The Transition to CSRD and ESRS

Perceptions of Widespread Mandatory Sustainability Reporting
among Norwegian Companies

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Abstract

Purpose: This paper examines Norwegian companies' perceptions of the transition to widespread mandatory sustainability reporting (CSRD) and related frameworks (ESRS) initiated by the EU. Their perceptions are investigated by elucidating the effect it will have on companies' practices, while covering possible areas of resistance.
Method: The paper is based on a cross-sectional interview study with 13 Norwegian companies, which are all defined as large undertakings according to Directive 2013/34/EU. The analysis follows an inductive approach and is conducted utilizing a thematic analysis.
Findings: The CSRD and ESRS are considered comprehensive, but necessary to improve sustainability performance of affected companies. Norwegian companies describe a need for resources and competencies within sustainability reporting, more evident in smaller-sized companies. Respondents claimed, inter alia, that streamlining of processes would ensure compliance and optimal prioritization. The transition was regarded as feasible, given that resources, competencies, and systems facilitate it.
Research limitations/implications: This study's findings extend prior research on mandatory sustainability reporting, by examining sustainability reporting practices in light of this widespread mandate. In terms of limitations, varying knowledge among interviewees placed a heavier burden of interpretation on the interviewers.
Value: This study contributes to the ongoing discussion of widespread mandatory sustainability reporting. In addition, we believe that our findings will provide useful insights that can aid in improving the quality of sustainability reports.

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1. Introduction

There are many different definitions of the concept of sustainability (Vos, 2007), but if an activity is to be called sustainable, it must either be repetitive or ongoing (Townsend, 2008, p. 21). Among the most used definitions of sustainability or sustainable development is the Brundtland Commission's definition from 1987: "*...meeting the needs and aspirations of the present generation without compromising the ability of future generations to meet their needs...*" (Brundtland, 1987, p. 292). In the following decades, authors have attempted to adopt socio-ecological systems to define the concept of sustainability by distancing themselves from the discursive definition of the Brundtland Commission (Ruggerio, 2021, p. 4). Vos (2007, p. 339) believes that one may never find a definition of the broad term and argues that one must put it in a context to be able to explain it. Townsend (2008) divides sustainability into three such contexts or parts; ecological sustainability, economic sustainability, and social sustainability, and argues that you tend to fail if you only focus on one of the parts at a time. In 2015, 17 Sustainable Development Goals (SDGs) were introduced by the United Nations (UN) as a contribution towards sustainable development (United Nations, n.d.). Another initiative the UN has developed is the creation of the Paris Agreement in 2015, a binding treaty between 196 parties that aims to keep the increase in the global average temperature to well below 2°C (UNFCCC, n.d.). They acknowledge that the need to end poverty and the lack of basic needs must be aligned with strategies towards the improvement of education, sustained economic growth, and reduced inequalities at the same time as climate change and the preservation of oceans and forests must be taken into account (United Nations, n.d.). With a greater societal acceptance of sustainability, companies are now expected to report on their sustainability performance in the form of a report (Fonseca, Macdonald, Dandy & Valenti, 2011, p. 22).

In the past 20 years, there has been considerable growth in sustainability reporting rates globally (KPMG International, 2022, p. 13). Sustainability reporting is used by companies not only to address investor needs but to showcase measures taken to address environmental and social problems, further shaping its public perception (Bowers, 2010, p. 259). Several sustainability reporting frameworks have been developed to secure the transition from traditional financial reporting to sustainability reporting (Finch, 2015, pp. 236-237), with the Global Reporting Initiative (GRI) framework being the most prominent of them. However, current sustainability reporting practices are mainly voluntary (Dumay, La Torre, Farneti, 2019, p. 17), and the freedom of choice within processes lead to less comparable reports (Searcy & Buslovich, 2014, p. 167). Bose (2020, p. 29) believes that there is uncertainty related to whether there will ever be a single set of standards for sustainability reporting used globally. Despite this, the European Union has introduced the Corporate Sustainability Reporting Directive (CSRD), a widespread mandatory regulation, accompanied by the European Sustainability Reporting Standards (ESRS), a universal framework for sustainability reporting among companies in the European Union.

1.1. Purpose of the study

Our study aims to provide an overview of companies' perceptions of the transition to the CSRD and ESRS. Increased global focus on the matter reasons our topic of choice. We have also attended Environmental, Social, and Corporate Governance (ESG) and Corporate Social Responsibility (CSR) courses, further sparking our interest. While writing a literature review in the ESG course, we became aware of the EU's introduction of mandatory sustainability reporting. The literature review informed us about deficiencies in current sustainability reporting practices, which created a desire to investigate if such a transition can improve the level of reporting. An overarching motivation, irrespective of own experiences, is the interplay between companies' profitability and the preservation of the planet. Maintaining profitability among companies while addressing the common goal of sustainable development is crucial. Most companies' survival depends on profitability, but their environmental impact directly affects our planet's survival. Sustainability reporting may be a solution to determine problematic areas and aid in placing effort in the right places. Therefore, this thesis aims to provide insights into how the CSRD and ESRS will affect companies' practices and simultaneously try to identify possible challenges and needs to comply with imposed requirements. With our findings in this study, we hope to provide companies' sustainability officers with a holistic view of company perceptions to assist their work to improve the quality of their reports.

1.2. Problem statement

As widespread mandatory sustainability reporting is a novel topic, our problem statement is broad. Regarding its purpose, our study is primarily formed by the data collection itself. To provide an overview of companies' perception of the transition mentioned above, we draw on prior research on sustainability reporting while attempting to identify connections with the empirical findings. To obtain an empirical foundation, we collect information from Norwegian companies. This leads us to our study's problem statement:

How do Norwegian companies make sense of the CSRD and ESRS?

We have focused only on Norwegian companies' perceptions, omitting personal input and ensuring objectivity throughout the research process. As it concerns their perception of sustainability reporting, actual sustainability activities and performance of the companies are not the main areas of interest. To provide an answer to our problem statement, we identify five research questions while advancing with our research:

1. *How do Norwegian companies perceive mandatory sustainability reporting, and what is their motivation to comply with upcoming EU requirements?*
2. *Which challenges have Norwegian companies identified before EU requirements, and what needs must be fulfilled to overcome them?*
3. *What are the perceived effects of the CSRD and ESRS on companies' quality of sustainability reporting?*
4. *How do Norwegian companies perceive the transition towards upcoming EU requirements?*
5. *What do Norwegian companies predict the real effects of the CSRD and ESRS will be on sustainability within the company?*

While advancing our research, we became aware of different terms used for sustainability reporting throughout extant literature. Where applicable, we use sustainability reporting instead of ESG reporting and CSR reporting going forward with our thesis. The remainder of the thesis is structured as follows. In the next chapter, we review the extant literature on the broader term of sustainability to gain insight into the topic of investigation. We conduct a literature review on sustainability in a corporate context. More specifically, a review of CSR, the concept of ESG, sustainability reporting, and a depiction of the current frameworks and deficiencies of sustainability reporting. We then outline the regulatory setting, including existing and upcoming regulations, with the CSRD and ESRS as our primary focus. Prior research will then be reviewed, consisting of voluntary vs. mandatory sustainability reporting, motivations and barriers for disclosure, and quality and effect of sustainability reports. After that, we present our methodological approach to conducting the study, followed by our empirical findings. Empirical findings are then discussed before concluding in relation to the problem statement.

2. Literature review

2.1. Corporate Social Responsibility (CSR)

Christensen, Hail, and Leuz (2021, p. 1179) clarify that sustainability and CSR are often used interchangeably but note that sustainability concerns a longer time horizon. Meuer, Koelbel, and Hoffmann (2020, p. 320) do not share this view and believe that corporate sustainability is related to, but different from, CSR. According to Christensen et al. (2021, p. 1179), CSR often refers to activities at the company level that describe and manage the company's responsibility for their influence and impact on the environment and society around them. Regarding CSR, Meuer et al. (2020, pp. 320–321) argue that these are behavioral norms based on morality concerning business behavior. Christensen et al. (2021, p.1179) further mention that CSR aims to strengthen accountability for the activities to become more sustainable. When Christensen et al. (2021) use the terms interchangeably, they refer to Bansal and Song's (2017, p 106) explanation of corporate sustainability, which is anchored in the organization and put into a system. From there, the key is to balance and shape the organization accordingly (Bansal & Song, 2017, p. 106). As we can see, there are several definitions of CSR, but all of them highlight that the environmental and social impacts should be considered when the organization makes decisions (Adams & Zutshi, 2004, p. 31). According to Agudelo, Johannsdottir, and Davidsdottir (2019, pp. 6–7), the concept of CSR was first operationalized in the 1980s but received greater international attention in the 1990s. This attention may be related to the focus on sustainable development, which gained momentum at the same time as globalization began in earnest (Agudelo et al., 2019, pp. 6–7). Carroll (2015, p. 90) states that CSR has been explained and perceived differently and emphasizes a clear distinction between how the concept is presented as protection on the one hand and improvement on the other. He distinguishes the two with protection as how to avoid causing social and environmental damage when running a business, while progress, or improvement, is about investigating where the company can be improved so that the environmental and social consequences are positive (Carroll, 2015, p. 90). In an investigation of how to understand the CSR concept, Dahlsrud (2008, p. 6) has not found a clear and broad definition of the concept but argues that the challenge is not to be able to define it but to understand how CSR is perceived and how it can be taken into account in a specific context.

2.2. Concept of ESG

In recent years, a discussion that implies that companies are among the leading causes of environmental and social problems and, in that way, are among the primary sources of the lack of sustainable development has had increased attention (Schaltegger & Wagner, 2011, p. 223). The actions and activities undertaken by the companies to respond to this discussion can be categorized under ESG (environmental, social, and governmental) or CSR (Gillan, Koch & Starks, 2021, p. 1). From 2011 to 2018, the proportion of companies listed on the S&P 500 that reported on sustainability or ESG increased from 20% to 80% (Governance & Accountability Institute Inc, n.d.). The concept of ESG primarily concerns how companies and investors can incorporate and respond to environmental, social, and governance concerns into their strategy and business model (Gillan et al., 2021, p. 2). According to Christensen et al. (2021, p. 1177), the rising pressure from different stakeholders regarding requirements they set for the companies to follow stems from the perception that a company needs to do "*good*" while doing business.

On the other hand, CSR is, to a greater extent, about which activities are carried out or sought to be carried out by the undertakings to strengthen the company's social responsibility (Gillan et al., 2021, p. 2). A company's stakeholders can pressure the company by placing higher demands on, among other things, keeping the emission level as low as possible, keeping the workers healthy, and maintaining the waterways clear (Christensen et al., 2021, p. 1177). Following that, different stakeholders demand more information about how environmental, social, and economic aspects are considered in the development and execution of business strategies and decisions (Amran & Ooi, 2014, p. 38). Christensen et al. (2021, p. 1177) point out that this perception from the stakeholders is coming from the change in behavior of the investors in the market, in the way that they are investing in a greener direction and placing their money with a greater degree of accountability.

2.3. Sustainability reporting

Based on the previously mentioned concerns, the social and environmental consequences of the trend where sustainability is not considered may increase the external pressure on companies, which must lead the way to provide an answer and contribute to a change. At the same time, as the pressure for sustainability from external stakeholders hangs over the companies, they constantly face new and stricter competition because of globalization and new technologies (Hermundsdottir & Aspelund, 2021, p. 2). With tougher competition in the market, it is therefore essential for companies to implement sustainability strategies in order to succeed under burdensome economic, social, and environmental requirements (Schaltegger, Lüdeke-Freund & Hansen, 2012, p. 96). According to Hermundsdottir and Aspelund (2021, p. 2), the focus has been on trying to combine value creation that increases competitiveness in a sustainable way. Stakeholders make demands on the companies when it comes to information about sustainability in several different ways. Silva, Nuzum, and Schaltegger (2019, p. 206) mention, for example, that there may be customers who are interested in details about how the companies manufacture products and owners who are interested in how the company creates value. According to Fink (2018), the managing director of the multinational American fund manager Blackrock, companies on the side of their financial performance must show how they contribute positively to society to develop over time. Therefore, it is about satisfying all possible stakeholders, including customers and owners, their employees, and the local environments in which they operate (Fink, 2018). According to Hahn and Kühnen (2013, p. 7), companies use sustainability reporting to address the needs of various stakeholders. According to Schaltegger, Hörisch, and Freeman (2019, p. 196), this dynamic works in both directions, as businesses influence stakeholders and stakeholders influence the business. These stakeholders have different information needs relating to economic, environmental, and social interests, where their focus depends on what they deem essential (Hahn & Kühnen, 2013, p. 1). In that sense, the goal of the business is to create more benefits for as many stakeholders as possible without other stakeholders experiencing disadvantages simultaneously (Schaltegger et al., 2019, p. 196). Therefore, meeting their expectations and adequately formulating progress and achievements in the report is crucial for a company's success (Hahn & Kühnen, 2013, p. 1). According to Herzig and Schaltegger (2006, p. 302), issuing a sustainability report produces a range of benefits. Among the most prominent are improved reputation and brand value, increased accountability and transparency, enhanced sustainability benchmarking against competitors, signaling superior sustainability performance, positively affected employee motivation, legitimation of activities, products, and services with environmental and social impacts, and the gain of competitive advantage (Herzig & Schaltegger, 2006, p. 302). According to Grewal, Hauptmann, and Serafeim (2021, p. 513), a consistent principle regarding reporting accounts and reports from companies is the concept of material information, primarily financial materiality. Material information is further described as information that brings a significant probability that an omitted material element would have changed the mix of information made available, seen from a rational investor's perspective (Grewal et al., 2021, p. 513). La Torre, Sabelfield, Blomkvist, and Dumay (2020, p. 715) emphasize that materiality should not be seen as a single perspective regarding non-financial information. For companies, a balance can then arise between investors on the one hand and stakeholders on the other (La Torre et al., 2020, p. 715). The European Commission (2019, p. 4) uses the concept of double materiality within non-financial information and distinguishes between a financial and a stakeholder perspective. From the financial perspective of materiality, often interesting for investors, it deals with information about development, position, and performance that affects the monetary value of the undertaking (European Commission, 2019, p. 4). According to Adams and Abhayawansa (2022, p. 11), previous standards approached with only financial materiality can be misleading and are not optimal. Regarding materiality from a stakeholder perspective, the European Commission (2019, p. 4) refers to information about external influence from the company. Stakeholders can, as mentioned, include customers, employees, the local environment, etc. (Fink, 2018).

