions include a mix of open and close-ended questions, which is typical for a qualitative interview to get both comparable answers to limited questions as well as more variable, detailed answers to open questions (Gillham, 2001; Eriksson and Kovalainen, 2008; Adeoye-Olatunde and Olenik, 2021). Questions were divided into primary and secondary questions to offer more flexibility into the interview while retaining the possibility to continue discussion on certain topics for more elaboration. Most of the primary questions were asked from all interview participants, but secondary questions were only asked depending on the direction of the discussion, the level of expertise and specialization of the interviewee. Additionally, as suggested by Gillham (2000), the interview and questions were split into five main stages: introduction, the firm’s reporting processes before

CSRD, adoption of CSRD, implementation and impacts of the CSRD, and closing the interview. The interview guide can be found in Appendix A.

3.3 Data analysis

Qualitative data such as interview materials can be analysed through several methods. Generally, the first step after initial reviewing of the gathered data is coding it (Adeoye-Olatunde and Olenik, 2021). Coding refers to organizing and labelling empirical data into features, issues, and themes relevant to the study (Eriksson and Kovalainen, 2008). There are also various ways to conduct coding, which can be more or less systematic. The coding of interview materials in multiple-case studies often starts with within-case analysis, which means assessing the contents of each interview separately (Eriksson and Kovalainen, 2008). This is followed by cross-case analysis, i.e., comparing cases for similarities, differences, and against theory.

This thesis utilizes a thematic approach to conduct analysis and code the interview materials. Thematic analysis is a process used to develop and organize codes in a way that summarizes main findings and generates meaningful outcomes for the purpose of the research (Adeoye-Olatunde and Olenik, 2021). It is a method to find patterns in qualitative material and derive themes in the analysis. As an approach, it offers flexibility to the coding process and gives the researcher an active role in theme development (Clarke and Braun, 2017). Due to this flexibility, thematic analysis is well suited for the analysis of multiple case studies, as the analysis method allows for flexibility in the sample size as well as identifying themes across different interviews (Clarke and Braun, 2017). In thematic analysis, codes for interesting and potentially relevant observations are marked in data, which are then used to develop larger themes that are related to the research question. The themes are intended to guide to organize and structure the reporting of findings (Clarke and Braun, 2017).

There are two approaches to conduct the selected method of analysis: inductive and deductive. Inductive analysis is based on the case or cases of the study and the questions that may arise from the interviews (Eriksson and Kovalainen, 2008). Essentially, it derives codes purely from the empirical data (Adeoye-Olatunde and

Olenik, 2021). This is often preferred by researchers, as the themes, categories, and patterns used in coding emerge from the interviews (Eriksson and Kovalainen, 2008). Deductive analysis, on the other hand, has some pre-formulated theoretical propositions that guide the coding of data. It is often an appropriate approach when a theoretical or conceptual framework is utilized to guide data collection (Adeoye-Olatunde and Olenik, 2021). Therefore, initial themes for coding often arise already before data collection from theoretical constructs.

It is also possible to use a combination of inductive and deductive approaches to coding (Adeoye-Olatunde and Olenik, 2021). This thesis follows mix of both methods to conduct the coding of interviews. As a theoretical framework was formulated based on the findings of the literature review, it is natural that some ideas for possible recurring themes in the data existed prior to interviews. The theoretical framework deductively guides the initial thematic analysis of interview data. However, to achieve more scientific rigor (Eriksson and Kovalainen, 2008), the analysis in this thesis is based primarily on inductiveness, meaning that the objective is to gather new and unexpected findings through coding.

As suggested by literature, the coding process started with analysing each interview individually, marking up interesting or potentially relevant observations as codes. In this thesis, codes were not generated based on explicit words or phrases, but rather as broader meanings that could be understood from the specific pieces of interview transcript and their context. Due to this methodology, the number of codes is smaller than in studies that generate codes from explicit wording. After initial coding, each interview was reviewed a second time with cross-case analysis to check whether codes that arose newly in other interviews could be found in previously analysed material. The exclusion criteria for codes were based on frequency and fit to the identified themes. The number of instances of each code was calculated and ranked in the interview materials. It is important to note that frequency does not always correlate with importance or impact (Adeoye-Olatunde and Olenik, 2021). However, utilizing individual instances, or themes found in only one of the cases, in results should also be avoided (Eriksson and Kovalainen, 2008).

The next step of the analysis process included categorizing codes under larger themes, as guided by literature on thematic analysis. Here, a more deductive approach was utilized to gain themes that are relevant and meaningful regarding the research question. The codes were linked to the theoretical framework and its findings, and four themes were developed based on this integration to the main theoretical areas. The coding table can be found in Appendix B.

3.4 Trustworthiness of research

In qualitative research, ensuring rigor can be accomplished through trustworthiness of the analysis method (Eriksson and Kovalainen, 2008; Adeoye-Olatunde and Olenik, 2021). Essentially, trustworthiness in qualitative studies is the same as validity or reliability of findings in quantitative research (Eriksson and Kovalainen, 2008; Adeoye-Olatunde and Olenik, 2021). Lincoln and Guba (1985) have defined four fundamental dimensions to assess trustworthiness, which are credibility, transferability, dependability, and confirmability. Simplified, credibility is demonstrated by the certainty of the study in its findings. Transferability, on the other hand, refers to how well the study showcases the applicability of its results in other contexts. Dependability requires the findings of research to be consistent and the process of research to be logical and documented. Lastly, it is essential to examine conformability, which refers to the neutrality of the study, and the effect of biases in it.

The credibility of research can be improved through member checking, which refers to sending the findings of the study to the interviewees for accuracy and resonance, or checking the coding process, which can mean including more than one coder in the analysis phase or having another researcher peer-revie the coding (Eriksson and Kovalainen, 2008; Adeoye-Olatunde and Olenik, 2021). Given the nature of the research in a thesis, neither of these were conducted. Similarly, transferability and dependability can be examined and tested through various methods, but these were excluded given the scope of the study. However, in the data collection phase, transferability was accounted for in relation to the interviewees' industries. The participating firms operate in various sectors, ensuring that the gathered data

includes material from diverse perspectives, which could potentially improve the similarity of results in comparison to other studies (Eriksson and Kovalainen, 2008). Dependability, on the other hand, was considered in the design of methodology, as defining methods clearly prior to data collection facilitates the ability to repeat the study with consistent findings (Eriksson and Kovalainen, 2008).

To assess the conformability or this thesis, the methodology and data collection need to be carefully examined. Neutrality of research is of high value in this thesis and was considered throughout the research process. However, studies are always affected by researcher bias to some extent, as the researcher selects and builds the contents of the study based on what they find important (Adeoye-Olatunde and Olenik, 2021). This thesis attempted to increase neutrality through discussing various perspectives in the literature review and theoretical framework and not only include topics that support the results. These parts of the thesis as well as the methodology were defined and written before the empirical part, minimizing the impacts of the empirical findings to the setting of the study. In general, methodological choices should be established prior to the collection of data (Adeoye-Olatunde and Olenik, 2021). Interview questions should also be developed with care to avoid leading questions (Eriksson and Kovalainen, 2008). This was accounted for in the development of the interview guide in this thesis. Questions were as open as possible while still retaining meaningfulness and giving examples to participants during interviews was avoided as much as possible.

Additionally, the sampling in a multiple case study influences the trustworthiness, as the sample participants' knowledge of the topic impacts the gathered material and thus, the findings of the study. Thus, participant sampling should be conducted with care, and there should be a balance between selecting participants who have extensive knowledge of the subject and those who may not be as experienced but can provide diverse viewpoints to the study (Adeoye-Olatunde and Olenik, 2021). Although the objective of sampling in this thesis was to gather participants based on certain search titles to ensure a certain level of expertise on the implementation of CSRD, the sample includes interviewees with various roles and backgrounds to gather as diverse and neutral data as possible. However, time, access, and feasibility

tend to impact sampling possibilities (Eriksson and Kovalainen, 2008; Adeoye-Olatunde and Olenik, 2021). In this thesis, participant selection was affected by all these characteristics. Potential participants could not be found from all initial prospective firms, and thus only companies, where a suitable interviewee was found, were included. All interviewees who responded to the interview inquiry in sufficient time with an affirmative answer were included in the study. Further efforts to screen the candidates and their respective firms regarding the study topic as well as efforts to gather more responses could further improve the trustworthiness of qualitative research.

However, this is only one criterion for assessing trustworthiness of a study. Literature concludes that especially in qualitative research, which attempts to capture complex phenomena and often contains unique processes and characteristics, should not be assessed using universal criteria (Eriksson and Kovalainen, 2008). The evaluation of qualitative studies should be iterative and present during the entire process of research, accounting for the methodological and topical choices of the study in question (Eriksson and Kovalainen, 2008), which has guided the formulation of this thesis.

4 Results

This chapter presents the empirical findings of the study, which investigates how the global objectives of the CSRD align with the local experiences of Finnish reporting companies. Drawing from interviews with sustainability professionals, the results are organized into four main sections. First, the chapter identifies areas where firms' experiences reflect alignment with the directive's intended goals, such as improving comparability, enhancing ESG performance, and advancing digital reporting. Second, it explores firm-level observations that reveal practical challenges and tensions in implementation. Third, common challenges are examined, including issues of cross-sector applicability and country-specific differences. Finally, the chapter outlines factors that facilitate alignment between regulatory aims and corporate needs. Together, these findings provide an understanding of how the global regulatory aims align with the local experiences of firms implementing the directive.

4.1 Aligned objectives

Global objectives of regulatory CSR standards attempt to enhance transparency, comparability, and accountability in sustainability disclosure across jurisdictions (Christensen, Hail and Leuz, 2021; de Oliveira, Menezes and Fernandes, 2024). At the EU level, the CSRD seeks to harmonize reporting practices, improve the availability and reliability of disclosed information, and steer both investment flows and corporate behavior toward long-term sustainability goals (Yamamoto, 2023).

At the firm level, companies often pursue sustainability reporting to secure legitimacy, meet stakeholder expectations, and enhance internal processes such as risk management and strategic planning. As discussed in the theoretical framework, the success of regulatory standards like the CSRD depends on the degree to which global objectives are aligned with the practical needs and interests of reporting entities. This section presents findings from Finnish companies that indicate areas of strong alignment between the directive's goals and firms' experiences. These include improvements in reporting comparability, support for ESG performance management,

advancements in driving the development of digital reporting, and increased transparency and accessibility of sustainability information.

Code	**Global (EU-level) objectives**	**Local (Firm-level) observations**	**Degree of alignment**	**Key tensions & trade-offs**
Increasing comparability of reporting	Standardize disclosures for comparability, transparency, and accountability.	Value structured, comparable reporting for benchmarking and trust.	Both prioritize comparability for credibility and stakeholder needs.	Materiality differences and interpretations limit comparability. Some doubt added value vs. previous standards.
Driving ESG performance	Improve real sustainability outcomes; focus on material topics.	Reporting shifts focus to ESG; double materiality aids prioritization.	Shared aim to link reporting with improvements and align with strategy.	Resource demands may limit real ESG work; investor focus alone not always enough.
Advancing digital reporting	Promote digitalization (e.g., XBRL) for efficient, auditable data.	Support integrated financial/ESG systems; welcome XBRL and phased rollout.	Both see digitalization as key for efficiency and standardized reporting.	Implementation is costly and slow; tight timelines pose risks.
Transparency and availability of information	Increase transparency and availability for better stakeholder decisions.	Transparency boosts trust and reduces greenwashing.	Mutual focus on reliable, widely available data for investment and legitimacy.	Rigid or extensive requirements can narrow focus or overwhelm users.