A materiality assessment is necessary to carry out in order for a company to be able to identify which topics are significant and which are most relevant to them (Torelli, Balluchi & Furlotti, 2020, p. 472). Calabrese, Costa, and Rosati (2015, p. 314) state that disclosure of information that deals with sustainability and CSR most likely will not result in complete accountability and credibility toward the stakeholders they are trying to reach if it is not part of the process surrounding the shaping of the materiality analysis. Garst, Maas, and Sujis (2022, p. 64) wonder if a lack of generalization of the definitions of materiality can lead to management using different degrees of discretion when deciding whether something is material for the company. Furthermore, Calabrese et al. (2015, p. 324) explain that the various stakeholders can use the materiality analysis to assess the performance of the social and environmental achievements of the company, both in the short and long term. Garst et al. (2022, p. 64–66) also point out that auditors are involved when assessing the materiality of financial information. However, in contrast, the evaluation of materiality according to non-financial information is carried out internally without a standardized way of carrying it out (Garst et al., 2022, p. 66).

2.3.1. The current state of affairs in the European Union

The European Court of Auditors (2019) investigated the presence of published sustainability reports and associated procedures in EU institutions and agencies. The study was based on a survey of 12 EU institutions and 41 EU agencies and analyses of 53 annual reports of the survey respondents (European Court of Auditors, 2019, p. 41). Even though several EU institutions and agencies disclose some form of sustainability information, the study results show that only 2 of the 53 respondents published sustainability reports (European Court of Auditors, 2019, p. 37). However, Gatti and Seele’s (2014, p. 97) study indicates the growing importance of sustainability reports among European companies, adding that the practice is increasingly standardized. The two main reasons for EU institutions and agencies to refrain from disclosing a sustainability report were a hitherto absence of consideration on the matter and a lack of competencies to prepare it (European Court of Auditors, 2019, p. 33). The competencies of the new generation cannot meet the increasing needs for know-how facing companies of all sizes (Borga, Citterio, Noci & Pizzurno, 2009, p. 169). Survey respondents stated that they were aware of benefits arising from sustainability reporting, notably improved transparency and credibility (European Court of Auditors, 2019, p. 33). Despite this, studies have shown that European companies are unfamiliar with the significance of communicating internally and externally, addressing stakeholder needs, and conversing and cooperating with them (Perrini, 2005, p. 619). The minor presence of reason to refrain from publishing a sustainability report is the perception that doing so will increase the workload considerably (European Court of Auditors, 2019, p. 33). Herzig and Schaltegger (2011, p. 158) emphasize that sustainability reporting prevails among larger companies, indicating that challenges lay in small- and medium-sized companies’ view of costs and the resulting benefits, corresponding to the perception of workload. The essential components of optimal sustainability reporting still need to be implemented (European Court of Auditors, 2019, p. 37).

2.4. Frameworks of sustainability reporting

2.4.1. Global Reporting Initiative (GRI)

A well-known initiative is the so-called GRI, founded in response to the environmental damage caused by the company Exxon Valdez in 1997 (GRI, n.d.). According to GRI (n.d.), in the beginning, the emphasis was first placed on increasing the responsibility of companies within environmental behavior, but later also included social and financial aspects. Guidelines have been created since its foundation, and in 2016 it switched to what we know today as GRI standards for sustainability reporting. These were last updated in 2021 (GRI, n.d.).

2.4.2. UN Global Compact

The first framework that we want to highlight is with its over 20,000 member organizations (United Nations Global Compact, n.d.a); hence the most significant global initiative within sustainability, the UN Global Compact, aims to assist companies in increasing their responsibility. This is done by adapting the member companies' operations and strategies with guidelines that deal with the environment, human rights, Workforce, and anti-corruption (United Nations Global Compact, n.d.b).

2.4.3. International Organization for Standardization (ISO)

The International Organization for Standardization (ISO), with its 168 national standardization bodies, is an organization that, with the help of experts, will try to develop voluntary, purposeful, and market-relevant international standards (ISO, n.d.a). Among the standards that have been developed, we find ISO 26000, which is about companies and organizations operating responsibly (ISO, n.d.b). ISO further writes that following this standard is considered a tool for assessing a company's obligation and responsibility towards sustainability (ISO, n.d.b).

2.4.4. Sustainability Accounting Standards Board (SASB)

The Sustainability Accounting Standards Board (SASB) is a non-profit organization established in 2011 to clarify and support businesses and investors in determining their sustainability-related financial impacts (SASB, n.d.). In collaboration with the International Integrated Reporting Council (IIRC), SASB formed the Value Reporting Foundation in November 2020 (SASB, n.d.). The Value Reporting Foundation provided a wide range of resources, comprising Integrated Thinking Principles, the Integrated Reporting Framework, and the SASB Standards, to provide a mutual understanding of enterprise value (SASB, n.d.). In addition, the SASB Standards provided businesses with a framework for reporting on financial material sustainability-related information concerning its investors (SASB, n.d.). These standards are divided into 77 industries, identifying environmental, social, and governance matters of financial relevance in each industry (SASB, n.d.). In August 2022, the Value Reporting Foundation announced its cooperation with the International Financial Reporting Standards (IFRS) Foundation to establish a global framework in the same manner as SASB, participating in the creation of the International Sustainability Standards Board (ISSB) (SASB, n.d.).

2.4.5. Task Force on Climate-related Financial Disclosures (TCFD)

To assess and estimate risks related to climate change, the Financial Stability Board has formed the Task Force on Climate-related Financial Disclosures (TCFD) (TCFD, n.d.). They did this by developing standards or recommendations for the information companies should disclose (TCFD, n.d.). TCFD has the ambition to develop an understanding of the possible financial effects of a transition towards a society with lower emissions (TCFD, n.d.). They want to achieve this through companies using the recommendations in their strategy development and risk management (TCFD, n.d.). Through its recommendations published in 2017, TCFD wants to shed light on governance, strategy, risk management, and metrics and targets, and since 2017, they have reported their status through annual reports (TCFD, n.d.). In their latest report, they mention, among other things, that ESRS pillars correspond to TCDF's recommendations and ISSB standards (TCFD, 2022), which tells us that the different frameworks are based on many of the exact requirements and principles.

2.4.6. International Sustainability Standards Board (ISSB)

The ISSB set out to address the need for global guidelines for sustainability disclosures, increasing demands for information by investors, facilitation of sustainability-related information to global capital markets, and promotion of interaction with disclosures targeting a more comprehensive range of stakeholders (IFRS, n.d.a). Upon consideration of the Exposure Draft published in March 2022, the ISSB is expected to issue the IFRS Sustainability Disclosure Standard in the second quarter of 2023, providing a global framework for the disclosure of sustainability information (IFRS, n.d.b).

2.4.7. Nordic Sustainability Reporting Standards (NSRS)

Within the Nordic countries, standards have emerged for small- and medium-sized enterprises, which aim to get them started with reporting on non-financial information (NSRS, 2021). They are called Nordic Sustainability Reporting Standards (NSRS) and have been created by the Nordic Accountant Federation (NSRS, 2021). They further explain that they can understand the administrative burden of reporting non-financial information for small and medium-sized companies and believe that the NSRS should help overcome this burden as a learning process (NSRS, 2021). With these standards, they envision that, if companies use them correctly, they can help increase accountability and help investments in the future have a greener approach (NSRS, 2021). Although NSRS also uses the concept of double materiality, they are at the same time clear that reporting according to NSRS does not mean that you are within the requirements of other frameworks such as GRI or TCFD (NSRS, 2021).

2.5. Deficiencies of sustainability reporting

Hahn and Lülfs (2014) investigate companies' strategic approach to legitimizing negative aspects of sustainability disclosure. Companies contribute to the public misconception of non-financial performance, neglecting actual change in corporate activity and accountability of corporate impacts (Hahn & Lülfs, 2014, p. 415). Opting for compliance marketing rather than green marketing leads to evasion of change unless established legislation requires it (Peattie & Crane, 2005, p. 364). The voluntaryism of sustainability reporting leads to greenwashing tendencies, putting the responsibility of interpretation on its users (Hahn & Lülfs, 2014, p. 401).

2.5.1. Greenwashing

Green markets are expanding, leading to more companies communicating the environmentally friendly aspect of their products and services (Delmas & Burbano, 2011, p. 64). Consumers with a deep concern for the environment are becoming increasingly interested in green products while disregarding brown products (Yu, Han & Hu, 2016, p. 407). Among those who choose not to adhere to the green shift are those who find ways to mislead consumers about the company's environmental aspects (Delmas & Burbano, 2011, p. 64). Publishing misleading information about the company's environmental performance is called greenwashing (Seele & Gatti, 2017, p. 241). Greenwashing is more precisely defined by Delmas & Burbano (2011, p. 65) as a combination of two company behaviors or actions: Low environmental performance accompanied by positive communication of environmental performance. Scholars use greenwashing as a term for both social and environmental issues, even though providing a skewed image of social issues is termed bluewashing in many cases (de Freitas Netto, Sobral, Ribeiro & da Luz Soares, 2020, p. 10). A lack of transparency leads to better conditions for those who greenwash, as there is no way of controlling what is reported following actual operations (Delmas & Burbano, 2011, p. 77). Yildirim (2023) describes two primary intentions of greenwashing, which have been given the terms *the white side* and *the dark side*. The white side consists of companies or brands that greenwash but have some truthful elements regarding sustainability (Yildirim, 2023, p. 7). Stakeholders cannot discern truthful information from purely symbolic information (Seele & Gatti, 2017, p. 243). Nevertheless, Yildirim (2023, p. 6) considers the white side part of a slower transition into sustainability, meaning their greenwashing is a transitional measure. Companies or brands that fit this profile tend to opt for long-term adoption of sustainability because of technological, innovative, and resource limitations (Yildirim, 2023, p. 7). To overcome such limitations, companies must align their strategies with limitations to effectively engage with them (Gupta, Kusi-Sarpong & Rezaei, 2020, p. 10). The white side implements several sustainable measures over time, gradually developing towards alignment of communication and actual operations (Yildirim, 2023, pp. 7-8). Companies' sustainability reporting behavior indicates that they would rather disclose positive than negative aspects of sustainability performance (Albers & Günther, 2010, p. 344). The dark side is companies or brands that greenwash and provide completely inaccurate or false information (Yildirim, 2023, p. 7). These companies seemingly take advantage of Seele and Gatti's (2017, p. 243) description of stakeholders' inability to distinguish between truthful and untruthful information. The dark side is not part of a sustainable transition but attempts to avoid making considerable changes (Yildirim, 2023, p. 7). In light of triple bottom line reporting, companies may avoid organizational change by controlling sustainability discourses and neglecting unsustainable practices (Mitchell, Curtis & Davidson, 2012, p. 1062). Companies or brands on the dark side tend to give false claims or advertisements on sustainability while not providing sustainable products or services (Yildirim, 2023, p. 7). Komives and Jackson (2014, p. 14) describe false claims as not confined to voluntary sustainability reporting but prevalent in all environmental and social matters. Yildirim (2023, p. 7) further states that any sustainable practices benefit progress toward the 2030 SDG targets. As the white side provides sustainable contributions while gradually transitioning, this suggests that the dark side is considered the problem domain (Yildirim, 2023, pp. 6-8). Freundlib and Teuteberg (2013) investigated CSR reports of 97 market-listed US companies to gain insight into their intentions and practices. As for examining greenwashing in US companies, an analysis of the terminology in the reports was conducted (Freundlib & Teuteberg, 2013). The CSR reports often contained terms such as "*program*" and "*project*," indicating that the companies disclosed information on isolated efforts for the environment rather than providing a complete overview of actual operations (Freundlib & Teuteberg, 2013, p. 15). From an environmental perspective, cleaner production is sometimes treated as an isolated effort in practice, not only in reporting, limiting progress toward SDGs (Gunarathne & Lee, 2019, p. 9). Freundlib and Teuteberg (2013, p. 17) further examine the connotation of the terminology used, stating that if a company conducts neutral CSR reporting, the negative and positive connoted terms should be equal. The 97 US companies had a preponderance of positively connoted words, suggesting that companies emphasize positive aspects of environmental performance (Freundlib & Teuteberg, 2013, p. 18). Furthermore, the predominance of favorable terms has gradually decreased, indicating development toward more optimal CSR reports (Freundlib & Teuteberg, 2013, p. 17). An equal presence of positive and negative connoted words can be seen in the light of Hahn and Lülfs' (2014, p. 412) take on disclosure of negative incidents, regarded as positive because it shows the companies' risk awareness and proactivity. Freundlib and Teuteberg's (2013, p. 12) findings also highlight that US companies tend to report on specific key performance indicators that shed a positive light on the company rather than reporting on all of them. The diversity of reported key performance indicators stems from company-specific conditions rather than from a morality perspective (Adams & Frost, 2008, p. 299). Nevertheless, the voluntarism of selecting indicators brings forth this cherry-picking problem, which benefits the company by distorting its image (Freundlib & Teuteberg, 2013, p. 12).

2.5.2. Cherry-picking

In recent years, companies tended to adopt a sustainability reporting standard when deciding upon a format for reporting on environmental and social matters, using them to communicate their practices to stakeholders (Lambin & Thorlakson, 2018, p. 370). According to KPMG's Survey of Sustainability Reporting 2022, the most common sustainability reporting standard is the GRI, with the TCFD and the UN SDGs also widely used (KPMG International, 2022, p. 9). Adopting sustainability reporting standards, such as the GRI standards, is often driven by a strategic motive, and companies tend to fall short of their commitments (Vigneau, Humphreys & Moon, 2015, p. 479). Among the N100, a sample of 100 companies with the highest revenues across 58 countries, 68% reported according to the GRI Standards in 2022 (KPMG International, 2022, p. 24). While the GRI reporting rate of the G250, Fortune 500's 2021 ranking of the world's top 250 companies by revenue, was 78% in 2022 (KPMG International, 2022, p. 24). The GRI is linked to the SDGs, as the organization wishes to support companies in measuring their progress and achievements toward the 2030 Agenda (GRI, 2022, p. 4). Each SDG is represented in different sections of the GRI Standards, whereas the SDGs' associated indicators are determined by what GRI disclosure is deemed suitable (GRI, 2022, p. 4). However, Diaz-Sarachaga (2021, p. 1307) finds that SDGs are not adequately represented in the GRI standards, meaning companies using GRI have uncertain contributions to the 2030 Agenda. The linking of SDGs and the GRI Standards (GRI, 2022) and its misalignment (Diaz-Sarachaga, 2021) emphasizes the problem of cherry-picking specific indicators that shed a positive light on the company. Cherry-picking implies that companies report on particular indicators to improve their public perception, even though these may be less important while neglecting those that negatively affect public perception (Heras-Saizarbitoria, Urbieta & Boiral, 2021, p. 318). Tracking sustainability-related progress using SDGs can be beneficial when adhering to the 2030 Agenda, but misusage raises challenges regarding public misconception (Siegel & Lima, 2020, p. 10) and fundamental contribution to the goals set by the agenda (Forestier & Kim, 2020, p. 1269). Cherry-picking may stem from the volunteer nature of sustainability reporting standards, as companies do not have to adopt a standard (Clarkson, Li, Richardson & Vasvari, 2008, p. 310) unless influenced by a sustainability disclosure regulation to do so. Sustainability disclosure has mainly been conducted on a volunteer basis, but several countries are placing mandatory requirements on their companies (Amran, 2012, p. 762). Sustainability Key Performance Indicators provided by the GRI are meant to be voluntarily utilized (Kowsana & Muraleetharan, 2021, p. 132), implying that companies may choose which indicators to report on. As for the GRI standards, sincerity is required for its optimal use on account of no compulsion (Clarkson et al., 2008, p. 310). The choice of adherence (Clarkson et al., 2008, p. 310) and which indicators to emphasize (Kowsana & Muraleetharan, 2021, p. 132) may produce room for manipulation and misusage.

3. The regulatory setting

3.1. Sustainable Finance Action Plan

In its communication in March 2018, the European Commission underlined the need for a reformed financial system to encounter the disarrayed consequences of climate change and resource depletion (European Commission, 2018, p. 1). To create sustainable economic growth, a stable financial system, and promote transparency and long-term development in the economy, the Commission states that an extensive alteration of the financial system is required (European Commission, 2018, p. 1). The European Commission appointed an expert group in 2016 to obtain a broad vision of how to structure a sustainable finance strategy for the European Union, with the results leading to the creation of the Sustainable Finance Action Plan (European Commission, 2018, p. 1). Following its publication in March 2018, sustainable finance has been highly stressed in the EU agenda on legislation for financial markets (Busch, Ferrarini & Grünewald, 2021, p. 13).

3.2. Sustainable Finance Disclosure Regulation (SFDR)

The Sustainable Finance Disclosure Regulation (SFDR) enacts rules for financial market participants and financial advisers (Regulation (EU) 2019/2088, 2019). Article 1 states that SFDR integrates consideration of sustainability risks and adverse impacts on sustainability into the processes of those incorporated by this regulation and facilitates sustainability information regarding financial products (Regulation (EU), 2019/2088, 2019). The regulation provides an overview of the required content, methodology, and how the information should be presented to improve the reporting quality and increase its comparability (European Commission, n.d).

3.3. EU Taxonomy Regulation (amending SFDR)

The EU has established a regulation that aims to facilitate sustainable investments. This regulation is called (EU) 2020/852 (EU-Taxonomy) and amends the previous regulation; (EU) 2019/2088 (SFDR), which is the sustainability-related disclosure regulation in the financial sector mentioned above (European Union, 2022). Among other things, standard criteria are set to determine whether an activity carried out by an undertaking is environmentally sustainable or not (European Union, 2022). Promoting transparency for financial activity, managing financial risks arising from environmental and social problems, and reorienting capital flows towards sustainable investments are among the goals the commission has set with these regulations (European Union, 2022). Regarding the criteria set, these assume that the activity contributes significantly to one or more goals mentioned above without harming others (European Union, 2022). The regulations also establish several environmental targets that mitigate climate change and pollution, sustainable use and protection of water and marine resources, pollution, and transitions to a circular economy (European Union, 2022).

3.4. Non-Financial Reporting Directive (NFRD)

When the European Union adopted "*working together to create new growth*" in April 2011, the commission identified a need for all member states to increase the transparency of the non-financial information published by companies (Directive 2014/95/EU, 2014, Recital 1). Furthermore, two of the resolutions from February 2013 that dealt with CSR highlighted the importance of companies disclosing information on non-financial matters, such as social and environmental matters (Directive 2014/95/EU, 2014, Recital 3). The point was to clarify risks related to sustainability and to increase stakeholders' trust in the company that discloses this information (Directive 2014/95/EU, 2014, Recital 3). The EU is also clear that revealing this type of information is vital to create changes toward a sustainable economy by combining long-term profitability without deterioration of the globe and social justice (Directive 2014/95/EU, 2014, Recital 3). Directive 2014/95/EU was adopted in October 2014 (Directive 2014/95/EU, 2014). It was intended to apply to all member states of the European Union and has later also gained relevance for countries that belong to the EEA-Agreement, including Norway and Iceland (AccountancyEurope, 2017, p. 5). It amends the 2013/34/EU directive, an accounting directive that provides a framework for undertakings regarding the annual and consolidated financial statements (Directive 2013/34/EU, 2013, p. 1). Requirements are placed on companies when it comes to the disclosure of non-financial information (Directive 2014/95/EU, 2014, Article 1(1)). According to the directive, the undertakings affected must include a non-financial report that will give a picture of performance, development, and impact according to, among other things, environmental issues, employee conditions, social conditions, anti-corruption, and human rights (Directive 2014/95/EU, 2014, Article 1(1)). This directive applies to companies subject to the definition of large undertakings in Article 3(4) of Directive 2013/34/EU, which, in addition, also have an average of over 500 employees during a calendar year (Directive 2014/95/EU, 2013, Recital 14). Undertakings were given the flexibility to apply recognized frameworks to disclose this information that the EU requires, such as the GRI or the UN Global Compact (Directive 2014/95/EU, 2014, Recital 9). As mentioned, the commission adopted the directive in October 2014, and the member states had to put the laws into force by December 2016 (Directive 2014/95/EU, 2014, Article 4 Section 1). The companies required to comply with this directive included non-financial information when they disclosed an annual/management/sustainability report for the first time in 2018, for the financial year 2017 (Directive 2014/95/EU, 2014, Article 4 Section 1). The NFRD was incorporated into the Norwegian Accounting Act following

Proposition 66 LS of the Ministry of Finance (Ministry of Finance, 2020). In this proposition, the Ministry of Finance calls for an adjustment of § 3-3 c in the Accounting Act to ensure conformity with the requirements of the NFRD (Ministry of Finance, 2020). In § 3-3 c of the Accounting Act, large undertakings must disclose information minimally regarding environmental and social matters, equality and non-discrimination, human rights compliance, and combat of corruption (Accounting Act, 1999). Points a-e in § 3-3 c state various requirements in accordance with NFRD requirements (Accounting Act, 1999).

3.5. Transparency Act

The Transparency Act ("*åpenhetsloven*") was incorporated into Norwegian legislation following Proposition 150 L of the Ministry of Children and Families (Ministry of Children and Families, 2021) and entered into force 1. July 2022 (Transparency Act, 2021). § 1 of the Transparency Act states that its purpose is to cultivate undertakings' respect for decent working conditions and fundamental human rights concerning their products and services while also providing the public with information about how these undertakings manage adverse impacts of decent working conditions and fundamental human rights (Transparency Act, 2021). It applies to large undertakings domiciled in Norway, offering products and services in Norway and abroad (Transparency Act, 2021, § 2). Large undertakings in this context are both those defined in the Accounting Act § 1-5 and undertakings that exceed two out of three conditions: sales revenue of NOK 70 million, a balance sheet of NOK 35 million, and an average number of employees throughout the financial year of 50 (Transparency Act, 2021, § 3 letter a). In short, large undertakings must carry out due diligence assessment to manage their risks in relation to decent working conditions and fundamental human rights throughout the whole supply chain, explain its due diligence assessment, and make this accessible to anyone who requests it (Transparency Act, 2021, §§ 4, 5, 6).

3.6. Corporate Sustainability Reporting Directive (CSRD)

3.6.1. Review of CSRD

The European Parliament raised a need for further development of non-financial reporting requirements in Directive 2013/34/EU on 29. May 2018 (Directive (EU) 2022/2464, 2022, Recital 5). The European Commission committed to review the directive, which the European Parliament welcomed in its resolution of 17. December 2020 on corporate governance (Directive (EU) 2022/2464, 2022, Recital 5). The further development of non-financial reporting requirements included an extensive Union framework containing mandatory non-financial reporting standards, an expansion of the directive's scope to include supplementary categories of undertakings, and an audit requirement (Directive (EU) 2022/2464, 2022, Recital 5). The CSRD was published in the Official Journal of the European Union on 14. December 2022. When put into effect, these amendments are expected to increase the comparability of data and unify relevant standards, further expanding the role and expertise of third-party data providers (Directive (EU) 2022/2464, 2022, Recital 10). With the increasing demand for sustainability information, this is expected to create more employment (Directive (EU) 2022/2464, 2022, Recital 10).

3.6.2. Need for a Union Framework

Among other things, the Commission's report of 21. April 2021 included a review of Directive 2014/95/EU (NFRD), which needed to be more effective for companies' public reporting (Directive (EU) 2022/2464, 2022, Recital 13). In addition, evidence implied that undertakings need to report material information on all main sustainability topics, including GHG emissions and their impact on biodiversity (Directive (EU) 2022/2464, 2022, Recital 13). Further, the report stated that the current sustainability information needs more comparability and reliability, deemed significant problem domains for optimal sustainability reporting (Directive (EU) 2022/2464, 2022, Recital 13). Finally, the report emphasizes the urgency for additional undertakings to be required to report on sustainability, leading to a distinct need for a robust and inexpensive reporting framework and the inclusion of audit practices (Directive (EU) 2022/2464, 2022, Recital 13).

3.6.3. Scope

Directive 2014/95/EU requires certain large undertakings and groups to report on sustainability information (Directive (EU) 2022/2464, 2022, Recital 7). However, the growth of various users' needs for sustainability information induces the inclusion of more categories of undertakings (Directive (EU) 2022/2464, 2022, Recital 17). As a result, Directive (EU) 2022/2464 (CSRD) requires all sorts of undertakings, except micro undertakings, whose securities are traded on a regulated market in the Union, to report sustainability information (Directive (EU) 2022/2464, 2022, Recital 17). In addition, parent undertakings of large groups are now required to prepare sustainability reports at a group level (Directive (EU) 2022/2464, 2022, Recital 17).

3.6.4. Transposition

Article 5 of Directive (EU) 2022/2464 defines the transposition of the CSRD, meaning the process of EU directives' incorporation into EU member states' laws. It is reasonable to assume that the CSRD will be incorporated into the Norwegian Accounting Act in a manner approximately equal to the NFRD (Ministry of Finance, 2020). In addition, Article 5 of CSRD states the required compliance time for various categories of undertakings.

1. January 2024

The first undertakings are required to report on financial years from 1. January 2024 and forth (Directive (EU) 2022/2464, 2022, Article 5, Section 2 (a)). These are large undertakings which are public-interest entities, and public-interest entities, which are parent undertakings of a large group, following the definition of public-interest entities in point (1) of Article 2 of Directive 2013/34/EU (Directive (EU) 2022/2464, 2022, Article 5, Section 2 (a), (i)-(ii)). In addition, Article 3(4) and Article 3(7) of Directive 2013/34/EU define the meaning of large undertakings and large groups, respectively (Directive (EU) 2022/2464, 2022, Article 5, Section 2(a)). Public-interest entities are undertakings under the definitions (a) to (d) in point (1) of Article 1 of Directive 2013/34/EU: undertakings governed by a Member State's law and trading its transferable securities on a regulated market within the Union, credit institutions, insurance undertakings, and undertakings termed public-interest entities by Member States (Directive 2013/34/EU, 2013, Article 2, point (1)).

Large undertakings are undertakings that exceed two out of three criteria, as stated in (a) to (c) of Article 3(4) of Directive 2013/34/EU:

- balance sheet total of 20 000 000 Euros
- net turnover of 40 000 000 Euros
- the average number of employees of 250 throughout the financial year

(Directive 2013/34/EU, 2013, Article 3, Section 4).
The definition of large groups follows the same structure as for large undertakings. Article 3(7) states that large groups consist of parent and subsidiary undertakings, but the criteria remain the same for large undertakings (Directive 2013/34/EU, 2013, Article 3, Section 7)). If the group exceeds two of the three criteria mentioned above, it is defined as a large group (Directive 2013/34/EU, 2013, Article 3, Section 7).

Despite the definitions stated in Directive 2013/34/EU, Directive (EU) 2022/2464 modifies the criteria of employees throughout the financial year, changing it from 250 to 500 employees for both large undertakings and public-interest entities (consolidated) (Directive (EU) 2022/2464, 2022, Article 5, Section 2(a), (i)-(ii)). As a result, an undertaking must exceed 500 employees to be embedded, regardless of the definitions stated in Directive 2013/34/EU (Directive (EU) 2022/2464, 2022, Article 5, Section 2(a), (i)-(ii)). Large undertakings, which are public-interest entities, and public-interest entities, which are parent undertakings of a large group within the related definitions, also exceeding 500 employees throughout the financial year, are required to report according to the Directive (EU) 2022/2464 (CSRD) for financial years from 1. January 2024 onwards (Directive (EU) 2022/2464, 2022, Article 5, Section 2(a)).

1. January 2025

The second target date of compliance regards large undertakings and parent undertakings of a large group, both of which are not public-interest entities (Directive (EU) 2022/2464, 2022, Article 5, Section 2(b), (i)-(ii)). These are required to report on financial years from 1. January 2025 and forth (Directive (EU) 2022/2464, 2022, Article 5, Section 2(a)). The definition criteria listed for undertakings required to report on financial years from 1. January 2024 onwards also applies to undertakings in this bracket (Directive (EU) 2022/2464, 2022, Article 5, Section 2(b), (i)-(ii)). However, these follow the definitions stated in Directive 2013/34/EU, meaning employees exceeding 250 throughout the financial year, not the 500-

employee threshold stated in Directive (EU) 2022/2464 (CSRD) (Directive (EU) 2022/2464, 2022, Article 5, Section 2(b), (i)-(ii)). With the 250-employee threshold being restored, undertakings in this bracket must exceed two of the three previously mentioned criteria for large undertakings (Directive 2013/34/EU, 2013, Article 3, Section 4). Therefore, large undertakings and parent undertakings of a large group within related definitions must report according to Directive (EU) 2022/2464 (CSRD) for financial years from 1. January 2025 onwards (Directive (EU) 2022/2464, 2022, Article 5, Section 2(b)).

1. January 2026

Lastly, small- and medium-sized undertakings, small and non-complex institutions, and captive insurance undertakings, which are public-interest entities, are required to report according to Directive (EU) 2022/2464 from financial year 1. January 2026 onwards (Directive (EU) 2022/2464, 2022, Article 5, Section 2(c), (i)-(iii)).
The commission defines a micro-undertaking as undertakings not exceeding two of three criteria:

- Balance sheet total of 350 000 Euros
- Net turnover of 700 000 Euros
- The average number of employees throughout the financial year of 10

(Directive 2013/34/EU, 2013, Article 3, Section 1).
Accordingly, under this definition, undertakings categorized as micro-undertaking are not subject to the Directive (EU) 2022/2464 (CSRD). Small- and medium-sized undertakings are defined in Articles 3(2) and 3(3) of Directive 2013/34/EU. Article 3(2) states three criteria and small undertakings are those not exceeding two of these criteria. The structure of criteria is the same as for large undertakings, but the thresholds in each differ:

- Balance sheet total of 4 000 000 Euros
- Net turnover of 8 000 000 Euros
- The average number of employees throughout the financial year of 50

(Directive 2013/34/EU, 2013, Article 3, Section 2).