Table 2: Aligned objectives.

4.1.1 Increasing comparability of reporting

Prior to the CSRD, there was no binding standard governing the disclosure of sustainability information. As a result, comparability across firms and sectors remained limited, undermining stakeholders' ability to evaluate and contrast corporate performance (La Torre, Sabelfeld, *et al.*, 2018; La Torre *et al.*, 2020). Therefore, a central objective of European regulators in introducing the CSRD is to enhance the comparability of sustainability disclosures. By mandating standardized formats and metrics, the directive aims to increase the accountability and transparency of firms,

particularly in relation to investors and other capital market actors who rely on consistent data for decision-making (Yamamoto, 2023).

The interviews indicate that this global objective resonates strongly also at the firm level. Looking at comparability from a historical perspective, earlier frameworks were perceived as too general and interpretive, offering flexibility but failing to ensure meaningful comparability. In contrast, the CSRD provides a more prescriptive structure, which firms recognized as a way to reduce ambiguity.

> *"The report content is now more structured—what kind of information is needed and in what form. GRI allowed more flexibility in presenting data, whereas in CSRD, the structure and content are more precisely defined." - Interviewee C*

As discussed in literature, mandatory reporting requirements enhance the overall availability of information and reduce data processing costs, supporting greater comparability across firms. From the perspective of companies, a key motivation for seeking comparable CSR reporting is improving the ability to benchmark both performance outcomes and reporting practices against peers (Hahn and Kühnen, 2013). Empirical findings align closely with theoretical insights in this aspect.

> *"It's important to have a unified reporting framework that allows comparisons between actors. We are able to verify responsibility compared to others." - Interviewee B*

In addition to this, companies also see value similar to the EU-level perspective in comparability, suggesting further that global and local interests are aligned in this dimension. Although the structural requirements of CSRD may limit firms' own agendas, the transparency achieved through comparability is seen as crucial to gain trust in sustainability efforts, both in theory and by interviewed companies.

> *"The fact that everyone reports the same things in the same way is very good. Previously, companies defined for themselves what they wanted to report. This increases trust in the reporting." - Interviewee G*

Although comparability clearly represents a shared interest between regulators and companies, it seems that there are differing views on how to best realize it. Having compared their peers' reports from the first year of the exercise, interviewed firms discovered that the comparability achieved through CSRD in practice has been

more limited than expected. This outcome stems partly from variations in how companies interpret the directive's requirements and partly from inconsistencies in how auditors apply and enforce them.

> *"Now that many reports are publicly available, you can clearly see the variation in approaches. It shows there wasn't just one way of interpreting things. -- Hopefully, we'll start seeing more comparable reporting across the industry." - Interviewee F*

> *"The requirements seemed to suggest that methodologies should be listed like in a research article. -- We did it much more generally, and the auditor accepted it. -- There was a lot of variation in this." - Interviewee D*

Certain ESRS standards are mandatory for all firms under CSRD to report. How ever, an essential part affecting comparability between companies is the double-materiality assessment, which determines data points to be reported for individual firms based on themes that prove most material to them (European Commission, 2023a). While this acts a scope for reporting due to many reasons, it may naturally pose a threat to comparability.

> *"One thing we've noticed—not necessarily a challenge—is the difference in materiality perspectives. What's material for one company isn't for another, even within the same industry. This makes it hard to compare companies." - Interviewee F*

Some interviewees questioned whether CSRD is the right approach for advancing comparability in sustainability disclosure. They saw that, to the extent comparability is possible in relation to complex and context-specific sustainability data, it was already in place with widely adopted voluntary reporting standards prior to the directive.

> *"[We haven't seen] much [benefit] in terms of comparability. That was already there during the GRI period, and many things are such that their comparability is anyway quite impossible. Is ten a lot or a little, it depends on who you ask and what company it concerns." - Interviewee D*

> *"The benefit of comparability – for example, with climate data – has largely already existed before. There are GHG protocols and reporting methods that are quite consistent. If the issue is a dataset that needs more transparency, comparability could be achieved with less effort. Increasing the comparability of qualitative data points – if they are full of text – won't be made easier with this standard." - Interviewee H*

However, since experiences so far are limited to the first year of reporting under the ESRS standards, companies expressed confidence that greater coherence in practices will emerge over time. As firms and auditors accumulate experience and consolidate learnings, the CSRD is expected to facilitate a smoother transition toward more consistent reporting.

> *"We have found comparability to be a useful feature. It will develop over the years, as the first reports were still different from each other. There were structural similarities, but best practices will form over time, which will improve comparability. We hope it will be realized and consider it useful." - Interviewee C*

Nevertheless, global and local actors deem comparability an important central objective. As literature also emphasized, standardization in sustainability reporting is generally a balancing act between ensuring comparability and maintaining broad applicability. Information must remain sufficiently relevant and context-specific to serve the purpose of CSR reporting, but at the same time, a degree of generalization is required to enable cross-industry and cross-national standardization (Christensen, Hail and Leuz, 2021).

> *"The reason why CSRD was started so quickly... If you think about it at the European level or globally, what is being sought with this, why is it so precise – it's really interesting. Here, we still want to produce relevant information, but [we have to think about] how can we get everyone on the same page." - Interviewee E*

Comparability emerges as a clearly shared objective between EU regulators and Finnish companies, as it reflects both global aims for transparent, assured reporting and local interests in peer benchmarking and stakeholder communication. While interviewees' experiences from the first round of reporting indicate challenges in achieving full comparability due to differing interpretations and the novelty of the standards, companies seem optimistic that the coherence will improve as practices develop further.

4.1.2 Driving ESG performance

Fundamentally, the CSR efforts of companies should aim at improving their tangible sustainability impacts (La Torre, Sabelfeld, *et al.*, 2018; La Torre *et al.*, 2020).

Consequently, a key driver for developing mandatory standards for non-financial disclosure should be advancing firms' ESG performance. In addition to comparability, primary objectives of the CSRD are to improve firms' transparency and accountability regarding sustainability reporting. As discussed, the directive is expected to enhance investors and other stakeholders' understanding of the ESG performance of firms and direct investments towards well-performing businesses (Yamamoto, 2023). Hence, it could theoretically encourage firms to improve their footprints and act as more than merely a reporting requirement.

In this dimension, there appears to be a relatively strong alignment between the global objectives and the local views of firms. The data shows that CSRD has brought sustainability reporting into a strategic focus in many companies for the first time. Although it impacts actual sustainability efforts only indirectly, it has brought impacts and risks as realities into the centre of attention, as was also suggested by literature.

> *"Identifying risks and opportunities was really challenging before CSRD. It was hard to have discussions about impacts. CSRD forced that -- This kind of new thinking came. I thought that this had been tried for many years, but now it finally started to work. If we can now force the focus to be on the planet and people first, and not money first, then that is definitely a benefit." - Interviewee D*

The interviews highlight that the double materiality assessment, in particular, has helped companies shift their sustainability resources toward the most relevant and high-impact areas, a change that is largely regarded as meaningful and necessary. The DMA requires companies to evaluate sustainability matters from two perspectives: the firm's impacts on people and the planet, and the financial risks and opportunities that CSR issues pose for the business (European Commission, 2023a). Both global and local perspectives appear to agree that the basis for improving ESG performance should prioritize the most material topics.

> *"Materiality is at the core of CSRD — you're really focusing on what's material for your company and business, and that's where your efforts go." - Interviewee F*

> *"Because the standard is quite precisely defined, it has directed focus to certain areas. This has helped identify areas for improvement." - Interviewee C*

By establishing a mandatory and significantly broader scope for reporting than many firms had previously adopted, the CSRD makes companies integrate value-chain-wide considerations into their sustainability efforts, often driving awareness for these matters across the whole organization. When companies are required to assess risks and impacts on a wider scale, including effects on external stakeholders, they may uncover new opportunities for improvement. According to interviewees, mandating such a holistic approach has provided them with a chance to look at reporting as a whole and additionally, identify opportunities to refine the process to be more systematic and efficient.

> *"[Previously] our reporting was production-driven, from the perspective of our own factories. We did look at the whole value chain, but not with the same level of ambition or attention – more limited to our own statutory boundaries." - Interviewee D*

> *"People are more aware, and CSRD acts both as an incentive and a compliance requirement — a "carrot and a whip," so to speak. It helps drive the process with our suppliers, internal stakeholders, and others. It's no longer just "nice to have" — it's something we must do. That has really helped make the process more efficient." - Interviewee F*

CSRD influences companies' sustainability disclosure processes in several ways. The volume and scope of collected data have expanded, with reporting now grounded in the outcomes of the materiality analysis. Interviewees expressed optimism that these process improvements, together with a more comprehensive understanding of sustainability performance, can be leveraged to generate value. This indicates that CSRD is perceived not merely as a compliance obligation but also as a mechanism for reducing environmental and social footprints and driving performance improvements. In this sense, both regulators' aims and firms' interests align on the view that reporting should contribute to ESG outcomes (Yamamoto, 2023).

> *"It's also important how the CSRD reporting relates to our strategy and to ensure that the link between the DMA analysis, reporting, and strategy is clear. The goal is not a detached paper exercise, but for the report to also have added value." - Interviewee H*

> *"I believe that with this information, real added value can be created. This directive and the standards' requirements on process maturity and control have helped the organization understand what has always already been*

understood in finance. Hopefully, it's understood that the data they produce is not just something that is asked for once a year, but it could actually be meaningful. And hopefully, the small headache that comes with the building phase will also bring benefits – so that we can really utilize the data." - Interviewee E

However, some interviewees noted that CSRD also takes away from firms' bandwidth for actual sustainability improvements. While the directive is intended to function as more than a compliance exercise, its resource-intensive requirements have, in practice, constrained some of the firms' capacity to implement CSR activities with tangible impact. This highlights a tension within the aligned objective of driving ESG performance. Both regulators and companies seek improvements, but the practical demands of reporting risk undermining the outcomes that the directive aims to promote.

"We must remember that in companies, the people who would normally be doing impactful responsibility work have now mostly been working on the reports. In this discussion, it seems to be forgotten that companies haven't suddenly been blessed with a lot of new people to work on the responsibility agenda – the same people are doing the reports, which in themselves don't create value anywhere else than fulfilling the transparency requirement." - Interviewee H

"This has required a lot of work. At times, it has distracted focus from the actual sustainability work – from why this is being done and what is actually achieved with it. The building phase somewhat blocks the substance work." - Interviewee E

As discussed in the literature review, the European Green Deal served as a central driver behind the development of CSRD. Primary goals of EU with the directive include directing investments towards businesses demonstrating strong sustainability performance (Yamamoto, 2023). However, interviews noted that customer and consumer preferences on sustainability may shift with geopolitical and economic contexts. In such circumstances, which are already evident currently, the investor incentive alone may not be sufficient to sustain firms' commitment to advancing their sustainability efforts.