This means that if an undertaking exceeds one of three criteria, it can be deemed a small undertaking (Directive 2013/34/EU, 2013, Article 3, Section 2). Medium-sized undertakings are those that do not exceed two out of the three criteria for large undertakings mentioned above:

- Balance sheet total of 20 000 000 Euros
- net turnover of 40 000 000 Euros
- the average number of employees throughout the financial year of 250

(Directive 2013/34/EU, 2013, Article 3, Section 3).
If an undertaking exceeds one of the criteria, it is categorized by the Commission as a medium-sized undertaking (Directive 2013/34/EU, 2013, Article 3, Section 3). Should the undertaking exceed two criteria, it is classified as large (Directive 2013/34/EU, 2013, Article 3, Section 4). Small and non-complex institutions are defined in point (145) of Article 4(1) of Regulation (EU) No 575/2013. Furthermore, this regulation states conditions (a) to (i), where an institution is deemed small and non-complex if all requirements are met (Regulation (EU) No 575/2013, Article 4(1), Point (145), (a)-(i)).

3.6.5. Audit requirement

The absence of an audit requirement in prevailing EU directives threatens the sustainability information's credibility, as it does not satisfy current user needs (Directive (EU) 2022/2464, 2022, Recital 60). Different understandings and practices lead to the audit or assurance requirement being approached gradually (Directive (EU) 2022/2464, 2022, Recital 60). The European Parliament distinguishes between limited and reasonable assurance engagements (Directive (EU) 2022/2464, 2022, Recital 60). Limited assurance engagements are less costly, as the auditor tends to conclude based on fewer tests than practical assurance engagements (Directive (EU) 2022/2464, 2022, Recital 60). On the other hand, reasonable assurance engagements are more extensive, covering the undertaking's internal controls (Directive (EU) 2022/2464, 2022, Recital 60). The gradual approach is preferred to ensure progressive development of the assurance market concerning sustainability information and to lessen the effects of significant increases in reporting costs (Directive (EU) 2022/2464, 2022, Recital 60). Article 3 Section 15 of Directive (EU) 2022/2464, inserted in Directive

2006/43/EC, states that the requirement of a limited assurance engagement is to be adopted by 1. October 2026, while a reasonable assurance engagement must be adopted by 1. October 2028 (Directive (EU) 2022/2464, 2022, Article 3, Section 15). These requirements equal a two-year phase-in from limited- to reasonable assurance engagement. However, the assurance standards depend on the feasibility of auditors and undertakings, and the results of a feasibility assessment could change the plan of action (Directive (EU) 2022/2464, 2022, Recital 60).

3.6.6. Value chain

Following the Directive (EU) 2022/2464, all reporting undertakings shall disclose information about the entirety of its value chain (Directive (EU) 2022/2464, 2022, Recital 33). The whole value chain refers to their operations, products and services, business relationships, and supply chain (Directive (EU) 2022/2464, 2022, Recital 33). This also applies to undertakings extending beyond the territory of the European Union, requiring disclosure on all parts of the value chain (Directive (EU) 2022/2464, 2022, Recital 33). Furthermore, suppose the information is deemed irretrievable/unavailable, undertakings must explain their efforts to retrieve the missing information, reasons for their failed attempts, and plans for its retrieval (Directive (EU) 2022/2464, 2022, Recital 33). Undertakings can only omit information through this procedure for the first three years following the directive's adoption (Directive (EU) 2022/2464, 2022, Recital 33).

3.7. European Sustainability Reporting Standards (ESRS)

European Financial Reporting Advisory Group (EFRAG) was established in 2001 (EFRAG, n.d. a). It was commissioned as an advisory actor by the European Commission in 2022 to create and prepare reporting standards within sustainability (EFRAG, n.d. a). This task has been funded through CSRD and is called ESRS (EFRAG, n.d. a). EFRAG has published the first proposal of the standards, and the EU Commission is expected to adopt the final set of standards in June 2023 after reviewing member nations and other EU bodies with the drafts (EFRAG, n.d. b). In the first draft, EFRAG has created 12 standards (EFRAG, n.d. b). EU and EFRAG intend to operate with standards that can deal with questions related to sustainability within the themes of environmental conditions, social conditions, and governance conditions (EFRAG, 2022a, p. 5). In addition, the first two standards are so-called cross-cutting standards, ESRS 1 General requirements and ESRS 2 General disclosures, meaning they apply to all topics (EFRAG, 2022a, p. 5). Within the environmental theme, five standards have currently been created: Climate change (ESRS E1), Pollution (ESRS E2), Water and marine resources (ESRS E3), Biodiversity and ecosystems (ESRS E4), and Circular economy (ESRS E5) (EFRAG, 2022a, p. 31). In the social topic, there are four standards; Own workforce (ESRS S1), workers in the value chain (ESRS S2), affected communities (ESRS S3), and consumers and end-users (ESRS S4) (EFRAG, 2022a, pp. 31–33). In the last topic, governance, there is one topical standard: business conduct (ESRS G1) (EFRAG, 2022a, p. 33). Among the topical standards, the ESRS E1 Climate change is mandatory for all undertakings in the scope of the CSRD directive regardless of their material assessment (EFRAG, 2022b, p. 5). In addition, the ESRS S1-S4 is mandatory, like ESRS 1, but only for undertakings with more than 250 employees (EFRAG, 2022b, p. 11).

ESRS 1

The objective of ESRS 1 General requirements is to facilitate undertakings' sustainability reporting in accordance with Directive 2013/34/EU as amended by the CSRD (EFRAG, 2022a). Undertakings must disclose all material information, based on an impact materiality assessment, on positive and negative sustainability-related impacts, risks, and opportunities regarding environmental, social, and governance matters (EFRAG, 2022a). The impacts the undertakings have on these matters and their development, performance, and position should be recognized through this information (EFRAG, 2022a). The presentation of sustainability-related information shall be integrated into the management report of the undertaking (EFRAG, 2022a). The sustainability-related information shall cover reporting areas of governance (GOV), strategy (SBM), impact, risk and opportunity management (IRO), and metrics and targets (MT) (EFRAG, 2022a).

ESRS 2

ESRS 2 General disclosure's objective is to communicate the disclosure requirements that must apply to all undertakings regardless of the sector they operate in (EFRAG, 2022c). The requirements must be complied with under ESRS E1 Climate change and other relevant standards if the sustainability topic is material, based on the undertaking's materiality assessment (EFRAG, 2022c).

ESRS E1

The objective of ESRS E1 Climate change is to set requirements that provide users of sustainability information with an understanding of several aspects (EFRAG, 2022d). The first is the actual and potential material impacts an undertaking has on climate change (EFRAG, 2022d). Undertakings' past, current and future efforts to mitigate climate change, plans and capacity for business model adaptation conforming with the transition to a sustainable economy, and other measures taken to prevent, mitigate or remediate both actual and potential adverse impacts are also to be clarified to satisfy user needs (EFRAG, 2022d). Lastly, classification, management, and short-, medium, and long-term financial effects of material risks and opportunities emerging from the impacts and dependencies of the undertaking on climate change should be clearly stated to abide by the standard (EFRAG, 2022d). The standard includes disclosure requirements of three sustainability reporting areas: *climate change mitigation* in line with the Paris Agreement, *climate change adaptation* to actual and expected climate change, and all types of *energy* production and consumption (EFRAG, 2022d).

ESRS E2

ESRS E2 Pollution aims to inform the users of the report about the undertaking's positive and negative significant impacts, actions, plans, the extent of risks and opportunities, and the economic impacts related to pollution of air, water, soil, and emissions of substances of concern (EFRAG, 2022e).

ESRS E3

The objective of ESRS E3 Water and marine resources is that the user of the declaration of the statement should understand how the undertaking affects water and marine resources (EFRAG, 2022f). In addition, it is about how the undertaking affects and helps to comply with European Green Deals' ambitions on fresh air, clean water, healthy soil, and biodiversity (EFRAG, 2022f). Within the water and marine resources, the conditions apply to the undertaking's operations and the entire value chain (EFRAG, 2022f). Furthermore, the undertaking's plans for preserving water and marine resources globally and the financial effects of significant risks and opportunities that may arise are also covered by this standard (EFRAG, 2022f).

ESRS E4

ESRS E4 Biodiversity and ecosystems aims to provide an overview of undertakings' effect on biodiversity concerning both actual and potential material impacts (EFRAG, 2022g). This includes actions taken to mitigate these effects, protect and restore biodiversity and ecosystems, and the results (EFRAG, 2022g). Plans and capacity to adapt strategy and business model in line with planetary boundaries and Post-2020 Global Diversity Framework targets are to be specified (EFRAG, 2022g). Classification, management, and short-, medium- and long-term financial effects of material risks and opportunities emerging from the impacts and dependencies of the undertaking on biodiversity and ecosystems are to be derived from adherence to the standard (EFRAG, 2022g).

ESRS E5

The objective of ESRS E5 resources use and circular economy is to make the information user aware of how the undertaking affects, positively or negatively, its use of resources (EFRAG, 2022h). In this regard, Both the depletion of non-renewable resources and the production of renewable resources (EFRAG, 2022h). In addition, what kind of risks, opportunities, and financial consequences arising from the undertaking's use of resources and circular economy, as well as plans and actions to change the business model and strategy (EFRAG, 2022h). A circular economy is about systems that affect the ability to maintain the value of products and materials for as long as possible (EFRAG, 2022h). This standard is also linked to existing frameworks, including the European Green Deal (EU) 2019/2088 (SFDR), (EU) 2020/852 (EU-Taxonomy), and the EU's action plan for a circular economy. (EFRAG, 2022h).

ESRS S1

ESRS S1 Own workforce aims to provide users of sustainability information with an understanding of the undertakings' positive and negative impacts on its workforce and measures taken to remediate actual and potential negative impacts (EFRAG, 2022i). Like the environmental standards, ESRS S1 Own workforce also intends to emphasize classification, management, and short-, medium- and long-term financial effects of material risks and opportunities emerging from the impacts and dependencies of the undertaking on its workforce (EFRAG, 2022i). To meet this standard's objective, undertakings must disclose information on working conditions, equal treatment, and opportunities for all and other work-related rights (EFRAG, 2022i). In addition, the standard requires a description of the undertaking's workforce to provide users with an understanding of its structure and a context to interpret other information disclosed in this standard (EFRAG, 2022i). The reporting requirements of ESRS S1 Own workforce are designed to ensure disclosure is aligned with international and European human rights instruments and conventions (EFRAG, 2022i).

ESRS S2

The objective of ESRS S2 Workers in the value chain follows the same structure as ESRS S1 Own workforce but applies to workers throughout the undertaking's value chain (EFRAG, 2022j). To meet the objective, it is required to disclose information on working conditions, equal treatment and opportunities for all, and other work-related rights equal to the requirements set in ESRS S1 Own workforce (EFRAG, 2022j). This standard also requires undertakings to explain how actual and potential impacts on value chain workers, and dependencies on these workers, can lead to material risks or opportunities for the undertaking itself (EFRAG, 2022j). For example, negative impacts on workers in the value chain may lead to customers' refusal to buy its products or services (EFRAG, 2022j).

ESRS S3

The objective of ESRS S3 Affected communities is to make the user aware of the material impacts reporting companies have on the society around them (EFRAG, 2022k). This means how the local community is affected by the undertaking and actions taken to reduce the potential negative impacts (EFRAG, 2022k). Therefore, the standard requires an explanation of how the undertaking handles potential impacts on local communities' economic, political, social, and cultural rights (EFRAG, 2022k). In addition, an explanation of how such influences affect risks and opportunities for the undertaking is required (EFRAG, 2022k).

ESRS S4

Disclosure requirements of ESRS S4 Consumers and end-users are intended to provide users with an overview of material impacts on consumers and end-users resulting from or contributed by the undertaking (EFRAG, 2022l). This involves accurate presentation of both positive and negative material actual or potential impacts on the consumers and end-users originating from the undertaking's products and services, measures taken to remediate such impacts, and the result of this remediation (EFRAG, 2022l). Classification, management, and short-, medium- and long-term financial effects of material risks and opportunities emerging from the impacts and dependencies of the undertaking on consumers and end-users are also intended to be depicted through adherence with the standard's disclosure requirements (EFRAG, 2022l). The standard requires undertakings to explain their approach to identify and manage the previously mentioned impacts on consumers and end-users through impacts stemming from information, personal safety, and social inclusion of consumers and end-users (EFRAG, 2022l). Lastly, the standard also requires an explanation of how such impacts may create material risks and opportunities for the undertaking, for instance, reputational effects (EFRAG, 2022l).

ESRS G1

ESRS G1 Business conduct aims to familiarize the user with the undertaking's procedures, approach, and performance regarding their business conduct (EFRAG, 2022m). The standard seeks to follow practices described by CSRD as business conduct (EFRAG, 2022m). This includes corporate culture, anti-corruption, payment practices, relations with suppliers, lobbying avoidance, and whistleblowers protection (EFRAG, 2022m).

4. Prior research

4.1. Voluntary vs. mandatory disclosure

Breijer and Orij (2022) distinguish between investor-related and multi-oriented frameworks for disclosing non-financial information. The previously mentioned SASB is described as an investor-oriented framework, while among others, the GRI, the ISO, and the UN Global Compact are mentioned as multi-stakeholder-oriented frameworks (Breijer & Orij, 2022, p. 336). They further argue that companies opposed to reporting non-financial information mainly use investor-oriented frameworks, while those that report voluntarily use frameworks aimed at several stakeholders (Breijer & Orij, 2022, p.354). Christensen et al. (2021, p.1230) see similarities between economic forces driving voluntary reporting of non-financial information (NFR) and reporting of traditional financial information. At the same time, they state that researchers have found difficulties distinguishing between the effects of NFR and financial reporting on the capital market (Christensen et al., 2021, p.1194).

Furthermore, Christensen et al. (2021, p.1193) claim that there is a large degree of heterogeneity in the disclosures of non-financial information when it is disclosed voluntarily. In addition, according to research on greenwashing carried out by Gatti, Seele, and Rademacher (2019, p. 12), the introduction of mandatory elements within the reporting of non-financial information is supported. EFRAG for Europe and the IASB/ISSB globally want to manage the ESG dynamics also to be implemented in the accounting and reporting section and with extensive standards that must be followed and disclosure obligations in many areas, companies must disclose high-quality information to ensure comparability (Tattamanzi, Venturini & Murgolo, 2022, p. 16760). Christensen et al. (2021, p.1194) believe heterogeneity can be seen as an argument for creating mandatory standards to support higher precision and quality reporting of non-financial information. However, they also believe many of these differences are due to large differences in the companies' activities (Christensen et al., 2021, p.1194). According to Tattamanzi et al. (2022, p. 16760), creating such standards is expected to minimize the previously mentioned problem of greenwashing. Although the total number of sustainability reporting disclosures has increased since 2016 as a result of mandatory reporting (NFRD), according to Venturelli, Pizzi, Caputo, and Principale (2020, p. 3593), they are less comparable than the previous voluntary reports, which has worked against the directive's purpose. Christensen et al. (2021, p. 1230) are thus unsure of how mandatory standards will attempt to handle these differences to make the reports more comparable. Jackson, Bartosch, Avetisyan, Kinderman, and Knudsen (2020) have investigated mandatory reporting from companies within the Organization for Economic Cooperation and Development (OECD) and found that mandatory reporting has led to companies increasing their volume of sustainability activities, but at the same time not reducing irresponsible activities (p. 334). Christensen et al. (2021, p. 1189) believe that sustainability issues are often linked to negative externalities and therefore argue that mandatory reporting can be positive from society's point of view. Ioannou & Serafeim (2017) has previously investigated the introduction of mandatory reporting in Denmark, South Africa, Malaysia, and China. Their findings suggest, like Jackson et al. (2020), that companies given an obligation to report tend to increase their disclosure of non-financial information (Ioannou & Serafeim, 2017, p. 5). If the company previously did not have a high degree of compliance concerning regulations, Christensen et al. (2021, p. 1231) expect that the capital markets will react positively to introducing CSR standards. In addition to this, Ioannou and Serafeim (2017, p. 21) believe that even if mandatory reporting imposes certain costs on the companies, the effects indicate an average that is somewhat more positive than negative. Christensen et al. (2021, p. 1232) add that mandatory reporting on non-financial information versus voluntary reporting will bring with it the real effects of CSR on the company. Real effects in this context mean, among other things, better resource allocation, lower capital costs, and increased liquidity (Christensen et al., 2021, p. 1231). Whether a company has regulations and complies with them or not, the motivation for reporting non-financial information can vary between different companies, which we will now explore in more detail.

4.2. Motivations for disclosure

Companies may have different motivations for disclosing non-financial information (Kolk, 2004, p. 54). According to the European Court of Auditors (2019), for companies listed in the market, investors, customers, and the society around them are often the most critical drivers for disclosure. Non-financial disclosures are used to communicate with various stakeholders (Huang & Kung, 2010, p. 448). Companies in the public sector do not aim to profit from their operations but face similar pressure from stakeholders as they are also concerned with stakeholder approval of their public goods (European Court of Auditors, 2019, p. 12). Societal stakeholders may generate public pressure to influence companies' environmental practices in a more sustainable direction (Dai, Montabon & Cantor, 2014, p. 176). Companies may be internally motivated to disclose non-financial information to clarify resource use, save money and create a better basis for decision-making (European Court of Auditors, 2019, p. 13). In this manner, disclosure is a management tool (European Court of Auditors, 2019, p. 13). In short, sustainability reporting is a management tool because it aids in assessing companies’ sustainability performance (Gamage & Sciulli, 2016, p. 187). As an accountability tool, the trust among and responsibility toward stakeholders is an external motivation for disclosure (European Court of Auditors, 2019, pp. 13).

Dienes, Sassen, and Fischer (2016) investigated the drivers of sustainability reporting among listed companies. Results showed that the companies emphasize deriving economic benefits through reputational effects, reduced capital costs, and easing public pressure in their decision to prepare a sustainability report (Dienes et al., 2016, p. 174). This can be seen in the light of Shocker and Sethi’s (1973, p. 97) social contract, stating that institutions must legitimize and contemporize their products and services to illustrate how society requires them. Listed companies are often large and of public interest, thus subject to more media exposure, indicating an association between company size/media exposure and non-financial disclosures (Dienes et al., 2016, p. 170). Stanny and Ely (2008, p. 340) support the association between company size and non-financial disclosures, describing larger-sized companies as subject to more critical examination from the media. Junior, Best, and Cotter (2013, p. 8) elaborate on public pressure, stating that sustainability reports facilitate communication between companies and their stakeholders. The results of their study demonstrate how companies utilize non-financial disclosure to increase accountability for their social and environmental performance, regardless of geographical location (Junior et al., 2013, p. 8). In relation to reporting of environmental factors, Clarkson, Overell, and Chapple (2011, p. 54) find a positive relation between emission level and environmental disclosure. The study was based on a sample of Australian companies adhering to the GRI standards, where findings concluded that heavy emitters scored higher on the GRI-based disclosure index (Clarkson et al., 2011, p. 50). Albers and Günther (2010) investigate the determinants of social reporting in STOXX Europe 600 firms. Their findings regarded sustainability as a measure of social responsiveness, further explaining that positive social performance is a primary determinant for social disclosure as companies wish to disclose aspects they are doing well (Albers & Günther, 2010, p. 344). Albers and Günther's (2010) take on social disclosure aligns with the previously mentioned driver of preparing a sustainability report: public pressure (Dienes et al., 2016; Junior et al., 2013). De Villiers and Dimes (2021) distinguish between external and internal determinants in corporate governance reporting. External determinants are divided into legal and stakeholder pressure (de Villiers & Dimes, 2021, pp. 11–12). They state that companies may be incentivized to prepare a corporate governance report because it is mandatory by legislation or in reaction to stakeholder pressure which may lead to extensive media coverage (de Villiers & Dimes, 2021, pp. 11–12). Hahn and Kühnen (2013, p. 14) describe media exposure as positive for companies in relation to their adoption and degree of reporting. In internal determinants, de Villiers and Dimes (2021, p. 12) refer to the size and industry of the company, emphasizing that internal pressure is intensified with a larger-sized company and within a governance-competitive sector. In addition, pressure stemming from the ownership of the company and organizational culture is named as internal determinants of corporate governance reports (de Villiers & Dimes, 2021, pp. 12–13). Kuo, Kremer, Phuong, and Hsu (2016) investigate those perceived as the most critical users and motivations for CSR reporting in the airline industry, which is described as an industry of high environmental and cultural concern (p. 186). Their study is partly structured around the users of the CSR report, and findings indicate that participating airlines agree that the government is the most critical user (Kuo et al., 2016, p. 193). Sener, Varoglu, and Karapolatgil (2016) investigate the most salient stakeholders of large companies. Their findings support Kuo et al. (2016) most important user of the CSR report, describing shareholders and government as the most salient stakeholders (Sener et al., 2016, p. 91). The most prominent motivations in the airline industry were improved corporate image, employee awareness of CSR, and stakeholder communication, while improving transparency with the government is less permeated among participants (Kuo et al., 2016, p. 190). Despite different approaches to understanding the motivations for publishing a sustainability report, Kuo et al. (2016) analysis of the most critical users aligns with de Villiers and Dimes' (2021) description of the legal aspect of external determinants. Although the motives for reporting on sustainability information can be many, there are also several obstacles to disclosing this kind of information.

4.3. Barriers for disclosure

Jain and Tripathi (2022) highlight the most common challenges for companies' sustainability reporting from a managerial perspective, leading to refraining from disclosing non-financial information. Such as de Villiers and Dime's (2021) categorization of external and internal determinants, Jain and Tripathi (2022, pp. 143–145) divide barriers into external and internal. Results of their study show the absence of mandatory requirements as a substantial external barrier and insufficient awareness and comprehension of sustainability reports as substantial internal barriers (Jain & Tripathi, 2022, p. 146). In the case of Kuo et al. (2016, p. 193), results showed that the airline industry's most common barriers were time consumption, confronting unfavorable information, credible data collection, and unclear goals regarding resource use. Managers in the airline industry perceived the CSR report as gratuitous (Kuo et al., 2016, p. 193). Escoto, Gebrehewot, and Morris (2022, p. 7) find barriers for small and medium-sized manufacturers, stating that three main barriers are restraining their sustainability reporting efforts. Small and medium-sized manufacturers are the most prevailing among manufacturers globally, and barriers were commonly perceived as *strategic alignment, financial outlook, and organizational feasibility* (Escoto et al., 2022, p. 7). Escoto et al. (2022, p. 6) explain these as perceptions of misalignment of sustainability initiatives and growth strategies, sustainability performance causing poor financial results, and the organizations' structural limitations, respectively. The results of Kealy's (2019, p. 120) study elaborate on Escoto et al. (2022) barrier of financial outlook, stating that there is a need for strongly defined measures concerning the outcomes of sustainable activities. For businesses to properly evaluate their investment decisions, the extension of empirical data is required, and the sustainability reporting process must be more standardized (Kealy, 2019, p. 120). Yan, Jia, Chen, and Yan (2022) have investigated the existence of barriers in the assurance process of the sustainability report. Yan et al. (2022) state three main barriers in the assurance process: *time constraint, assurance cost constraint, and under-developed information system* (p. 9). Further explained, these are an inability to provide assurance reports in a timely and regular manner, the interplay between the cost and benefit of providing assurance reports, and an inability to collect relevant data consistently, respectively (Yan et al., 2022, p. 9). These are areas of resistance to the process of assurance (Yan et al., 2022), with relevance to the newly introduced audit requirement of the CSRD (Directive (EU) 2022/2464, 2022, Recital 5).

4.4. The quality of sustainability reporting

A general discussion within the literature and previous research surrounding sustainability reporting is the quality of the information disclosed by the reporting companies. The quality can be judged based on whether the informativeness of the disclosed information is present, i.e., whether different stakeholders can use the information in the intended manner (Schiehll & Kolahgar, 2021). Boiral, Saizarbitoria, and Brotherton (2019, p. 704) refer to GRI's narrative when they explain good sustainability quality as transparent and compliant with fundamental accounting principles, including stakeholders, comparability, and accuracy. Based on a survey of Canadian companies, Schiehll and Kolahgar (2021, p. 851) argue that financial material sustainability reports make associated share prices more informative. In other words, sustainability reports provide value-relevant information to investors (Schiehll & Kolahgar, 2021, p. 851). Rudyanto and Siregar (2018) show that the quality of the reporting also can be categorized as related to the sector in which the companies operate, and that employee pressure affects the quality of the report more than shareholder pressure. By comparing sustainability reports with ESG ratings from Bloomberg, Papoutsi, and Sodhi (2020) have investigated whether the contents of the reports reflect actual performance in sustainability. According to Berg, Kölbel, and Rigobon (2022, p. 1316), ESG ratings intend to evaluate the sustainability performance of companies, funds, and portfolios. Papoutsi and

Sodhi (2020, p. 8) argue for a significant positive link between the disclosed information and the actual performance companies have achieved through this third-hand assessment, such as the ESG rating in this context. In a survey of Indonesian companies, Rudyanto and Siregar (2018, p. 241) show that companies sensitive to the environment deliver a higher information quality in their reports than environmentally friendly companies. In addition, companies with the consumer as their main stakeholder tend to deliver higher quality in their sustainability reports (Rudyanto & Siregar, 2018, p. 242). Partially contradictory to this finding, the results of a study conducted by Fernandez-Feijoo, Romero, and Ruiz (2014, p. 61) show that environmental sensitivity has less influence on transparency than investors and employees, which tells us that external pressure is a prominent driver of transparency in reporting. Another point, based on a study of German companies by Gerwing, Kajüter, and Wirth (2022, p. 548), is that by making corporate governance more sustainable, you can achieve a higher quality of sustainability reporting. On another side of the reports, Boiral et al. (2019) have investigated the quality of sustainability reports in the mining and energy sector, seen from an auditor's perspective through the verification of sustainability reports called assurance statements. As previously mentioned, there is an audit requirement with the CSRD. However, even without an audit requirement, Christensen et al. (2021, p.1233) point out mandatory reporting will increase attestation demand. Assurance statements often have a positive perception and rarely contain skepticism or observed weaknesses in sustainability reports (Boiral et al., 2019, p. 717). In addition, they state that certain principles within the GRI, such as timeliness and sustainability context, are not mentioned in the statements (Boiral et al., 2019, p. 716). Finally, they argue that in a critical perspective, assurance statements can appear as rational myths that become more like a practice that must be carried out to be able to maintain the organization's legitimacy than that it is closely linked to fundamental issues (Boiral et al., 2019, p. 716). Even if the quality of the disclosed information is of a high standard, does it create value for the company? We will elucidate this discussion further.

4.5. Effects of sustainability reporting on various company aspects

Many researchers and studies have tried to find out whether reporting information on sustainability can help to increase value creation for companies in different ways. For example, Shad, Lai, Fatt, Klemeš, and Bokhari (2019) have investigated the role sustainability reporting can have as a moderator between Enterprise Risk Management (ERM) and business performance through the measurement of Economic Value Added (EVA). Kuzey and Uyar (2017, p. 34) have investigated Turkish companies' reporting practices and found, among other things, that companies' size and leverage level influence the extent to which they publicly report on non-financial information. For oil and gas companies from Malaysia, implementing sustainability reporting and ERM tends to lower the cost of capital through less information asymmetry between stakeholders (Shad et al., 2019, p. 417). Better control of liquidity is highlighted as a positive consequence of reporting non-financial information for Turkish companies (Kuzey & Uyar, 2017, p. 35). Buallay (2019) has investigated the banking sector in Europe and looked at the connection between disclosure and performance but divides the answers into three parts: environments, social, and governance. For Chinese companies, Yang, Orzes, Jia, and Chen (2021) examined the introduction of the GRI on company performance. Buallay (2019, p. 111) finds a positive correlation between the reporting of environmental information and financial and market performance. In line with Buallay (2019), Yang et al. (2021, p. 1757) argue that the main benefit of introducing GRI in sustainability reporting is increased profitability. These benefits tend to last for two years after implementation (Yang et al., 2021, p. 1748). On the other hand, Buallay (2019, p. 111) argues for a negative effect on social and governance disclosure. She uses return on equity and Tobin's Q as financial and market performance measures, respectively (Buallay, 2019, p. 99). According to Yang et al. (2021, p. 1760), the degree of internationalization has a negative relationship with sustainability reporting and performance. A point mentioned in most studies regarding sustainability reporting is that authorities and central banks should emphasize sustainability reporting to make good information available to all stakeholders (Buallay, 2020, p. 442). Studies have struggled to answer the questions regarding isolated costs or income from reporting non-financial information (Buallay, 2020, pp. 432-433). Christensen et al. (2021, p.1233) believe that enforcement of sustainability reporting is essential to achieve possible economic effects but highlight that investments in expertise and systems are required to achieve this. Broadstock, Collins, Hunt, and Vergos

(2018, p. 58) want the costs of sustainability reporting to be investigated to a greater extent in order to be able to assess whether it is profitable or beneficial and to disclose this type of information. Researchers have also investigated the effects of the previous directive, something we feel is vital to delve deeper into before presenting our findings.