"Market realities maybe do not support the EU's goal to drive these through demand steering or consumer pressure. That may require, sometime when the political dust settles, thinking: should more concrete steering be done than just disclosure and setting hopes that markets would steer better?" - Interviewee I

Overall, CSRD appears to support alignment between regulatory aims and firm-level interests by encouraging companies to view reporting as an opportunity to prioritize material topics in ESG improvements rather than a compliance requirement alone. At the same time, firms highlighted the resource-intensity of the directive and the likelihood of the investor-perspective working, which may limit the effectiveness of CSRD driving actual sustainability performance. Nevertheless, the findings suggest that the potential exists, provided that the reporting requirements are balanced with firms' capacity.

4.1.3 Advancing digital reporting

Empirical findings indicate a strong demand among companies for technological advancements in CSR disclosure, particularly in relation to digital reporting capabilities. The alignment between global regulatory objectives and firm-level interests in this dimension is evident, as companies view digitalization not only as a compliance necessity but also as an opportunity to streamline reporting. Thus, advancing digital reporting emerges as a shared objective that supports both regulatory aims and reporting companies' interests.

On the firm level, this need seems to be frequently linked to the challenge of integrating financial and non-financial reporting processes. While many firms already have long-standing systems in place, interviewees emphasized that substantial resources have still been allocated for preparing the technical capabilities necessary for complying with CSRD.

> *"We already had a tool implemented, which we also use on the financial side. It has been more widely adopted on the ESG side as well. There is an effort to integrate reporting more closely as part of the financial statements so that the same tools are used. Time has also been spent on planning the technical side." - Interviewee C*

> *"There has been a reporting system in the finance department, and [sustainability] was added as an extension. The background is specifically comparability with financial data." - Interviewee B*

> *"We already had systems in place for quantitative data, developed during the NFRD period, and we're continuing to improve those." - Interviewee F*

Beyond integration with financial data, the extensiveness of CSRD has also driven advancements in digital reporting through its audit requirements. Since the directive mandates assurance for non-financial disclosure, firms must be especially mindful with the trail of data from collection to final reporting to ensure transparency and reliability.

> *"This reporting clearly brings the need for a more robust system environment. -- We are now actively starting a project to get a better tool for data collection. -- Since an assurance requirement is now involved and we need to demonstrate data traceability to the original source, integration systems help significantly. Right now, the data might go from a water meter to graph paper and from there into a system, which creates uncertainties and makes it difficult to show an audit trail to auditors." - Interviewee I*

A central instrument for advancing digital reporting under the CSRD is the planned adoption of the international digital standard XBRL. As outlined in the literature review, this format for tagging and exchanging business data offers several advantages: enables more detailed reporting with the inclusion of metadata, facilitates efficient and customized information retrieval, and ensures machine-readability, which allows for automated analysis across platforms and organizations (XBRL International, no date; Beattie and Pratt, 2003; La Torre, Valentinetti, *et al.*, 2018). These characteristics directly support key objectives of the CSRD, particularly the improved availability and, most importantly, the comparability of sustainability disclosures. Empirical findings indicate that Finnish firms' interests align with this perspective, as interviewees consistently emphasized the need for such a standard. Although the requirement to report in XBRL format has been delayed as of the first year of implementation, firms nevertheless expressed readiness to transition toward it.

> *"Whether [XBRL] came this year or not, there was a need for it. The first year was partly a trial, so we now understand better what is needed." - Interviewee A*

> *"One reason [the company's existing reporting tool] is useful is that XBRL is included in it, so it works for financial reporting and enables its use in sustainability reporting as well." - Interviewee C*

In addition to the general advantages typically associated with XBRL, interviewees expressed hopes that its adoption will generate further benefits. In particular, they pointed to potential synergies with existing requirements to report CSR performance

to analysts and rating agencies. By enhancing the availability and clarity of sustainability information, the combination of CSRD and XBRL could simplify firms' efforts to meet these external demands and help reduce duplicative reporting practices.

> *"In addition, as a company, we're required to report to many ESG indices, analysts, and platforms—like CDP and others. Our hope is that with CSRD and when XBRL tagging is in place, these analysts and rating institutions can directly pull the data from a shared database." - Interviewee F*

> *"The benefit [of comparability] probably comes when digital tagging is adopted. Data will go into different databases, and that especially helps investors, but maybe also others like business customers. They'll get data more systematically and efficiently. It can also help with different reporting frameworks like CDP and Eco Vadis. Data can transfer there automatically, which makes multilayered reporting easier." - Interviewee G*

However, interviewees emphasized that while advancements in digital reporting are widely desired, they cannot be realized immediately. The acquisition and adoption of new technologies and information systems in large corporations are often slow and resource-intensive processes. Given the already demanding requirements of the new reporting framework, the immediate integration of a technological standard such as XBRL would have added substantial burden. Firms therefore expressed support for the EU's decision to postpone the mandatory application of XBRL.

> *"A decision is not made today, and the system implemented tomorrow; the process takes months or over a year. Acquiring a new system and integrating it with existing systems takes time. CSRD came quickly." - Interviewee B*

> *"Luckily [XBRL tagging in CSRD] was delayed, because I think without the delay, it would have been difficult to get everything done on time." - Interviewee I*

> *"We prepared for [XBRL tagging] last year. -- I'm happy with the postponement decision. This has already been a huge task for companies, causing additional work and costs, so it's good that we can wait a bit longer with it." - Interviewee H*

The advancement of digital reporting demonstrates clear alignment between EU objectives and firm-level interests. Regulators promote digitalization, and particularly XBRL, as a way to improve the availability and comparability of sustainability information, while companies see benefits in stronger integration with financial reporting, reduced duplicative disclosure, and greater efficiency. Although

implementation also poses resource challenges, firms support the EU's decision on delays and show readiness for the transition.

4.1.4 Transparency and availability of information

Finally, interview data demonstrated coherence with global standardization objectives in terms of improving transparency and the availability of information. On the EU-level, a central objective of the CSRD is to enhance both the availability and the transparency of non-financial disclosures (European Commission, 2023b). These concepts are closely connected to comparability and are best understood in relation to it: the availability of information provides the foundation for comparability, which in turn facilitates transparency by enabling stakeholders, particularly investors, to access and evaluate sustainability-related data. The EU builds upon this logic as the hopes are that better access to information and improved transparency will direct capital flows toward more sustainable businesses. Empirical findings demonstrate an alignment with these EU-level objectives, as interviewees highlighted the importance of reliable sustainability information in meeting investment needs.

> *"Our role is to look in two directions: internally to advance sustainability matters in different streams, and externally to meet expectations—for example, what investors expect from [the company] as an investment target. We need to be able to tackle these topics and demonstrate how we operate—reporting is an important tool here. Regulation is also a big part: we respond to those requirements." - Interviewee E*

In theory, the expected benefits for firms include enhanced perceived legitimacy and public image (La Torre, Sabelfeld, *et al.*, 2018; La Torre *et al.*, 2020; Breijer and Orij, 2022). Consistent with this, interviewees discussed how greater transparency in data helps substantiate actual sustainability performance and distinguish it from potential greenwashing. Regardless of the underlying motivation, firms generally agreed that the push for transparency under the CSRD represents a positive and necessary development.

> *"Regarding the external image, I think this has been a good "dirty laundry exercise." Previously, some companies could present themselves as sustainable without facts. Now large companies have to bring even weak points into view. Professional readers can distinguish those whose numbers and verified facts support the*

story from those who have mostly had pretty talk without background support." - Interviewee I

The local perspectives of Finnish firms seem to agree with the global objectives in recognizing that transparency, supported by available and comparable data, enhances the trustworthiness of sustainability disclosures. Interviewees noted that this development particularly benefits firms that have long reported on an advanced level, as the CSRD's requirements place all companies in a more equal setting and reduces opportunities for selective disclosure.

"Previously, companies defined for themselves what they wanted to report. This increases trust in the reporting." - Interviewee G

However, an interesting point raised by interviewees is that the CSRD's rigid requirements may also, in some cases, lead to a reduction in transparency. By establishing clear boundaries around what firms must and can report, topics that were previously disclosed voluntarily might receive less attention or be excluded entirely. This shift limits the breadth of information available to stakeholders in certain areas, bringing up a potential trade-off between structured reporting and comprehensive disclosure.

"Some numerical values were removed. For example, we used to report emissions from production facilities, but now the standard guides us to report only if they exceed threshold values. If they don't exceed them, nothing is reported, just a comment that it doesn't exceed. We collect them so that we can report that they didn't exceed the threshold." - Interviewee D

Despite this concern, interviewees also criticized the overall scope of mandatory data points. CSRD sets out rather extensive requirements on topics that companies must report on, some of which are mandatory standards for all entities and others determined based on the double-materiality assessment. Interviewees noted that such breadth does not guarantee clarity or usability for stakeholders of the report.

"If a company has 1000 data points to report, that doesn't promote transparency. If everything is important, nothing is important. It should be clarified what are the mandatory things that everyone must report." - Interviewee H

Overall, CSRD seems strongly aligned between global goals and firm-level interests in terms of promoting transparency and improving access to comparable

sustainability information. Both regulators and Finnish companies recognize that reliable, available data enhances trustworthiness, supports investment decisions, and strengthens stakeholder legitimacy. But at the same time, interviewees highlighted trade-offs, noting that limitative reporting requirements can sometimes narrow the scope of disclosure and, on the contrary, that extensiveness alone does not guarantee meaningful transparency.

4.2 Firm-level challenges

This section discusses themes from the empirical data that emerged as challenges specific to companies' experiences with the CSRD. In contrast to the previous section, which focused on areas of alignment between EU-level regulatory objectives and firm-level interests, the following findings highlight aspects of the directive that were not necessarily anticipated or directly addressed during its development. These challenges reflect the practical realities of implementation and reveal tensions between the standardized expectations of the CSRD and the operational contexts of Finnish reporting companies.

The research question guiding the study frames these findings as critical to understanding where misalignment may occur. The challenges identified include both issues consistent with prior literature and new insights arising from the local adoption of the directive. By examining these firm-level observations, the section attempts to better understand the barriers to effective implementation and the areas where alignment between global and local interests may be limited.

Code	**Global (EU-level) objectives**	**Local (Firm-level) observations**	**Degree of alignment**	**Key tensions & trade-offs**
Difficulties in interpreting regulation	Provide harmonized, clear disclosure standards for comparability and accountability.	Firms experience ambiguity and complexity in CSRD language and requirements; translation issues add confusion; heavy reliance on interpretation increases compliance risks.	Only partial: Unclear standards hinder consistent application and comparability.	Significant interpretation burden; risk of errors/noncompliance; comparability undermined.

Loss of narrative autonomy	Drive standardization and comparability; focus disclosures on material mandated topics.	Firms lose flexibility in tailoring reports and highlighting achievements; reports less engaging or accessible for various stakeholders; some consider supplementary reports.	Misalignment: Standardization reduces storytelling and stakeholder communication.	Reports less useful for diverse audiences; "one-size-fits-all" may decrease engagement and perceived value.
Regulatory burden and resource intensiveness	Improve ESG disclosure quality and scope via broad, mandatory reporting and assurance.	Reporting workload, detail, and costs increase greatly even for experienced firms.	Only partial: Ambitions lead to heavy cost and workload, sometimes outweighing benefits.	Burden risks checkbox mentality; potential negative cost-benefit.

Table 3: Firm-level challenges.

4.2.1 Difficulties in interpretating regulation

In standardization theory, issues related to the adoption and compliance of standards can be attributed to several reasons, one being the misinterpretation of regulation (Hummel and Rötzel, 2019). Due to the complex and technical nature of legislation, regulatory standards often demand substantial effort to implement correctly. Empirical findings suggest that the CSRD is no exception: all companies in the data sample reported difficulties in interpreting its requirements. These challenges primarily affect the reporting firms, as they must navigate compliance expectations while dedicating considerable time and resources to what can be a costly and resource-intensive process. Hence, this topic was identified as a challenge specific to the firm-level, not necessarily a shared issue between global and local actors.

> *"It has taken us a long time to understand what is required there and where. The division of how to communicate them is really difficult." - Interviewee D*

The interpretation of CSRD may pose varying degrees of challenge depending on the EU country in question. Interviewees, representing Finnish companies, highlighted that some difficulties stemmed from inconsistencies or shortcomings in the translation versions of the regulation and its implementation guides. These language-related issues sometimes led to ambiguity or misalignment in understanding specific

requirements, increasing the effort and resources companies needed to ensure compliance.

> *"[The level and accuracy of data] have been one of the biggest challenges because the standard is at times vague and difficult to interpret. One relief is the different language versions, but we have noticed differences between them, which makes implementation challenging." - Interviewee C*

> *"It's poorly structured. The language isn't particularly clear, especially in the Finnish translations." - Interviewee G*

Although primarily a firm-level observation, the variation in companies' interpretations of the CSRD also carries implications at the EU level, as it can hinder the realization of key objectives such as comparability. Interviewees expressed concern over the ambiguity surrounding the appropriate methods and formats for reporting data across different sections of the directive, noting that these challenges persist regardless of industry or sector.

> *"The jargon and ambiguity make it difficult to understand how extensively things need to be described. There are a lot of data points that aren't actual data, but descriptive requirements. Some companies have interpreted that they can put things in a table, others – like us – have interpreted that things must be written out." - Interviewee H*

> *"The challenge was to understand at what level things should be reported and what certain terms actually mean." - Interviewee B*

> *"We're being asked for quite big things, for example, to describe financial risks. That's something, because no one has clear answers or the right methodology yet, so it's a bit worrying. How are these supposed to be done?" - Interviewee E*

With the introduction of the CSRD, mandatory assurance of sustainability reports became a requirement, and interviewees discussed its implications across various dimensions of the reporting process. Many described iterative and collaborative processes with auditors as part of their reporting efforts. Nevertheless, interviewees still reported difficulties in achieving clarity on certain aspects of the standards, suggesting that even close collaboration does not fully resolve interpretation challenges.

> *"The ESRS standards are enormously long and complex, and there are lots of references to different sections, like the application requirements. You have to read them back and forth, and it almost requires legal skills to make sense of them. Even though the guidance is detailed, there's still a lot of room for*

interpretation. We had several discussions with our advisory firm and auditor about how things should be interpreted." - Interviewee I

"The first year was a bit fuzzy—everything felt scattered. You'd get some information and feel like you understood it, for example, thinking if something isn't material, you're not required to report it. But there were so many different opinions in the market—whether from an assurance point of view, a topic expert's perspective, and so on. So, until the very end, there was ambiguity around what the actual expectations were." - Interviewee F

Interviews indicate that the risk of firms misinterpreting the ESRS standards is evident, potentially leading to unintentional noncompliance, a clear negative outcome for companies required to follow the directive. Such misinterpretations also hinder the EU's objectives of comparability, transparency, and overall effectiveness of the CSRD. As prior research covered, the policy formulation process for standards of this kind is complex and influenced by various factors, making it common for some barriers to arise that prevent mandatory standards from fully achieving their intended goals (La Torre, Sabelfeld, *et al.*, 2018). Overall, these findings highlight that interpretation challenges represent a key firm-level concern with compliance implications that may affect the broader success of EU-level regulatory objectives.

4.2.2 Loss of narrative autonomy

As discussed in prior literature, standards can at times lead to reduced differentiation, which for firms could mean the loss of a certain competitive edge or some firm-specific priorities (Shin, Kim and Hwang, 2015). In the context of sustainability reporting, CSRD sets limits on the amount and variety of CSR data to be reported. For some companies this may be an extension to existing reporting but for others it may mean reducing information aimed at specific stakeholders or commercial purposes, which is one key issue in implementing the directive. This topic was identified as a firm-level challenge that impacts the alignment between firms' desires and EU's mandate.

Related to this, interviewees emphasized several key features of earlier forms of voluntary sustainability disclosure, particularly those using the GRI framework. Interviewees discussed in a positive manner about the level of freedom which they

previously had in presenting their sustainability progress and initiatives, noting that the flexible format allowed them to highlight areas of strategic importance, tailor information to stakeholders, and showcase achievements that reflected the company's values and priorities.

> *"Previously, there was more flexibility in reporting compared to the current precisely defined model. It was possible to highlight important issues or areas where good work had been done. The report was comprehensive, high-quality, and in accordance with the GRI standards, but we also emphasized our own perspectives." - Interviewee A*

In contrast, the CSRD now prescribes more rigid guidelines on what must and must not be reported. While the overall volume of required disclosures has increased in many areas, interviewees noted that on some specific topics the amount of information disclosed has decreased, also highlighted in the transparency section of the results. This shift reflects the directive's focus on standardization and comparability, but it can limit firms' ability to tailor narratives or emphasize aspects of sustainability that were previously voluntarily highlighted.

> *"The actual amount of data to be reported has actually decreased. We've removed marketing communication-type text, partly due to space constraints and partly because of standardization." - Interviewee D*

> *"We had previously reported, for example, figures related to water usage. But since it didn't come up as material in the DMA, we are no longer allowed to report on it under CSRD. That feels strange." - Interviewee G*

Interviewees discussed the elements of previous reports that are no longer included under the CSRD, emphasizing that these sections served as important communicative tools. Such content allowed firms to present data in ways that were particularly relevant to their own operations and disclose their unique sustainability achievements and priorities to stakeholders. The removal of these sections under the directive was seen as limiting firms' ability to report their sustainability efforts in a meaningful and differentiated way.

> *"[With CSRD], there is a lot of information, but in previous years we've had a condensed narrative – kind of like our "systemic value creation" story – which has been more narrative and summarized the main points. That was left out now." - Interviewee I*

These narratives served multiple purposes, with interviewees emphasizing that they were designed to engage a diverse set of stakeholder groups. Firms noted that a major benefit of reporting prior to the CSRD was the ability to address various interests within a single report, including those of investors, customers, employees, and other key stakeholders.

> *"Previously, responsibility reports were for all stakeholders and interested parties, but no consumer customer will surely open our CSRD report unless they are particularly interested in this topic. It no longer serves all sectors in the same way as before." - Interviewee H*

> *"The reports were also more flexible — catered to multiple stakeholders, including customers, investors, employees, and so on. Now, with CSRD, I think the biggest difference is from a stakeholder point of view. It doesn't cater to all stakeholders equally. Some might find it difficult to read due to the regulatory language." - Interviewee F*

Under the Green Deal, the EU seeks to channel investments toward sustainable businesses, and the CSRD appears particularly focused on addressing the needs of investors and other professional audiences. The new requirements regarding content and reporting format shift the disclosures toward a standardized, data-driven structure. Interviewees noted that, as a result, reports may become less accessible and less useful for many stakeholders, reducing their effectiveness as a tool for broader communication.

> *"The report used to be more interesting to read. Now it is more fact-based, which is good for comparability, but at the same time, it is less engaging. To a layperson, the report might feel drier, and some of the interest is lost. Therefore, information must also be communicated in other ways." - Interviewee A*

> *"The biggest change has been the precise and strict formatting in the ESRS standards regarding how and in what order things are reported. That doesn't necessarily improve readability and comprehensibility but can even weaken them." - Interviewee H*

In interviews, an interesting observation that arose was the discussion around the possibility of producing supplementary or "bonus" reports alongside the mandatory CSRD disclosure. With such efforts, some firms attempt to retain more diverse communication and the benefits that the previous flexibility of reporting allowed. By doing so, they aim to continue highlighting sustainability initiatives, report data

points not afforded by the DMA, and engage a broader range of stakeholders beyond the perceived investor-focus of the directive.

> *"CSRD doesn't cover everything that stakeholders ask for or what we want to communicate. For example, responsible investing is a key part for us, so we published a voluntary, extensive report." - Interviewee E*

However, most firms had not pursued supplementary reports. Instead, they found ways of working within the boundaries of the CSRD while leveraging other communication channels to convey sustainability efforts. This approach seems to allow companies to balance compliance with the directive and the need to maintain communication with audiences beyond professional investors.

> *"We have managed to transfer information to other sections, such as the annual review report. For example, information previously reported in GRI has been moved to other sections. The report is now more concise, but we have been able to use other surveys and websites to share information." - Interviewee C*

> *"Certain things that we have previously reported in the annual report or sustainability report may not end up there in the same way. However, we still report them, for example, in sustainable development indices and investor evaluations, so we still need the information for ourselves." - Interviewee A*

> *"For us, for example, climate and environment were not material topics in the previous round, but reporting continued in a separate environmental annex outside of the official report. We wanted to maintain and increase transparency, especially regarding the carbon footprint. Similarly, now when we leave the tax footprint and tax issues out of the official report, we still report them on the website. It's a topic that is regularly discussed in Finland and in political debates. We don't want to give up transparency, even though it's no longer a reportable material topic." - Interviewee H*

However, as discussed in more detail in the next section, the first year of CSRD reporting demanded substantial effort from firms. Therefore, some firms chose to adhere strictly to the boundaries and instructions of the directive, excluding additional topics completely.

> *"We made the decision that with CSRD, we no longer continued reporting under voluntary standards – GRI was left out. This was a conscious choice, because the workload would have otherwise been excessive." - Interviewee I*

The loss of narrative autonomy under the CSRD highlights a key firm-level challenge, and followingly, a misalignment between global regulatory objectives and

firms' interests. This constraint challenges the directive's broader goal of fostering transparency and information availability for stakeholders. It reveals a tension between harmonization and meaningful, firm-specific reporting, which is central to the research question on alignment between global aims and local experiences.