4.6. Real effects of the NFRD

As we base our study on a future directive (CSRD) with related standards (ESRS), it is natural to investigate whether the previous directive NFRD has influenced companies' practices when reporting non-financial information—both reactions from the outside and possible effects and changes in processes and the responsibility from the inside. For example, Grewal, Riedl, and Serafeim (2015) have investigated the market investors' reactions to mandatory reporting on non-financial information. On the other hand, La Torre et al. (2020, p. 18) have examined accountability vis-à-vis the regulation of non-financial reporting in light of the NFRD. Korca, Costa, and Farnetti (2021) have previously investigated how the transition from voluntary to mandatory reporting has affected companies in the banking sector, hence Italian companies. Chiaramonte, Dreassi, Girardone & Pisera (2021) have also examined the impact of the NFRD on the ESG scores of large banks in EU countries that fall within the directive's requirements. Regarding the comparability of the information the companies disclose, Breijer and Orij (2022) have investigated the implementation of the NFRD across listed companies in the EU. Grewal et al. (2015) compared companies that fell within the NFRD criteria, which came into force in 2014, with unaffected companies. The study's findings portrayed a general negative trend more apparent in companies that have not published such information in the past, those who engage in environmentally hostile activities, and those with poor corporate governance (Grewal et al., 2015, p. 38). Chiaramonte et al. (2021, pp. 1198-1199) aimed to determine whether the directive rewarded banks with a strong focus on CSR practices, which they found support for. In addition, their results support the growing regulatory focus on a mandatory approach to reporting non-financial information (Chiaramonte et al., 2021, pp. 1186-1187). On the other side, Grewal et al. (2015, p. 4) also found a weak positive trend in companies where the largest group of owners are institutional investors, such as pension funds or insurance companies. La Torre et al. (2020, p. 18) found that companies' responsibility and accountability have not improved significantly following the change from voluntary to mandatory reporting of this type of information. Fiechter, Hitz, and Lehmann (2022, p. 1542) state that companies affected by the NFRD are increasing their CSR activities, and they do so before the mandate comes into full effect. When Korca et al. (2021, p. 366) conducted interviews with the Italian banking sector, they found that the volume of reports increased due to the transition but concluded that the quality of information does not follow the same pattern. As the UN SDGs were introduced in 2015, mentioned effects of the NFRD may be influenced by UN conduct (Fiechter et al., 2022, p. 1542). Breijer and Orij (2022) have investigated the importance of implementation for comparability of information asymmetry by looking at the framework they use to disclose non-financial information. According to Breijer and Orij (2022, p. 355), implementing the NFRD led to more companies adopting investor-oriented frameworks for reporting. Those who previously reported voluntarily used both investor-related and multi-stakeholder-oriented frameworks to supplement following the directive (Breijer & Orij, 2022, p. 355). Lastly, findings showed a positive effect for companies with good performance on a non-financial level and that have previously reported such information (Grewal et al., 2015, pp. 2-4). In addition, Fiechter et al. (2022, p. 1542) state that these effects have a higher concentration among those who, before the directive, had no CSR reporting and CSR activities. Breijer and Orij (2022, p. 354) claim that the findings they have made can be of great use for the formation and understanding of the upcoming standards from the EU (ESRS) and the compliance to Directive (EU) 2022/2464 (CSRD). Meaningful but costly is stated by Fiechter et al. (2022, p. 1542) regarding CSR activities, initiatives, reductions, or investment in CSR infrastructure. In addition, they argue that it will lead to fewer worries about companies reacting with greenwashing (Fiechter et al., 2022, pp. 1541-1542).

5. Methodology

Before we present the findings of our investigations, we will first review how we have carried out the study and why we have done it this way. We also include information about our sample and how we have conducted the research in practice. This ends up in an analysis which we will discuss against prior research.

Based on our literature review and prior research, it is evident that companies have distinctive approaches to sustainability reporting, both regarding the utilized framework and organizational context. As sustainability reporting has mainly been conducted voluntarily, there has been leeway in procedures, further adding to the phenomenon's complexity. Although sustainability reporting is generally complex and organizations operate around different circumstances, all subjects of our sample are affected by the CSRD and ESRS in the coming years. Because of time constraints and varying knowledge of CSRD and ESRS among participating companies, we obtain data across several sectors at a single point in time. We do not aim to investigate development or progress over time but rather provide an overview of how Norwegian companies make sense of the new directive. Our time horizon, therefore, draws similarities with the cross-sectional study, which revolves around one-time data collection or over a short period (Levin, 2006, p. 24). Levin (2006, p. 25) describes this study design's advantages as lesser time consumption and opportunity for broader data collection, as there is no need to minimize the amount of data collected because there is no loss to follow-up, among others. With the time constraints facing both us and our subjects and the complexity of our research topic mentioned above, this type of study would help us provide a generalizable conclusion without having a longitudinal time horizon. The essence of the cross-sectional study is a large-scale survey comprising a representative population sample categorized by different characteristics (Cohen, Manion & Morrison, 2018, pp. 348-349). Survey data collection is tailored to the researcher's convenience, only collecting data they deem desirable and further assigning data items to relevant subjects (Woodward, 2014, p. 19). The simplicity of data collection and -processing neglects the novelty of our topic, impeding our ability to gain a broader understanding of the phenomenon. The lack of a theoretical foundation for widespread mandatory reporting leads us to adopt a qualitative research method. Qualitative research helps understand complex areas of interest in-depth, developing theoretical conclusions based on empirical findings (Wenzel, Senf & Koch, 2016, p. 168). We utilize interviews for data collection, deemed the prevailing method of obtaining qualitative data (Mühlenhoff, 2016, p. 44). Upon examination of Norwegian companies' interpretation and management of the transition, we aim to study the phenomenon in limited depth while also being able to generalize and supplement our findings with the help of prior research on sustainability reporting. Therefore, it is natural to conduct a cross-sectional field study, with a depth located between case studies and surveys (Lillis & Mundy, 2005, p. 120), combining interviews with a cross-sectional time horizon. Obtaining a broader range of information on companies' perceptions of upcoming mandatory reporting is crucial for us to understand what to explore regarding their understanding, attitude, and areas of interest. Utilizing a survey would not enable us to develop our knowledge in the field, endangering our results to be excessively superficial. Therefore, we make a trade-off between generalizability/reliability and knowledge acquisition, termed by Lillis and Mundy (2005, p. 132) as a trade-off between breadth and depth, respectively.

We approach our subjects through email communication, providing them with an information letter and the interview guide through the invitation. The information letter concerns the NSD approval required for commencing data collection, while the interview guide presented them with an overview of topics of investigation. The inclusion of the interview guide was intended to influence respondents to prepare for the interview but also provide a sense of safety/security by minimizing the element of surprise to some extent. We hope an opportunity to prepare, and transparency of the interview content will allow subjects to respond flexibly and freely. However, the recency and novelty of the research topic emphasize the usefulness of semi-structured interviews. We combine semi-structured interviews with open-ended questions to isolate interviewees' perceptions, minimizing predetermined notions we may have while being able to follow up on interesting statements made by interviewees. In addition, semi-structured interviews allow us to explore interviewees' perceptions and opinions regarding complex issues (Barriball & While, 1994, p. 330) deeply rooted in the nature of our study.

The novelty of a universal framework for sustainability reporting leads us to focus on companies' interpretation and approach to the CSRD. To create good answers to our question, "*How do Norwegian companies make sense of CSRD and ESRS?*", we have made some decisions when it comes to choosing interviewees. Firstly, we have focused on getting in touch with Norwegian companies. We have chosen to look up companies operating within several sectors to form as comprehensive a picture as possible. In the table below, we present brief information about the companies we have interviewed. However, due to anonymity, we have chosen not to add the sector they operate in to ensure that the companies will not be recognized. The companies are randomly sorted and named "*Company X*". Generally, we have interviewed companies within industries such as banking and insurance, oil and gas, industry, real estate, technology, transport and tourism, media operations, seafood, retail, and education. Some of the interviewees we have contacted through our connections, but most of them we have contacted through the contact information on their company websites. We then asked the companies to put us in touch with the correct employees for further conversation. Per participating company, we received three refusals or no answers, indicating a response rate of 25%. After we were put in contact with the right people, and they agreed to participate, we further agreed on a suitable time and whether the interview should be held physically or digitally. Two of the interviews were held physically, while the rest were held digitally due to the location of the employees in question. Within the companies, we have been put in contact with and interviewed roles such as CFOs, ESG Controllers, Heads of Sustainability, and Sustainability Advisors. In the same way, as with which sector the companies operate within, we have also deliberately chosen not to include which role we have been in contact with for the specific company with regard to the privacy of the interviewees. As presented in the table below, we ended up with 13 participating companies, all categorized as large companies according to the EU's definitions. Further, the table shows that 8 of the companies are listed on the Oslo Stock Exchange and that 8 of them have previously fallen under the former directive's (NFRD) requirements for reporting. 12 out of 13 companies are privately owned, but we have also included a state-owned company to cover thoughts from that angle.

The duration of the interviews varied between 30 and 60 minutes. As we conducted some interviews, we noticed that certain companies were in different situations regarding sustainability reporting. This is part of why some interviews took longer than others. Those who familiarized themselves with the directive and the standards answered precisely. In contrast, those who had not kept up with it for as long, occasionally answered a little outside the scope of the questions. Due to the large amount of information, we had to record the interviews with the help of a dictaphone. This was informed of in information letters that the companies received together with the interview guide. All the interviews have been conducted and transcribed in Norwegian, as the parties involved are native speakers of Norwegian. After the transcription had been completed and all responses had been collected in a document, we were ready to analyze the data.

Company X	**Number of employees**	**Private/public**	**Listed/Not listed**	**Subject to the NFRD**
Company A	Above 500	Private	Not listed	Yes
Company B	Above 500	Private	Listed	Yes
Company C	Above 500	Private	Listed	Yes
Company D	Above 500	Private	Listed	Yes
Company E	Above 500	Private	Not listed	Yes
Company F	Below 500	Public	Not listed	No
Company G	Above 500	Private	Listed	Yes
Company H	Above 500	Private	Listed	Yes
Company I	Below 500	Private	Listed	No
Company J	Above 500	Private	Listed	Yes
Company K	Below 500	Private	Not listed	No
Company L	Below 500	Private	Not listed	No
Company M	Above 500	Private	Listed	Yes

Table 1: Company sample

When we analyzed the raw data that we obtained through the interviews, we have, through an inductive approach to data analysis, emphasized frequent and dominant themes in the data in order to be able to draw connections between them (Thomas, 2006, p. 238). Patton (2014, p. 542) describes inductive analysis as a process of interacting with the data and discovering patterns throughout it. We have observed themes that recurred in the interviews by reading through the data several times. We have then tried to identify recurring patterns in the data, which become categories for a thematic analysis (Fereday & Muir-Cochrane, 2006, p. 82). Patterns do not emerge out of our data, nor does it have a hypothetical approach. They are formed through our will to gain knowledge on a specific field and epistemological interpretation rather than objective analysis procedures (Srivastava & Hopwood, 2009, p. 77). Our analysis is not deductive because it is not conducted based on an existing theoretical framework, meaning patterns are expected prior to data collection (Patton, 2014, p. 542). Once we figured out which recurring themes, we compared the data with prior research on sustainability reporting. The process involved an iterative approach, moving back and forth between interview data and previous literature to draw connections and arrive at new insights into how the CSRD and ESRS influence Norwegian companies' perception of sustainability reporting (Hall & Messner, 2018, p. 231). Berkowitz (1997) describes qualitative analysis as an iterative approach, revisiting data and gaining a deeper understanding of emerging patterns. In this way, we have combined current thoughts and perceptions around sustainability reporting with future thoughts around the introduction of standards and regulations to gain a broader and better understanding of how companies consider the transition to the CSRD and ESRS in the future. Using such an approach to analysis, and further discussion, we can compare previous research and try to find challenging or confirming opinions.

After we had read through the transcription of our interviews a couple of times, we gradually began to identify possible overarching themes. Our actual process of analyzing the raw data starts with writing down words, phrases, and sentences as the raw data develops codes, and the codes develop themes and patterns (Castleberry & Nolen, 2018, p. 812). This was later placed in a spreadsheet file to keep control. The fact that we analyzed the data this way considered our inductive approach to the analysis, where we start specifically and venture out more generally (Thomas, 2006, p. 238). We have kept our problem statement and research questions in mind when going through this process. How much data or how often it is repeated in the themes is not the most important thing when carrying out such a process, but the fact that it is relevant to the problem statement and research questions is (Castleberry & Nolan, 2018, p. 812). Although the process of selecting different themes that could help us answer the research questions was a bit back and forth, and new ones were created along the way, the iterative process was the basis for coding words, phrases, and sentences against the different themes. As we investigated a somewhat open question, there was room for sub-themes. When we had coded the data, we could put them back together to look at connections and see them in relation to each other. After this stage, we could interpret the different perceptions and form thematic patterns for further discussion (Castleberry & Nolan, 2018, p. 812). This process has ended up in a matrix table, as we show together with our empirical findings. This also helps to form a basis for discussion against previous literature on the topic.

6. Empirical findings

For the first 5 minutes of all the interviews, we tried to form a picture of the companies to understand how they had worked with sustainability reporting up until today. How many employees are dedicated to the reporting, which frameworks have they used, and how long they have been doing it were among the questions asked. Quite a few companies had been reporting on sustainability for a few years, but often no more than one or two employees were allocated to the area. The largest companies of our sample were exceptions, where small departments had been formed. The GRI is the most widely used reporting framework, which almost everyone is familiar with and follows. We saw a slight difference in how long the companies had been reporting in relation to whether they were listed on the stock exchange or not. Listed companies had generally reported for a more extended period than those not listed. Therefore, we needed to examine some background information before proceeding with the interviews.