4.2.3 Regulatory burden and resource-intensiveness

The resource-intensiveness of CSRD implementation emerged as a prominent firm-level challenge in the empirical data. Prior literature on regulatory standardization has acknowledged that extensive frameworks often require organizational adaptation. While this burden was somewhat expected, the findings suggest that the scale and complexity of the CSRD exceeded initial expectations for many firms. This challenge reflects a potential misalignment between the directive's standardized expectations and the operational capacities of reporting companies, highlighting a key tension in the alignment between global regulatory objectives and local realities.

On many occasions, interviewees referred to the resources required to conduct the transformation of sustainability reporting to comply with the directive. As an extensive regulatory framework, it is natural that an organizational shift of sorts is required, especially for firms without formal reporting procedures in place. Yet, even among companies in the sample with extensive prior reporting experience, CSRD implementation proved to be a resource-intensive and burdensome exercise.

> *"We've had a couple of colleagues, in addition to me, who have all been reporting according to GRI, NFRD, and other standards for over 10 years. I've been an auditor myself. Still, this is like learning Italian on top of Spanish — it's not a completely different language, but it's difficult. I wonder what happens to companies that have to take this on for the first time." - Interviewee D*

> *"Previous reports were about twenty pages as part of the annual report. Now the CSRD report was ultimately about 104 pages, so the amount of material and data has increased significantly. -- The size of the team involved in this work has also been larger than before." - Interviewee I*

For many firms, already the initial steps of the process, such as conducting the DMA assessment, demanded considerable effort. This step set the tone for the

remainder of the reporting process, which was also constrained by time in the fast-moving implementation schedule.

> *"Defining the data points to be reported was more complex than I initially thought, because there are such a huge number of them. We went through carefully what to report and what could be left out. That took us a lot of time from the turn of the year to spring. In addition, we had to bring new people into the process and explain the entire CSRD structure to them, so they understood what needs to be reported and how. That was a big task." - Interviewee G*

> *"And not just the reporting, but especially the definition of double materiality, understanding the process, implementing it, and forming it. It has been exceptionally fast considering how much it requires changes and resources." - Interviewee E*

Regarding data point requirements, interviews indicate that the CSRD expanded disclosures both vertically, in terms of greater detail, and horizontally, by introducing new topics. Meeting these requirements demanded additional effort within existing CSR reporting teams to provide the required level of detail, as well as increased cross-functional collaboration across departments to address areas not previously included in sustainability reporting.

> *"A lot has changed. The biggest change was the need for more resources because the process is broader and requires more input from different functions and experts." - Interviewee C*

> *"The amount of detail is staggering, and the level of mandatory requirements brings a lot of work." - Interviewee E*

> *"When you go into the detailed data level, it becomes very complex very quickly. Not every company has the resources to handle that level of detail. It takes a lot of collaboration and contribution from different people, and if resources are tight, it risks becoming just a checkbox exercise." - Interviewee F*

With firms' need to expand their sustainability reporting teams and bring in additional workforce, many questioned whether the current scope of reporting in CSRD is sustainable from a cost perspective. The mandatory assurance requirement under the CSRD further adds substantial external costs, increasing the overall financial and operational burden for organizations striving to comply with the directive

> *"[With CSRD], there's the cost aspect—especially with the tools you need, the assurance costs, and so on. It raises the question: are all organizations willing or even able to afford these expenses? It depends on team size, company size, and*

the scale of impact. This cost concern isn't emphasized enough, in my opinion." - Interviewee F

"The first CSRD year was a massive effort in terms of workload for the team. The amount of data to report and the demands of the standards required a lot of additional resources from different levels of the organization. Additionally, mandatory assurance brought a new element into the process." - Interviewee H

CSRD aims to improve the comparability of disclosures by harmonizing reporting practices across EU countries. However, empirical findings highlight concerns about the directive's ability to fully achieve this goal, given the considerable variation in CSR reporting maturity across member states. Interviewees consistently noted the advanced reporting practices of Finnish firms yet emphasized that even these experienced companies struggled under the directive's resource demands. They also expressed concern that firms in other countries, potentially with less prior experience in CSR reporting, may face even greater challenges in meeting the CSRD's requirements.

"One concern that I haven't mentioned yet is how much time reporting takes. That time clearly increased with CSRD. It might become more efficient as things develop, and people get used to it. In many Finnish companies, not to mention elsewhere, there aren't large sustainability resources." - Interviewee G

"We had two reporting veterans and one person who had sat in Brussels, and together we crawled through this. I wouldn't envy those who have one person with no background in reporting." - Interviewee D

Relatedly, interviewees discussed the possible need of revising the directive into a more economically sustainable direction. Many found that the outcomes achieved with CSRD do not yet align with the resources needed to comply with it. This, particularly, represents a firm-level challenge which global standard-setting processes do not often account for.

"Considering the scale of the exercise and the amount of work – about nine months of work for many people – the input-output ratio isn't yet balanced. -- On the smaller end, there have been companies for whom this doesn't bring any added value – only costs." - Interviewee H

Despite the challenges, some firms reported that the burden was manageable to a certain extent, allowing them to comply with the mandatory CSRD requirements.

These companies were able to meet the directive's obligations without compromising the overall quality or accuracy of their disclosures.

> *"But considering the in-house resources—we're a small team with limited budget—I think we did pretty good. We didn't use any new tools and did the double materiality assessment ourselves. That also went really well." - Interviewee F*

In summary, CSRD has significantly increased the resource demands of sustainability reporting, requiring firms to expand teams, coordinate cross-functionally, and manage both internal and external costs such as mandatory assurance. While Finnish companies with prior reporting experience were able to navigate these requirements, even they found the process burdensome, and concerns remain about the ability of less-experienced firms in other EU countries to comply. These findings highlight a key firm-level challenge in balancing the directive's ambitious objectives with the practical realities of its implementation.

4.3 Shared challenges

The topics in this section are at the intersection of firm-level experiences and EU-level ambitions, representing challenges that are relevant to both global and local interests. These issues were consistently raised in the empirical data as areas of concern during the adoption of the CSRD. While not necessarily misaligned in intent, they suggest tension points that can hinder the directive's ability to fully achieve its broader objectives. Importantly, these challenges affect the alignment between the standardized goals of the CSRD and the practical realities faced by reporting companies, which is central to the success of regulatory standards. Understanding these shared challenges is essential not only for evaluating the effectiveness of the directive but also for identifying opportunities to refine its implementation so that it better supports both EU-level policy goals and the operational needs of firms.

Code	**Global (EU-level) objectives**	**Local (Firm-level) observations**	**Degree of alignment**	**Key tensions & trade-offs**
Cross-sector applicability	Create a unified reporting standard promoting cross-	Applicability varies by sector; some firms find standards less	Partial: One-size-fits-all aims not fully met in	Overly broad or irrelevant requirements in some sectors;

	industry comparability and consistency.	relevant or difficult to adapt; lack of sector-specific guidance noted.	practice; comparability vs. relevance tension.	materiality differs; need for sector-specific options/guidance.
Investor-focused framework	Channel investment to sustainable businesses by prioritizing investor needs; ensure reliable, comparable ESG data.	Reports seen as investor-centric; less suitable for broader stakeholder communication; prior reporting may already meet investor goals.	Partial: Aligns with EU investment goals, but not all companies/stakeholders benefit equally.	Reports less accessible to non-investors; added requirements in mature markets may provide limited new value.
Focus on compliance	Foster meaningful ESG improvements through mandatory, standardized reporting.	Resource burden and complexity lead to "checkbox" compliance mindset; action/improvement less prioritized.	Partial: Emphasis on compliance can undermine real ESG progress; both sides see value in more action-oriented reporting.	Regulatory burden may outweigh benefits; risk of reporting as bureaucratic exercise, not driver of change.

Table 4: Shared challenges.

4.3.1 Cross-sector applicability

Regulatory standards, CSRD included, often strive for cross-industry comparability in reporting. However, the inherent differences between sectors make this goal difficult to achieve without relying on standards that are very broad and general. As noted in the literature, effective reporting mandates should avoid boilerplate language and instead prescribe detailed information requirements to enable meaningful, in-depth disclosure. Yet increasing the specificity of standards tends to limit their applicability across sectors, creating a tension between comparability and relevance. (Christensen, Hail and Leuz, 2021).

Because the data sample includes firms from several industries, interviewees reflected on cross-sector applicability from different angles. In practice, the suitability of a standard like the CSRD for a company's sustainability reporting depends heavily on its reporting structures and business segments. For instance, Company 1 operates across multiple sectors within the retail and consumer space. Interviewees from one

of its subsidiaries described the difficulty of fitting a multi-sector organization into the CSRD's reporting format, noting that its breadth of activities complicates alignment with a single set of standards.

> *"This can also be considered from the perspective of a multi-sector company. We can't go deep into individual businesses, unlike, for example, a manufacturing company in [our] industry, where the same issues apply to the entire business and you can go deeper in reporting, whereas in a multi-sector company, it is more challenging due to the different businesses and their sizes." - Interviewee B*

Some interviewees also described challenges in aligning with the CSRD due to a perceived emphasis on environmental topics. While sustainability frameworks in principle aim to balance environmental, social, and governance dimensions, and the CSRD does include standards across the Triple Bottom Line, including ESRS S1–S4 for social topics (European Commission, 2023b, 2023a), social and governance issues can be harder to quantify and standardize than environmental ones. Interviewee H noted that for firms in healthcare and other service-oriented sectors, this imbalance is particularly evident, as their most material impacts are not always easily captured by the directive's current structure.

> *"For us, a sector- and company-specific challenge is that as a company and as a sector, questions of social responsibility are the most essential -- there are hardly any similar, harmonized and measurable KPIs – not even with the CSRD [as there are for environmental sustainability]. -- Interpreting and applying the ESRS data model and reporting standards has been the biggest challenge in producing the report so that it fits the required format. There are still no directly suitable models for healthcare, and issues concerning end users do not fit into the existing structures." - Interviewee H*

A similar issue emerged in another non-manufacturing context: the financial sector. For these firms, fulfilling certain CSRD data point requirements has proven challenging. While some ESRS topics are unlikely to be deemed material during the double-materiality assessment phase, some still fall under the mandatory-for-all section of the standards. As a result, firms have struggled with workarounds to meet these obligations, even when the relevance of the information to their sector is limited.

> *"The ESRS standards are not entirely intuitive for the financial sector. It has been challenging to present artificially something that isn't relevant but is a mandatory data point." - Interviewee E*

In industrial sectors, firms reported challenges with specific topical requirements that do not align well with the characteristics or life cycles of their products. Because the directive is designed to be broadly applicable, there are limits to how much nuance it can provide in its definitions. For some companies, these limitations directly affect how they are able to describe their core products in sustainability disclosures, leading to mismatches between the standard's assumptions and industry realities.

> *"One thing that is a bit challenging relates to the EU taxonomy, which defines only plastic packaging manufacturing. But a large part of our more sustainable business relates to fiber-based products. It's a bit odd that according to the taxonomy, plastic packaging is raised as a "sustainable" activity, while fiber-based products don't fit the criteria in the same way – even though they clearly better support environmental goals." - Interviewee I*

> *"One difficult point for us has been E5, i.e., resource use and circular economy. Many of the topics there are based on how much of the product is recycled or circular. But pharmaceuticals are a linear product by nature. Pharmaceutical waste cannot be purified sufficiently. Adapting it to these requirements is challenging." - Interviewee D*

Continuing with the issue of materiality, the challenge of reporting on topics that are mandatory but not relevant to a given industry is not easily addressed. The data suggests that materiality can differ even among firms operating within the same sector, making a one-size-fits-all approach challenging. Despite this, interviewees expressed interest in the EU developing sector-specific guidance as a potential way to ease these inconsistencies and improve the applicability of the standards across diverse industries.

> *"What's material for one company isn't for another, even within the same industry. This makes it hard to compare companies. -- So, for example, the Commission might ask: why is there such variation? Maybe the guidance explains how to do double materiality but not what not to do or what checks to apply. If there were clear, common principles tailored to each sector, it might help. Sector-specific standards were mentioned in the regulation, but we haven't seen them yet." - Interviewee F*

> *"There were difficulties in classification. -- Pharmaceuticals in the environment is not a topic at all. We will probably include it at some point, as entity specific. We kind of waited for sector-specific guidance, which isn't coming now." - Interviewee D*

Interviewees also noted the lack of certainty or clear guidance on whether sector-specific standards would be introduced. With the release of the Omnibus proposal, the development of such sector-specific standards has been paused by EFRAG (EFRAG, no date b). Despite this, some interviewees felt that the current format is workable for their organizations, although they acknowledged that this may not hold true for all industries.

> *"CSRD is applicable to quite a lot. It's good that sector-specific requirements are being postponed, because everyone already has a lot to digest. If there are sector-specific data points that you want to report, it's possible to report entity-specific data points." - Interviewee G*

> *"We are an industrial company, so maybe exactly the type of a firm the standards' authors have had in mind. But I can easily imagine that, for example, in finance this can be much trickier." - Interviewee I*

While the CSRD aspires to create a unified framework for sustainability reporting across industries, firms' experiences revealed considerable variation in how applicable and relevant the standards are in practice. Differences in business models, product lifecycles, and material topics complicate the application of a single set of requirements. The absence of sector-specific guidance further amplifies these tensions. Although some companies are able to comply within the current format, the challenges discussed suggest that greater flexibility or tailored guidance may be necessary to ensure meaningful cross-sector applicability. This issue appears to be a structural misalignment between the directive's global objective of comparability and the differing realities of reporting firms. Highlighting the limitations of a one-size-fits-all approach, this shared challenge is a key point in achieving effective standardization which would require aligned global and local interests.

4.3.2 Investor-focused framework

One of the central aims of the CSRD is to improve the quality and comparability of sustainability disclosures, particularly for professional audiences such as investors. This reflects a global regulatory objective to channel capital toward sustainable businesses and enhance decision-useful ESG data. However, this investor-oriented focus may not fully align with the broader communicative needs of reporting companies,

especially those accustomed to engaging a wider range of stakeholders through more narrative-driven formats.

As discussed in the Loss of narrative autonomy section, the scope and requirements of CSRD have thus shifted the communicative purpose of sustainability reports. Interviewees noted that the directive appears particularly oriented toward professional audiences, especially investors, emphasizing data-driven disclosure and comparability over broader narrative communication.

> *"I believe the standardized format serves especially professional readers – those who can extract the needed information from the report automatically through searches. This format is not particularly friendly for human readers." - Interviewee I*

Not only a topic of concern, but this investor-oriented perspective is also consistent with one of the CSRD's explicit objectives: to channel capital toward sustainable businesses. By standardizing sustainability disclosures and emphasizing comparable, verified data, the directive aims to provide investors with clearer, more reliable information on companies' environmental, social, and governance performance. In this way, the focus on professional readers supports the EU's broader goal of using transparency and harmonization to influence investment decisions and encourage more sustainable business practices across the bloc. (European Commission, 2023a; Yamamoto, 2023).

> *"[CSRD] certainly serves its purpose in that investors get information about responsibility, and cash flows are directed to more sustainable companies. -- this serves [the company], as we can get funding in the future based on the fact that we act sustainably." - Interviewee B*

Interviewees observed that, while the current CSRD reporting format primarily targets investors, there is potential for the reports to serve a broader range of stakeholders. With adjustments to the requirements and clearer guidance on reporting, firms believe they could better communicate sustainability information to other audiences, enhancing the reports' relevance and usefulness beyond professional investors.

> *"If the data point requirements and reporting requirements were simpler and clearer, companies would have more opportunities to think about how they*

present the data sensibly. This way, they would serve not only analysts and investors but also other stakeholders who could find relevant information for themselves." - Interviewee H

In discussion of the investor-oriented perspective of the directive, some interviewees noted that in Finland, particularly, CSRD was not necessarily needed to meet investors' information needs. Interviewee H highlighted that investors in the region have long considered sustainability in their decision-making, and prior reporting already provided data relevant for investment purposes. From this perspective, the additional requirements of the CSRD may appear excessive, if the primary goal is to support the green transition and direct capital toward sustainable actors.

"Investors in [the Nordics] have been enlightened, and sustainability has been part of the investment process for a long time. Here, investor information needs are often already covered by previous reporting. At least my view is that previous reporting has already served both qualitative and quantitative information needs. From this perspective, such "overkill" is unnecessary if the goal is to support the green transition and allocate resources to companies and projects that advance it." - Interviewee H

While CSRD's investor-oriented focus aligns with EU-level goals, interviewees remarked that its relevance varies across markets. In regions like the Nordics, where investors have long considered sustainability and prior reporting already meets their information needs, the directive may add limited incremental value. This frames it as a common challenge for global and local interests: even as the CSRD seeks harmonization and transparency, local reporting maturity and pre-existing practices influence how effectively its investor-oriented objectives are realized.

4.3.3 Focus on compliance

A key concern that emerged from empirical data relates to the risk of misalignment between the CSRD's global objective of driving substantive ESG performance and the way firms approach its implementation. While the directive aims to foster meaningful sustainability action, interviewees noted that the complexity and resource demands of the reporting process may lead companies to adopt a compliance-first mindset. This shift reflects a tension between regulatory ambition and practical execution, where firms focus on meeting formal requirements rather than leveraging

reporting to advance sustainability goals. Some interviewees described a pragmatic approach taken by firms during the first year of reporting to ensure compliance, at minimum, is achieved.

> *"We've been quite pragmatic and conservative. We used all the transition periods to ensure we met the mandatory requirements. It was really important for us to get it done properly." - Interviewee E*

> *"But now that CSRD has come in as a compliance requirement—especially after the Omnibus—it feels like some companies are saying, "Let's just do what's needed," rather than aiming to improve. That shift feels slightly negative. There's more focus on meeting requirements and less on improving operations or the reporting process itself." - Interviewee F*

This shift not only undermines the EU's goal of promoting sustainability through transparency but also limits firms' ability to address their own sustainability priorities effectively, as the emphasis on meeting regulatory requirements of CSRD can come at the expense of linking reporting to actual sustainability action.

> *"That was our focus: to tie together our actions with the data and our everyday work — making it more action-based. We were building toward that, but of course with CSRD, our focus has shifted more toward regulation." - Interviewee F*

As discussed in the Loss of narrative autonomy section, some companies have come to produce separate sustainability reports tailored to other stakeholders. This course of development may further strengthen the role of CSRD as primarily a legal or compliance task, which is not particularly desirable for nether reporting firms or the EU.

> *"In some companies, even those reporting under CSRD still create a separate sustainability report tailored for customers and stakeholders. CSRD becomes more of a compliance or legal task. But we don't think it should be like that. It shouldn't just be a compliance checkbox. If that's all it is, then it doesn't drive action. We think it should be valuable—not a burden for companies or for readers. That's the whole point: finding that balance." - Interviewee F*

Empirical findings emphasized that this shift toward compliance can have broader negative implications. They highlighted the importance of ensuring that sustainability reporting supports action in driving ESG performance rather than fulfilling a regulatory mandate.

"The goal is not a detached paper exercise, but for the report to also have added value." - Interviewee H

Interviewees also reflected on the practical consequences of the compliance focus, remarking that while regulatory obligations generate significant work and costs for companies, the perceived value of the reporting itself may not match the effort expected.

"I would say that, at this scale, the main beneficiaries have been consultants and auditors, for whom this has created a huge amount of extra business. For companies, the benefit ratio might not be so obvious." - Interviewee H

In summary, this perceived compliance-driven focus of the directive is a shared challenge between EU-level objectives and firm-level realities. While CSRD seeks to achieve various goals by standardizing sustainability disclosures, the pressure of meeting formal requirements can divert firms' attention from using the reports as tools for improving ESG performance. Finding a balance between compliance and driving value is evidently a key concern in developing the standard, further highlighting the need to align regulations with experiences from practical implementation.

4.4 Factors facilitating alignment

While previous sections have highlighted areas of misalignment between the CSRD's global objectives and firms' local experiences, this section focuses on factors that support alignment and successful implementation. These findings are central to the research problem, as they help explain under what conditions the directive's standardized goals can be effectively realized at the firm level. Drawing on empirical evidence, the following sub-sections explore themes that contribute positively to the adoption of the CSRD, including the responsiveness of the standards to market needs, the preparedness and situational context of reporting firms, and the role of implementation guidance and stakeholder inclusion in the standard-setting process.

Code	**Global (EU-level) objectives**	**Local (Firm-level) observations**	**Degree of alignment**	**Key tensions & trade-offs**
Responsiveness of the standard to market needs	Support harmonized, relevant, and achievable reporting responsive to firm realities.	Firms welcomed harmonization, clearer materiality, and supply chain transparency. CSRD met existing needs in many cases, though some firms felt prior reporting was already strong.	Facilitating high alignment when standards address clear firm needs and existing practices.	Some perceive CSRD as an added "mandatory evil" rather than needed progress.
Organizational readiness and context in adoption	Ensure smooth adoption across firms, leveraging and improving existing reporting practices.	Firms with strong prior reporting/adoption of assurance found CSRD easier, leadership and culture key, some benefit from starting fresh.	Internal capacity, reporting history, and management support facilitate smooth transition and align interests.	Less-experienced firms or those without leadership support may struggle more.
Role of guidance and participation	Facilitate adoption through clear guidance, feedback, and inclusion in standard setting.	EFRAG guidance, industry association input, and Q&A support help firms interpret and apply CSRD, but effectiveness/clarity/timeliness vary.	Guidance and participation improve alignment and ease implementation when well-executed.	Guidance sometimes late/vague, feedback channels unevenly used and may not visibly influence standards.

Table 5: Factors facilitating alignment.

4.4.1 Responsiveness of the standard to market needs

A central theme in the alignment between global regulatory objectives and firm-level experiences is whether the standard reflects the practical realities of the reporting companies. As highlighted in the literature, sustainability reporting mandates are more likely to drive meaningful change such as improved ESG performance and sustainable investments, when they are responsive to market needs (Farrell and Saloner, 1985). For directives like the CSRD, this means that the requirements should be achievable and relevant to the firms expected to implement them. This

section insight into how the standard's design can facilitate alignment and support successful adoption.