Extracted codes	**Sub-themes**	**Overarching themes**
Desired direction, political instrument for change, logical approach, high adaptability	View of EU's approach	Perception of mandatory sustainability reporting
Intrinsic motivation, personal effort to understand, deeper acceptance	Personal adoption	
Fear of exclusion by not conforming, commanding behavior	External pressure (regulatory, public, etc.)	
Decisive to track progress, imposes higher frequency of follow-up/control, ensures future existence	Necessity	
Excessive workload, brief timeline for adoption, demanding implications for daily tasks, overwhelming obligation to inform, anxious about upcoming requirements, too costly auditing	Work-intensive	
Long-term data predictability, start of standardization, easier to assess quality with a standard framework, eliminates greenwashing, required to present actual performance, mitigate external demand for transparency, increase comparability across sectors, improving basis for decision-making	Transparency	
Desire for spearheading by larger companies, not prioritized until introduction, hoping to imitate others when in subsequent embedment, trickle-down effect	Undecided	
Provide value for all stakeholders, value driver for the company, access to capital, risk mitigation measure, risk assessment of values, profitability directly influenced by environmental conditions, unnecessary without financial gain	Value driven motivation	Motivations for compliance with the EU's requirements
Societal pressure, respond to authorities' demands, media exposure, primary channel for stakeholder communication, provide stakeholders with transparent view of performance, satisfy needs of investors, financial organizations and the market, socially visible effect/accountable for impact on society	Stakeholder communication	
Consideration from a regulatory perspective, required to comply with regulations, cannot be avoided, less extensive reporting in the absence of regulations, partially motivated by regulatory requirements	Regulatory motivations	

Not feasible, lack of reliable numerical basis, difficult to obtain credible information, predominantly estimate use, scope uncertainty, imbalanced time of compliance throughout the value chain, cultural differences may lead to dissimilar approaches; Areas in need of improvement: structuring risk information, coordinate industries, streamline information sharing,	Challenges regarding value chain information	Challenges for compliance with the EU's requirements
Inadequate competence, unaccustomed to this type of regulation, not feasible, lack of dedicated resources, severely challenging	Challenges related to smaller-sized companies	
Lack of quantitative measures, distributed system solutions (not unified), requires long-term development, manual operations/procedures	The level of systems (manual, automated, interactive, etc.)	
Lack of expertise among auditors, absence of support systems for reasonable assurance, uncertainty among auditors, auditors provide superficial statements, increased workload among auditors, costs exceed the benefits	Audit requirement	
Excessive information requirement, obscure for users to distinguish material from immaterial, difficulties calculating financial materiality, concerns about addressing immaterial topics, resource-intensive	Challenges regarding the double materiality analysis	
Uncertainty about the scope of detail and anchoring in the organization, format ambiguity, inefficient provision of information, lack of direction	Presentation of information	
Increased workforce and resources, improved ESG-competence within financial reporting and the Board of Directors, legal expertise within regulations, external courses and training,	Need for new employees and resources	Identified needs for compliance with the EU's requirements
System integrated with finance, standardized and interactive system, larger degree of automatization, explore possibilities within artificial intelligence, Scope 3 information in invoices, coordinated solution for value chain information on social conditions carried out by authorities, algorithm solution for retrieving information	Need for new systems	
Uncertainty of auditors' competencies, ESG-data cannot emulate financial data, excessive information leading to less precision, auditors will have a lesser degree of detail with ESG-data than financial data, excessive information following the double-materiality assessment will lead to less comparable reports	CSRD and ESRS will contribute negatively to the level of sustainability reporting	Effect on companies' quality of sustainability reporting
Gradual approach can lead to positive spin-offs for subsequent companies, more comparable reports, increased transparency minimizing greenwashing, induce further development of systems,	CSRD and ESRS will contribute positively to the level of sustainability reporting	
Considered a minor transition upon complex GRI-reporting, integrated reporting and auditing already widely used among Norwegian companies, proactive and gradual approach, mapping between GRI and CSRD commonly conducted, allocation of resources before regulation comes into effect	Transition towards CSRD	Transition towards the upcoming EU requirements
Double-materiality assessment conducted, gap-analysis between GRI and the Draft ESRS widely opted for, have attended course organized by the auditors' association, already allocated resources to Scope 3 data collection and risk management, not fully considered all aspects until adoption, deemed problematic for smaller-sized companies	Transition towards ESRS	
Reporting comes at the expense of the resources for the activities, uncertain of the results of sustainability performance with increased focus on reporting, imposes demands on employees beyond their capacity	Resource allocation within sustainability	Predicted real effects of the CSRD
Forces sustainability onto the agenda, sustainability will climb up the priority ladder, ESG-activities more stimulated by UN development, will stimulate to more initiatives in companies with low ESG-performance, generally positive to the directive's effect on companies' scope of sustainability activities	Scope of practical activities for sustainability	

Table 2: Thematic analysis

6.1. Perception of mandatory sustainability reporting (RQ1)

We begin by elucidating the participating companies' general perception of mandatory sustainability reporting. Even though some have already been subject to the NFRD, the CSRD is more comprehensive and widespread. Some companies in our sample chose to highlight the EU's conduct in developing mandatory sustainability reporting. For instance, Company E mentions that *"the EU governs the rules in the sense that they are used to make changes and that they are utilized as a political tool."* The role of the EU was considered crucial to induce desired sustainability progress, was deemed logical in their approach, and with high willingness to adapt.

Sustainability reporting was considered decisive in achieving the overall goal of sustainability. Companies describe mandatory sustainability reporting as an inherent responsibility and familiarize themselves with regulations based on their interest or as crucial to performing adequately in their area of responsibility. In addition, companies' spokespersons emphasize personal effort to create a more profound understanding of upcoming requirements, implicitly indicating an intrinsic motivation. Other companies have a more external perception of the matter, perceiving CSRD and ESRS as forced onto them based on stakeholder expectations, deeming requirements particularly commanding. According to Company J, *"those who are not in accordance and compliant with reporting requirements will perhaps be squeezed out."* External pressure is considered to be increasing. Companies tend to have a negative connotation in these statements, indicating that it is deemed a hindrance. The necessity of the directive and related standards was also emphasized. Companies mention that such comprehensive regulations are vital to track progress and follow up more frequently, maintaining control towards sustainable development. Company B highlighted its necessity for future existence, *"compared to existing practices, you now need a scope that covers the entire value chain with a longer time horizon going forward. The change is necessary and required to be sustainable and exist in the future."* This indicates a high workload, and generally, companies consider the upcoming directive as work-intensive. It is anticipated to have demanding implications for their daily duties, describing it as an overwhelming obligation to provide an excessive amount of information. Companies state that they feel anxious about impending requirements, with the cost of auditors for verification of sustainability information as a particular area of concern. The smaller companies of our sample, i.e., those not already subject to the NFRD, choose to emphasize the brief timeline for adoption: "*Reporting under the Transparency Act this year* *was challenging for most companies, so in addition to all the other changes, it will be terribly demanding. The timeline is very tight for most companies*" (Company I). Those currently subject to the NFRD do not stress the timeline, presumably because of more available resources. Moreover, companies subject to the CSRD in 2024 have a proactive approach to upcoming requirements and thus have a more detailed perception. Companies subject to the CSRD at a later stage tend to have a more reactive approach, awaiting the formation of intricate perceptions. One of the companies not subject to the NFRD states that *"the largest and listed companies must do this immediately, but it is companies that are slightly smaller that must be dragged along. Larger companies must take responsibility and help their industry: Be leaders"* (Company F). Those framed by the regulation at a later stage intend to imitate precursive companies and expect a trickle-down effect to ease the transition to mandatory sustainability reporting. All four companies not subject to the NFRD are waiting to make a complete decision on their perception until they are required to adhere to regulations.

Most companies perceive mandatory sustainability reporting as rooted in the need for increased transparency. In this respect, Company H states, "*going forward with the frameworks, you have to explain what you have actually done."* This is supplemented with *"you can eliminate superficial statements, i.e., identify those who make false claims about their performance"* (Company G), indicating that a transparent approach will eliminate greenwashing. In addition, it is described as an initiation of standardizing sustainability reporting procedures while contributing to increased comparability across sectors. Companies deem a more standardized procedure crucial to improve the basis for decision-making, with more predictability and ease of quality assessment.

6.2. Motivations for compliance with EU's requirements (RQ1)

Participating companies have varying motivations to comply with the EU's requirements. This is natural because the companies in our sample have different characteristics, e.g., concerning shareholder basis, company size, and sector in which they operate. Firstly, value-driven motivation ranges from providing value for all stakeholders to profitability directly affected by environmental conditions among participating companies. The essence of this motivation is that the company must derive some value from its compliance with the EU's directives. Company A states that the motivation *"is about access to capital and risk* *management against values and valuations."* This statement refers to their motivation as future-oriented, ensuring prospective capital access and risk mitigation. Certain companies in our sample have a more mature sustainability profile than others, and one of them mentions that "*sustainability is a bigger and bigger value driver in our company"* (Company B). This indicates that companies with sustainability deeply rooted in their business derive value directly from being sustainable. Secondly, sustainability reporting is widely used as a communicative tool to respond to external pressure (Junior et al., 2013). Companies respond to pressure from authorities, investors, financial institutions, the market, the media, and society. Company I states that *"it is very common that investors and other financial organizations, especially banks and other financiers, are very interested in how we perform on sustainability,"* emphasizing the need to communicate effectively, i.e., be transparent, through formal channels. Some of the largest companies are subject to more scrutiny from the media and therefore highlight stakeholder communication as a main motivation to counteract the negative consequences of increased media exposure. Sustainability reports are deemed the primary channel for stakeholder communication, showcasing the company's accountability for its impact on society. Lastly, some companies consider their motivation to comply from a regulatory perspective. All participating companies are subject to regulations at some stage of the introduction of the CSRD, but certain companies emphasize regulations as the main driver to present a sustainability report. For example, Company E mentions that their motivation *"stems from a regulatory perspective because I think neither we nor other companies would report as extensively on as many topics if it were not for these regulations."* Those who are in accordance with this motivation comply with requirements mainly because it cannot be avoided.

6.3. Challenges to compliance with EU´s requirements (RQ2)

We have also asked participating companies if there are any specific challenges in compliance with the EU's requirements. Those working proactively with regulations have already identified challenges they need to overcome to implement required sustainability reporting practices. Among the most prominent challenges is obtaining information throughout the whole value chain. We have observed different opinions regarding the retrieval of value chain information. Many of the participating companies posed a question: "*Where is the limit for how far back in the value chain you should go?*" (Company A).

Uncertainty about the scope of the value chain information requirement is a typical response to the matter. Certain companies with less complex value chains seem to meet this requirement. However, those with more complex value chains mention that *"it is completely unrealistic to think we can obtain all this information with great precision"* (Company E). The latter indicates that they will have a high degree of estimates used in the initial adoption phase. As the EU's requirements are imposed on companies at different points in time, retrieval of information throughout the value chain is deemed problematic based on various times of compliance and geographical and cultural differences. The main sources of these challenges are the lack of structuring risk information, industry coordination, and a basis for information sharing. Participating companies state that systems need to be substantially improved to fulfil reporting requirements. The burden of reporting is considered to be minimized if these challenges are resolved. Company C states that "*we have a system for collecting information today, but I believe that in the long term, it should be ensured that the system links up better with the financial systems,"* calling for more interactive systems. Several companies describe the development of interactive systems as a gradual process over time. There was also a concern about manual procedures, indicating an overwhelming workload: *"We have a climate accounting system, which I am not very happy with. I cannot extract analyses, and I have to do a lot manually"* (Company H). The challenges related to systems are mainly rooted in efficiency. Even though participating companies are considered large by Directive 2013/34/EU (Directive 2013/34/EU, 2013, Article 3, Section 4), they also describe challenges facing companies of a smaller size, which may lack experience in sustainability reporting. For example, Company E claims that *"they are not used to reporting on this type of regulation, so I think they will need expertise and systems, " indicating they possess inadequate competencies* and resources. Furthermore, *"it is especially the smaller companies that do not have dedicated resources. It cannot be understated that it requires a lot of time and resources to do this type of reporting"* (Company I). Therefore, the general opinion among participating companies is that the requirements are not feasible for smaller-sized companies or at least severely challenging.

One of the significant changes in the transition to the CSRD is that a requirement has been created for the sustainability report to be part of the audit. The requirement of auditing the sustainability report is new for the auditors too, and several of the companies in our sample highlight the uncertainty and deficient competencies among auditors. For example, Company C mentions that *"we do not have an audit of the sustainability report today, and the reason for that is that we believe that none of the audit companies deliver adequate* *quality in that area yet."* Costs of auditing the sustainability report will exceed the benefits are also mentioned as a concern. Among the companies that already audit their reports, they state that *"the auditors are very careful about which statements they make regarding the report because they are unsure of what they are doing. Therefore, there is a need for improvement"* (Company H). Additionally, companies are now required to carry out a double materiality assessment, which means much information must be communicated. Some companies perceive the overwhelming information requirement as challenging. Firstly because *"it becomes very difficult for the users of the report to distinguish between what is really material and what is not so material"* (Company D). On the other hand, Company D also mentions that *"a company may spend far too much time reporting information that is not very material."* In other words, it can be difficult for the user of the report to filter out what is significant and what is not when, according to some companies, the reports can be too comprehensive.

How to properly present the relevant information is also an area of uncertainty among participating companies, and they describe the format for presenting non-financial information in line with the CSRD and ESRS as ambiguous. For example, Company E anticipates that "*the biggest changes you will see are the structures in the annual reports of companies, and this also applies to us*" upon previously stating that they are in the process of determining a format for CSRD adherence. Among concerns of format ambiguity, companies add that the dissemination of information is inefficient: "*It is certainly possible to make information available to the outside world more efficiently*" (Company F). Several companies also stated that the scope and degree of detail were difficult to determine, i.e., what amount of information must be presented to fulfil requirements. In this respect, Company G explained, "*it has been difficult for us to know how far down in depth we have to go."* Briefly, participating companies state that they are devoting time and resources to establish a format for presenting the information but have concerns about providing it to the general public and its degree of detail.