In the interviews, firms consistently voiced a need for greater standardization and harmonization in sustainability reporting, suggesting that the directive responds to an existing demand for a common approach.

> *"Before CSRD, especially from a quantitative data point of view, we were reporting quite a lot of information. We were reporting according to different standards since there wasn't one unified approach — mainly GRI and SASB, which many companies used." - Interviewee F*

Interviewees emphasized that within CSRD, particularly the double-materiality assessment has been a welcome addition. As discussed in earlier sections, it offers a unified framework for determining what should be reported, replacing previously fragmented practices. Beyond that, it has made companies examine sustainability through an impact-oriented perspective, which is something many sustainability professionals said they had long aimed for but were unable to achieve as effectively before CSRD.

> *"Assessing [what is to be reported and what is significant] has been a challenge over the years. The double materiality assessment has brought more structure to this, and it is not wrong to leave out certain things if they are less significant." - Interviewee A*

> *"Identifying risks and opportunities was really challenging before CSRD. It was hard to have discussions about impacts. CSRD forced that, and we did a really big job for it. I don't think we would've gotten to the same point for many more years without it." - Interviewee D*

Interviews also showed that companies view the reporting requirements as necessary from a customer and value chain perspective. Because CSRD obliges firms to collect data across their entire supply chain, they are increasingly both requesting information from suppliers and responding to requests from downstream partners. In that sense, the directive is seen as a useful mechanism for standardizing practices across value chains and improving the quality and transparency of shared data.

> *"One of the biggest drivers [with CSRD] is also the fact that customers are asking for it. They're subject to the same regulation, so if we don't have our own data processes, we can't support them either." - Interviewee F*

Even with the general consensus that the directive brings benefits across many areas of reporting, some interviewees felt that companies were already performing well prior to CSRD. Moreover, many described an existing commitment within companies to improving reporting practices and pursuing meaningful sustainability work. In that light, CSRD may portray itself as a "mandatory evil" rather than a driver of needed progress.

> *"One thing I've noticed is that before CSRD—during NFRD—many companies were reporting quite well, even without being required to. There was a drive to improve and develop further. Even smaller companies tried to report what they could." - Interviewee F*

Taken together, the interviews suggest that CSRD responded to several concrete needs in the market such as standardization, supply chain transparency, and clearer materiality processes, which strengthens alignment between firms and EU-level goals. Although some companies felt they were already on the right path, the directive still offers a shared structure that can improve reporting quality in a harmonized manner. This responsiveness to demands highlights how alignment is possible when regulatory standards are shaped around the needs of companies expected to implement them.

4.4.2 Organizational readiness and context in adoption

Empirical findings suggest, quite naturally, that companies with a long history of structured sustainability reporting appear well-positioned to adopt CSRD. Interviewees all came from firms with rather established practices, often built around GRI. Although they described the transition as demanding, they also concluded that their reporting efforts in the first year of CSRD as successful. Their existing processes and internal expertise meant they were not starting from scratch but rather expanding and formalizing what was already in place. Several participants noted that their companies had long been viewed as pioneers in CSR disclosure, which helped them absorb the new requirements with relative ease and clarity.

> *"[The company] has been praised for its sustainability reporting, and it has succeeded in various evaluations. It has previously been used as an example of a*

well-prepared report that has been made according to the GRI standards." - Interviewee A

Familiarity with process requirements was seen as a particular advantage when it came to assurance, which CSRD has now made mandatory. Companies that have already subjected their sustainability reports to voluntary assurance, such as most of the interviewed firms, may naturally be better equipped to handle the demands from the outset. Compared to companies approaching assurance for the first time, these organizations most likely have in place clearer routines, established collaboration with auditors, and a more realistic understanding of the time and resources the process requires, facilitating a successful assurance process.

"We were in a good position compared to many other companies. Our sustainability reporting had been assured since 2017, so that was familiar to us too. For some companies, assurance might be a newer part, and it surprisingly takes a lot of time, especially with CSRD. If you're not used to it, it can bring additional challenges." - Interviewee G

However, interviewees also offered a contrasting perspective: because CSRD differs so fundamentally from previous frameworks, not having a long reporting history is not necessarily a disadvantage. For some companies, starting without entrenched processes or legacy formats allowed them to approach the new requirements with openness and flexibility. In these cases, the absence of old structures likely reduced the need to unlearn past practices and made it easier to build reporting aligned especially for CSRD directly from the ground up.

"This is a bit of a different situation in the sense that we didn't have a long-standing format behind the reporting. -- There was a learning curve going on with the current colleagues. Maybe even thankfully, there weren't fixed reporting habits. We were able to approach it more openly, like: now we have to report this way." - Interviewee E

Additionally, organizational culture and management support emerged as seemingly critical factors in enabling a successful transition to CSRD. Firms that invested in leadership development and fostered a culture of proactive sustainability engagement reported overall positive outcomes of reporting with the new directive. Strong executive backing helped position CSRD not merely as a regulatory obligation, but as an opportunity to strengthen reporting processes and integrate sustainability more

deeply into organizational practices, enhancing the perceived value of the first year of reporting.

> *"We did big processes to build up leadership, so that we could respond to CSRD. It brought us a lot of pressure to build, but it was a good thing. Of course, one can respond to CSRD poorly too, but we decided: no, and that's why the reporting had to be properly built. -- [The reporting in the first year] went really well. -- I don't know if this is due to the CSRD standard or the fact that we had strong support from management and understood that external pressure is an opportunity to build and should be done properly. Maybe it was due to proactive and good sustainable development building by management and even the CEO" - Interviewee D*

> *"I could still highlight the importance of management in how reporting is adopted and how its value is realized. This kind of "down from the top" thinking – how management values this, how it is invested in, how it is used in communication – is an important factor in success overall, but also in how benefits are realized." - Interviewee I*

Overall, the interviews show that firms' starting points both in terms of prior reporting structures and internal culture play an important role in how smoothly CSRD was adopted. Established practices, familiarity with assurance, and leadership commitment allowed companies to treat the directive as a development of existing, good work and an opportunity to integrate sustainability thinking across the organization. Thus, the situation of a firm in adopting the standards certainly facilitates alignment between EU's objectives and local interests, as implementation is not only a compliance exercise but rather a positively received opportunity for development.

4.4.3 Role of guidance and firm participation in standard setting

A critical enabler of alignment between EU-level goals and firm-level realities is how companies are supported in interpreting and applying the standard. Guidance materials, consultation opportunities, and feedback channels can help bridge the gap between regulatory ambition and on-the-ground implementation. The interviews suggest that while companies valued the support available, the effectiveness and accessibility of these mechanisms varied significantly.

Many firms highlighted that guidance from EFRAG played an important role, especially in the early interpretive stages. Tools such as Q&A documents and data

point spreadsheets were seen as particularly useful for navigating the technicalities of the standard. However, companies also felt that the guidance could have been more comprehensive and timely, especially given the scale of the transition.

> *"[EFRAG's guidelines] have been good support and useful because they offer the standard's text from different perspectives, which helps with interpretation. We would have hoped for more comprehensive guidance. -- The best support was EFRAG's Q&A and the data point Excel, which we have utilized." - Interviewee C*

> *"We have submitted some questions, particularly through our topic teams, who are very familiar with their own subject areas. We've also browsed and read those guides. We've been lucky in that we have an advisory firm that has received good summaries and practices from its global organization. Through that, we've received guidance in plainer language than directly from the original materials." - Interviewee I*

At the same time, interviewees pointed out that guidance sometimes arrived late or left key issues unresolved. For some companies, the evolving interpretations added uncertainty, especially when auditors adjusted their expectations during the reporting process. While the guidance helped firms get started, it did not always eliminate ambiguity.

> *"They've sent Q&A packages, which are compiled from questions. Sometimes they're a bit ridiculous – the interpretation might come late, when the report is already well underway. Then we had interesting discussions when the auditor read them and changed their stance on the fly." - Interviewee E*

> *"The implementation guidelines helped us get started and interpret things, but some aspects were still vague or omitted -- as part of a collective effort, we sent some comments—though not as an individual company." - Interviewee F*

Another dimension relates to participation in the standardization process. Some firms or industries engaged through consultation channels or working groups and noted that it gave them at least some sense of involvement. However, it was not always clear whether their input had any tangible influence on the final outcome.

> *"The chemical industry participated as a group in those. We did take a stance, and through that, we also got involved. I can't say whether they were taken into account -- it certainly hasn't shown very visibly. The standard did change along the way." - Interviewee D*

Additionally, many companies reported that they did not actively participate in submitting questions or feedback, often due to time pressures or reliance on industry associations to represent them. In some cases, indirect involvement through national or sector-level organizations replaced direct engagement with the process.

> *"We did not take advantage of the opportunity to send questions to EFRAG because the schedules were tight." - Interviewee C*

> *"Our industry organization – the advocacy organization – protects the interests of all its member companies. They have definitely asked questions about how positions are formed and whether something is needed. There are channels available. I can't really say whether we've been active in those." - Interviewee E*

> *"Indirectly, through the Finnish Business and Employers' Working Committee, we have participated in the discussion through the central organization, but as far as I know, there has been no direct participation from Finland." – Interviewee H*

Overall, the findings suggest that guidance and inclusion mechanisms can play a meaningful role in easing implementation and fostering alignment, but their effectiveness depends on timeliness, clarity, and accessibility. When firms are supported and heard, whether directly or through intermediaries, the translation of regulatory goals into practice is smoother. This highlights a broader theme of the chapter: alignment between global directives and local implementation is facilitated not only by the content of the standard but also by the processes through which firms are guided and involved.

5 Discussion and conclusions

This thesis set out to explore how the global objectives of CSRD align with the local experiences of Finnish reporting companies. By applying a theoretical framework grounded in standardization theory and conducting a qualitative multiple case study, the research provides an understanding of the directive's early-stage implementation on a local level compared to regulators' objectives in setting it.

The findings reveal that while there is considerable alignment between EU-level goals and firm-level interests, particularly in driving comparability, digitalization, and ESG performance, some tensions and challenges persist. These include difficulties in interpreting the regulation, the resource-intensiveness of compliance, and the risk of reporting becoming a checkbox exercise rather than a tool for strategic sustainability improvement. The study also highlights the importance of organizational context, leadership support, and the responsiveness of the standard to market needs as key factors that facilitate successful adoption.

Overall, the study contributes to both theory and practice by offering insights into regulatory standardization in sustainability reporting. It emphasizes the value of including reporting companies in the standard-setting process and tailoring regulatory frameworks to better reflect the diversity of firm and sector contexts.

The remainder of this chapter is structured as follows: Section 5.1 covers the theoretical implications of the findings, discussing how they confirm, extend, or challenge existing literature. Section 5.2 covers the managerial implications, offering practical guidance for companies preparing for CSRD implementation. Lastly, section 5.3 addresses the limitations of the study and proposes directions for future research.

5.1 Theoretical implications

The findings of this study, firstly, highlight a certain paradox in regulatory standardization theory, which is the tension between achieving comparability and maintaining relevance. While in terms of EU's objectives, CSRD aims to harmonize

sustainability reporting across sectors and jurisdictions, the empirical data shows that firms struggle with applying the uniformly set standards to diverse business models and materiality contexts. In this area, alignment was not yet achieved in a way that would drive both global and local interests. This supports Christensen, Hail, and Leuz's (2021) argument that cross-sector comparability often comes at the cost of specificity and relevance. This study extends the argument by showing that even within the same industry, firms interpret materiality differently, which limits comparability in practice. As such, the CSRD illustrates the theoretical trade-off between generalization and meaningful disclosure. The phenomenon strengthens the need for either sector-specific guidance or some other adaptations for application in future standard-setting efforts.

Secondly, this thesis sees digital reporting as a certain convergence point for regulatory and firm-level interests. The study finds strong alignment between the EU's regulatory push for digitalization in driving the adoption of XBRL and firms' internal needs for integrated, efficient, and auditable reporting systems. This supports prior literature (Beattie and Pratt, 2003; La Torre, Valentinetti, *et al.*, 2018) that emphasizes the potential of digital reporting to enhance transparency, comparability, and stakeholder engagement. However, the findings also challenge this view a bit by noting that while digitalization is welcomed, its implementation is constrained by resource limitations and technical readiness. This suggests that digital reporting standards can act as a convergence point between global and local interests, provided that implementation timelines and support structures are realistic and responsive to firms' capacities.

A topic where the directive still lacks alignment between EU's goals and firms' realities according to the results of the study is that CSRD's complexity and resource demands may shift the focus of sustainability reporting from strategic ESG improvement to mere regulatory compliance. This reflects the similar critique in standardization literature (Timmermans and Epstein, 2010) that standards can become checkbox exercises if they prioritize requirements and structure over substance. The study contributes to this topic by showing that even firms with mature sustainability practices may have to set aside impactful ESG efforts due to the reporting burden. This

challenges the theoretical assumption that regulatory CSR standards inherently drive better sustainability performance and suggests that similar regulatory frameworks perhaps need to balance consistency and comparability with some form flexibility to avoid fostering a checkbox mentality.

On many occasions, interviewees highlighted, particularly in relation to themes such as the resource-intensiveness of implementation and difficulties in interpreting the regulation, that the directive still poses a significant need for development or revision. In theory, Greenstein and David (1990) propose several criteria for effective regulatory standard-setting, including the notion that regulators should avoid mandating standards that may soon require revision, and that early signs of ineffective or premature standardization, such as industry resistance, should be carefully considered. These concerns were also present in the empirical findings, where some interviewees questioned whether the CSRD was introduced too hastily or whether it is the optimal approach for standardizing sustainability reporting. Given these practical observations, the study supports the application of Greenstein and David's criteria in the context of the CSRD. As also suggested in the theoretical framework and reinforced by the results, one key factor that can facilitate alignment between regulators' global perspectives and firms' local interests is the inclusion of reporting companies in the standard's development process. This aligns with broader standardization theory, which emphasizes that the participation of affected actors enhances legitimacy, improves adoption, and ensures that the standard reflects real-world implementation contexts.

In summary, the findings of this study offer contributions to the theoretical understanding of regulatory standardization in the context of sustainability reporting. The developed theoretical framework, which was grounded in standardization theory and adapted to the characteristics specific to CSRD, proved effective in examining the tensions between global regulatory objectives and local firm-level realities. By applying this framework, the study was able to identify both areas of alignment such as comparability, digitalization, and ESG performance, and misalignment, e.g., interpretation challenges, compliance focus, and sector fit. Therefore, it offers an extensive answer to the research question of how the CSRD's global objectives align

with the experiences of Finnish reporting companies. The results seem to validate key propositions from existing literature and also extend them by highlighting the importance of responsiveness, inclusion, and contextual considerations in regulatory standard-setting. Overall, these insights emphasize that there is value in incorporating firm perspectives into the development of sustainability reporting mandates like CSRD.

5.2 Managerial implications

The findings of this study provide a valuable benchmark for organizations navigating the first years of CSRD reporting. By examining the experiences of early adopters of the directive, the study discusses both the common challenges such as resource constraints and interpretative difficulties, and the factors facilitating success, including proactive planning and organizational contexts. These insights offer guidance for peer organizations preparing for CSRD implementation, helping them anticipate potential pitfalls and identify practical advice. More specifically, the findings contribute to managerial practice in three key ways:

First, the results emphasize the importance of proactive preparation. The CSRD introduces substantial requirements in terms of data collection and reporting methodology, particularly in areas such as the double materiality assessment and value chain reporting. Additionally, while digital reporting is not yet mandatory, the anticipated requirement to publish sustainability data in XBRL format highlights the need to prepare for digital infrastructure and competencies.

Second, the study highlights the value of participating in the standard-setting process and engaging with both industry peers and regulatory bodies. Interviewees mentioned participating in consultation processes and Q&A rounds, which not only help companies stay informed about evolving requirements but also provide opportunities to influence the development of practical, sector-specific guidance, and mitigate national differences. This can help ensure that the directive evolves in a way that reflects the realities and constraints of reporting organizations.

Finally, the results suggest that organizational culture and leadership play a critical role in shaping how companies are able to respond to CSRD. Firms with a proactive culture and leadership that views sustainability as a strategic focus are better positioned to align with the directive's objectives. Organizations in such situations are likely to approach CSRD not merely as a compliance exercise, but as an opportunity to enhance internal processes, improve ESG performance, and strengthen stakeholder trust. Managers should therefore consider how to foster a culture that supports change and includes sustainability into the organization's strategic agenda.

5.3 Limitations and further research

While this study provides valuable insights into the alignment between the CSRD's global objectives and the local experiences of Finnish reporting companies, some limitations must be acknowledged. First, the research is based on a relatively small sample of nine interviewees from eight Finnish companies. Although the sample includes firms from diverse industries and with varying levels of sustainability reporting maturity, the findings does not represent the full width of experiences across all sectors or EU member states. As such, the transferability of the results to other national contexts or to smaller, less experienced firms may be limited.

Second, the study focuses on the first year of CSRD implementation, which is very much a transitional phase. Many of the challenges and observations discussed may evolve as companies gain more experience, guidance becomes more refined, and best practices emerge. Therefore, the findings should be interpreted as a view of early-stage implementation rather than a definitive assessment of the directive's long-term impact.

Third, the study is based on self-reported data from sustainability professionals, which may be influenced by individual perspectives, organizational culture, or other factors. While efforts were made to ensure neutrality and trustworthiness of research, the potential for subjective bias remains.

Given these limitations, paths for future research can be suggested. First, comparative studies across different EU member states could provide a broader

understanding of how national contexts influence CSRD implementation and alignment. Second, research tracking the same companies over multiple reporting years would offer insights into how alignment evolves over time and whether initial challenges are resolved or persist. Third, future studies could explore the perspectives of other stakeholder groups, such as auditors, regulators, or investors to gain a view of their perceptions and interests in the directive. Finally, when adopted in the directive, further research could investigate the role of digital reporting technologies such as XBRL, in shaping the quality, usability, and impact of sustainability disclosures under the CSRD.

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A. Interview guide

Purpose of the interview and description of the research

The purpose of this interview is to gather expert views on the impacts of CSRD on companies' sustainability reporting and understand the directives implications and how it has succeeded in practice. All answers are processed confidentially, and the thesis will not contain your or your company's name. Participation is completely voluntary, and you may leave any question unanswered or end the interview at any point.

Background

1. Could you please introduce yourself and your role in the company briefly?

2. Could you describe how your work relates to sustainability reporting and the CSRD?

Sustainability reporting process prior to CSRD

3. Could you describe the company's sustainability reporting process before the CSRD?

- Was reporting guided by the previous directive, NFRD?
- Which reporting standard or framework did you follow?
- What were your biggest challenges or areas of improvement for sustainability reporting?

Adoption of CSRD

4. How has CSRD changed the sustainability reporting process in your company?

- Following the directive, have you adopted new reporting tools or technologies?

5. How has the directive changed the definition of data you must report?

6. How has CSRD affected the format and structure of sustainability reporting for you?

7. How would you describe the clarity of the directive in presenting the reporting requirements?

- Are the contents of the directive understandable and applicable to your company's situation?
- How would you describe the quality and extent of guidance and support received in applying the standards?

Implementation and impacts of CSRD

8. How do you think your company succeeded in the transition to the new reporting standards?

9. What kind of benefits do you perceive your company to get from CSRD and the ESRS?

- Do you see benefits regarding, for example, the development of harmonization and comparability of reporting or technology?

10. Have you experienced challenges or concerns regarding the new reporting requirements?

- Has complying with the directive been difficult or unclear in any part?
- Which areas of development or needs for change to you see in it?

Conclusions

11. Do you have anything more to add to your company's experience with the CSRD that you think is important to mention?

B. Coding table

	Instances in interviews									
Code	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**Total**	**Theme**
Difficulty in interpretation	3	4	5	2	6	2	3	1	26	Firm challenge
Resource-intensiveness		2	2	4	4	4	6	2	24	Firm challenge
Comparability effects	3	3	2	3	4	3	2	2	22	Aligned objective
Driving ESG performance		1	3	3	7	2	3	2	21	Aligned objective
Technologies & digital reporting	3	3	2	2	2	3	2	3	20	Aligned objective
Sector-specific observation	3	1	3	2	4	1	2	2	18	Common challenge
Loss of firm-specific priorities (communication to stakeholder)	7	1	1	2	1	1	3	2	18	Firm challenge
Development & benchmarking	1	2	1		4	1	6	1	16	Suggestions/discussion
Burdensome				3	5	2	5		15	Firm challenge
Role of assurance	2	2		2	2	2	4		14	Facilitates alignment
In touch with firm needs	2	1	2	1	4	2			12	Facilitates alignment
Organizational change		3	2	1	4	1	1		12	Firm benefit
Country-specific observation	1	2		1	2	1	3		10	Common challenge
Enhanced transparency			2	2	2	1	1	2	10	Aligned objective
Availability of information	2		2	3	1		1		9	Aligned objective
Focus on compliance				2	6		1		9	Common challenge
Firm culture or situation in adopting CSRD	2		2	2	1	1		1	9	Facilitates alignment
Investor perspective	4					1	2	2	9	Global objective
Limited timeframe	2	2	1	2			1		8	Discussion
Support & guidance		2	1		2	1	1	1	8	Facilitates alignment
Inclusion of firms in development process			2	1	1	1	1	1	7	Facilitates alignment
Positive attitude to harmonization			2	1	3				6	Aligned objective

Harmonization with legislation or other requirements	2			1	2	1			6	Common challenge
Retaining firm-specific priorities (stakeholder communications)	2	1		1	1		1		6	Firm challenge
Risk of wasted resources		1	1	2		1			5	Firm challenge
Generalization			1	1		1			3	Common challenge
Effects on data quality				1	1			1	3	Aligned objective
Limited information			1						1	Common challenge