6.4. Identified needs for compliance with EU's requirements (RQ2)

In order to meet the challenges mentioned above, we asked if they had already identified any needs to overcome them. The answers are divided into two; some mention resource needs, while others highlight system needs. Most companies highlighted the need for more resources dedicated to sustainability reporting. Company C mentions that *"the idea is that we must have an additional resource to handle all new demands, which are only increasing. So we should bring in someone to handle it",* and Company H adds to this by stating that "*I imagine that there will be a separate department eventually."* While Company C and Company H specify the need for more resources overall regarding sustainability reporting, Company D explains that they already have *"2 employees dedicated in the group staff for ESG reporting, but no full-time employees are working on ESG reporting in the business units"*. The level of competence within ESG should be increased, both in the companies themselves and among the auditors. In particular, Company C points out that *"generally in Norway, I think there is poor sustainability competence in the companies' board of directors,"* which comes as a requirement of the CSRD. Regarding new systems, companies express different types of needs. Some underline the need for further development of system solutions, while others provide more specific ideas for improving systems. Among others, Company G portrays its uncertainty and hopes standardized systems can ease their workload: "*Hopefully there will be a more standardized solution, such as a software or a program, that can help us."* In this respect, participating companies describe desired attributes of such a standardized system. Companies state that existing systems "*very often do not interact with each other*" (Company B), and an excessive amount of manual processes entails "*a much greater degree of automatization*" (Company A). Company A expands on automatization, stating that "*everything is manual; someone has to sit and type it into an Excel spreadsheet. I believe there are enormous opportunities for efficiency improvement*". A general perception among companies is that systems regarding sustainability information must be integrated with finance to a greater extent. As for specific ideas for improvement, several companies inform us that "*it is also possible that artificial intelligence will take part in it*" (Company H) and urge us to "*closely follow the OpenAI developments that have emerged recently*" (Company A). Two companies had possible solutions to retrieving value chain information on environmental and social conditions. For environmental conditions, Company A stated that they "*had a dream that Scope 3 CO2 accounts would be sent via invoice*", which would result in accurate retrieval of “*CO2 emissions generated by the invoiced service or product*” (Company A). Invoices of all transactions would contain an additional part of information relating to environmental factors, which Company A expects to induce a tighter follow-up of greenhouse gas inventory and financial accounting in relation to each other. Company K ponders estimates in Scope 3 reporting, stating that “*there should be an algorithm that collects adjacent information*” and that with today’s technology, nothing prevents such a solution from reducing uncertainty in Scope 3 information. For social conditions, Company A discusses the possible role of authorities concerning the Transparency Act: “*I think it is strange that the tax authority does not prepare a form linked to the Transparency Act.”* Such a solution would entail mass mailing forms to each organization, where each recipient has a deadline to answer it. Company A further adds that this will help coordinate information and make it available for those who require it, as well as improve the mapping of where business activity is located.

6.5. Effect on companies' quality of sustainability reporting (RQ3)

When we have investigated the extent to which emerging frameworks and regulations will affect the general quality of sustainability reporting, we have received views that speak for both the better and the worse. Therefore, we will first discuss in what way the companies believe that it contributes negatively before presenting opinions on the positive side. As mentioned, increasing comparability is one of the main goals of introducing the new framework and regulations. Company A, therefore, wonders if new requirements will improve comparability: “*Double materiality assessment has now been opted for, which means that certain parts of the standards will not be relevant for all companies. So you will still get a rather individual report, which is a bit difficult to compare”,* indicating uncertainty about this transition's effect on the quality. Regarding the audit that will be carried out on sustainability reports, several companies wonder whether the level of the auditors is high enough to increase quality. They explain that *"you will never end up in a position where this sustainability data is the same as financial data"* (Company D) and *"I feel pretty confident that we will not see an audit to the same extent with as great degree of detail as finance"* (Company A). Companies state that the comprehensiveness of the transition they are facing may cause lower levels of precision in the sustainability reports. Company D mentions, "*I* *think that quite a lot will be reported which is not necessarily very material, at least not so material as to explain to the stakeholders where the problems really exist."* Although some companies emphasize a negative effect on the quality of sustainability reports, most agree that the transition will positively contribute to the quality of reporting. The general perception is that the gradual approach contributes to higher quality among companies embedded at a later stage. Company F states that "*it can be good for the smaller companies to get more insight into what the bigger companies are doing; this can have good ripple effects,"* implicitly illustrating that those with fewer resources can mimic bigger companies. Several companies believe that increased transparency resulting from upcoming requirements will minimize the amount of greenwashing: "*There are probably some who have tampered a bit with the numbers in the past, but there will be less opportunity for that when transparency in the numerical material is now required"* (Company I). In contrast to the statement made by Company A regarding comparability concerns, Company B believes that "*the data is verified and can contribute to comparisons across different industries"*. Company G believes the improved quality of sustainability reports will induce extended effects: "*You get better tools and a better system around it when everyone has to report according to the same standard."* From this perspective, improved quality of sustainability reports reinforces related system solutions.

6.6. The transition toward the upcoming EU requirements (RQ4)

Depending on existing practices and different compliance times, participating companies will perceive the transition differently. Some may have already been subject to the NFRD, reported according to GRI standards, or will need to comply later, affecting how a company considers the transition to the CSRD and ESRS. As mentioned in the regulatory setting, the CSRD is already adopted and finalized, while the ESRS is still in its first set of drafts. We distinguish between the perceived transition to the CSRD and the ESRS, as it is reasonable to assume they have varying degrees of consideration. Participating companies believe the directive and related standards lack coherence, which indicates different degrees of completion. Company M comments on the materiality assessment: *"On the one hand, the CSRD has very broad requirements for how we should do it, and then it is much more practical and specific in the ESRS."*

As the CSRD is adopted, companies have formed thoughts on the transition to widespread mandatory sustainability reporting. Even though the directive does not include specific procedures for reporting, the requirements included express the intended direction of the EU. Company A describes a minor transition resulting from existing practices, a notion shared by many: "*I am quite sure that if you are deep down in GRI reporting, have done it for several years, and are experienced with it, then it is not a big transition to also be compliant with the CSRD."* GRI and the CSRD are perceived by participating companies to be aligned, easing the transitional effort required to comply. Integrated reporting and auditing of sustainability reports are being implemented across several companies in our sample and can be deemed a proactive effort for compliance. Integrated reporting is expressed in statements such as "*Everything must be included in the annual report. This is unproblematic for us because we have already done that"* (Company D) and "*For the first time, we have reported an integrated annual report to approach the CSRD*" (Company G). Regarding the audit requirement, companies state that "*we have the GRI revised today, so for us, I do not think the transition will be that big*" (Company H) and "*much of what we do is already third-party verified, so we do not see this as something impossible*" (Company B). Companies inform us that they plan to conduct a mapping to identify gaps between existing frameworks and the CSRD "*and then create a plan to hopefully close them in 2023 so that we are ready in 2024"* (Company C). Despite this statement, several companies have already conducted the mapping: "*So we did a gap analysis in relation to CSRD in the autumn, and then we saw that we are quite compliant with what is coming"* (Company B) and "*We have created a CSRD gap analysis where we went through what we lack in order to be compliant"* (Company A). As displayed in the statements above, Norwegian companies act proactively in the introduction of mandatory sustainability reporting, and Company K describes it more explicitly: "*We put resources into it. In my role, I am very comfortable with the fact that when it comes, we are ready to do it*".

A draft of the ESRS has been published, meaning they are still being developed and may be subject to changes or adjustments. Based on this, companies have varying degrees of insight into what it implies. However, they provide us with their overall view of the transition to ESRS and consider draft standards approximately equal to the finalized standards. The majority of companies have conducted a materiality assessment for several years. However, the ESRS set extended requirements for this: *"We are preparing to the extent that there is a new round of updated materiality analysis. More specifically, a double materiality assessment that is more relevant to ESRS"* (Company F). Some companies have also conducted a gap analysis in light of the Draft ESRS, even though the standards are not finalized: "*We have looked at them and have done a gap analysis"* (Company B) and *"A mapping between ESRS and GRI is also carried out, and we see that we have covered a lot already"* (Company H). Four companies have also exerted additional effort to soften the transition to the ESRS by attending a course organized by the auditors' association named the "The Sustainability Academy." Areas perceived as challenging by companies are proactively being worked on, with Scope 3 data collection and risk management being reflected in statements such as "*we have worked with Scope 3 for quite a long time, and in a way have improved year by year in relation to it"* (Company C) and "*regarding the cross-cutting standards with risk understanding and such, we already do this and have introduced climate and natural risks into our assessments"* (Company B). Company J compares the introduction of ESRS to the introduction of other standards, emphasizing the difficulty of implementation among smaller-sized companies: "*I think it will be a bit like the introduction of IFRS. It will be demanding at the start, and you may not always be used to following standards. Especially for smaller companies".*

6.7. Predicted real effects of the CSRD (RQ5)

Participating companies' predictions of the real effects of the CSRD concern both changes in resource allocation within sustainability and the scope of practical activities for sustainability, i.e., changes in priorities and influence on the amount of sustainable activities. The directive has different times of compliance, and companies, therefore, have varying degrees of familiarization with the matter; the investigated area is kept broad for the interviewees' sake. Regarding resource allocation within sustainability, companies seem to agree that upcoming requirements demand excessive use of time and resources on the reporting itself. Company F thinks this time- and resource-use related to reporting comes at the expense of resources initially allocated for sustainability activities: "*The more time you spend on reporting and the requirements you get, the less time you get to spend on actual measures."* Company C describes it explicitly by stating that "*one of my concerns is that when there are such strict requirements, which come relatively suddenly, the companies will have to use all their resources on reporting."* There are also concerns surrounding the workload imposed on smaller-sized companies, indicating work beyond their capacity: "*Others who do not have dedicated employees on sustainability have to figure things out, and it is very natural that you* *select one employee to do everything*" (Company H). Sustainability reporting in accordance with the CSRD is considered to be unreasonably work-intensive for those companies of a smaller size. The general perception of the real effects of the CSRD is that mandatory requirements do not necessarily entail improved sustainability performance: "*One could perhaps say that sustainability reporting will improve when the requirements are tightened, but will that automatically lead to improved sustainability results? I am very unsure about that*" (Company A). Statements made in this context concern short-term resource allocation issues, as the introduction of new requirements are deemed to create an adjustment period. Furthermore, participating companies were generally positive about the CSRD's effect on Norwegian companies' scope of practical activities for sustainability in the long run. Encouraging sustainability reporting makes the actual activity more visible, forcing companies to assess various aspects of their operations: "*I believe that reporting requirements through CSRD and ESRS will mean that things are put much more in front and forced to a greater degree on the agenda of many companies out there*" (Company E) and "*if you have unpleasant things to report, you get it on the agenda and then you have to do something about it*" (Company B). Increasing the scope of practical activities was deemed to come from a different source for some: "*I would rather say changes in the UN's agenda affect us the most in relation to taking in new sustainability activities*" (Company B). However, the effect of CSRD on the scope of practical activities was considered larger for companies with low ESG performance. Company C stated that "*for those who have not progressed far enough in terms of maturity in the area of sustainability, I clearly believe that CSRD can significantly affect the scope of sustainability activities,"* meaning those who have not fully addressed sustainability till now will have the largest increase in sustainability measures.

7. Discussion

In this thesis, our aim is to improve knowledge of how Norwegian companies make sense of the CSRD and ESRS by investigating different aspects of their interpretation of this transition. As the regulation and framework have yet to be fully adopted, we will discuss our findings in light of prior research. As our findings relate to an upcoming phenomenon, most of our data consists of our interview respondents' perceptions, predictions, and ideas. Our discussion is intended to illustrate Norwegian companies’ sustainability reporting practices, but mainly their understanding of the imminent EU requirements.

Prior research indicates that voluntary reporting of non-financial information has a large degree of heterogeneity in the reports across companies (Christensen et al., 2021, p. 1193). Statements made by companies in our sample regarding their perception of mandatory sustainability reporting are complementary with Christensen et al. (2021) in a reverse manner as the companies highlight that mandatory reporting in such a form will contribute to comparability within and across sectors. In addition, respondents emphasize increased transparency resulting from the introduction of mandatory reporting, leading to the elimination of greenwashing, supporting Gatti et al. (2019).

Motivations to comply with EU requirements can be seen as the most critical drivers of preparing a sustainability report. Companies of our sample emphasize three main factors affecting their decision: value, communication, and regulations. Those who aim to derive value through compliance accentuate capital access, among other things, and hope to extract a direct benefit through a lower cost of capital, which agrees with Dienes et al. (2016). Dienes et al. (2016) derivation of economic benefit also contains a reputational effect resulting from stakeholder communication. Norwegian companies also seem to stress capital access when using sustainability reporting as a communicative tool. The most frequently mentioned users of the sustainability report were investors and financial organizations, indicating that motivations within communication are essentially value-driven. Nevertheless, two of the companies in our sample, which are particularly large, explicitly mention media exposure as a critical driver for accurate presentation of their accountability through formal channels, which is in line with prior research (Dienes et al., 2016; Stanny & Ely, 2008; de Villiers & Dimes, 2021; Hahn & Kühnen, 2013; Junior et al., 2013). A regulatory motivation among Norwegian companies stems from an inability to avoid imposed requirements. Those who emphasize the legal aspect of motivations are incentivized to prepare a sustainability report purely because it is mandatory (de Villiers & Dimes, 2021; Kuo et al., 2016). These motivations mentioned above are partly intertwined; e.g., companies utilizing the sustainability report for stakeholder communication may do so to be able to derive some form of value from them. Regardless, companies in our sample have varying motivations, possibly because of different company characteristics.

All participating companies have detailed answers to the challenges facing them ahead of the transition. The challenges relate to newly introduced requirements, highlighting areas of concern and the inadequacy of current conditions. With the novelty of the requirement of value chain information, prior research lacks a solid foundation for further discussion. Nevertheless, Norwegian companies struggle to obtain credible information on the value chain, which is supported by Kuo et al. (2016) description of barriers for disclosure. Respondents' systems-related challenges are mainly connected to data collection, often regarding value chain information. Their current organizational structure is deemed inefficient, preventing reporting requirements' fulfillment (Escoto et al., 2022). Respondents are prepared for the transition but are more concerned about compliance among smaller-sized companies. A lack of experience related to inadequate competencies and resources among these companies poses substantial barriers to compliance, which respondents termed unfeasible. This aligns with internal barriers described by Jain & Tripathi (2022) and Escoto et al. (2022) regarding organizational feasibility among small- and medium-sized manufacturers. The audit requirement of the CSRD is perceived as problematic by lacking competencies and high costs. Participating companies believe the costs of auditing the sustainability report will exceed the benefits, supported by Yan et al. (2022) assurance cost constraint. Overwhelming information requirements' effect on user interpretation and format ambiguity has not been investigated to a great extent, but concerns are permeated among Norwegian companies. The directive may induce too comprehensive reports, leading to difficulties distinguishing material and immaterial information. Establishing a format that fulfills requirements and facilitates user interpretation may be subject to the finalizing of the ESRS. Although participating companies mention several challenges, they agree they are well-prepared for the transition. However, they inform us unsolicited that they have major concerns regarding smaller-sized companies' feasibility, indicating that this is the main problem domain.

To meet these challenges, we wanted respondents to clarify whether they had identified any specific needs to overcome them. Identified needs regarding resources are described as an overall increase in resources and an increase in the level of competence within ESG. Christensen et al. (2021) believe resource allocation will be improved due to the introduction of mandatory sustainability reporting, as it induces an increase in investments in expertise and systems. Identified needs of systems primarily consist of the improvement of existing systems. Today's systems lack interactiveness and automatization, and companies state that they need standardized solutions. They provide specific ideas for improving current systems. For example, one of the respondents mentioned that Scope 3 CO2 accounts should be sent via invoice to make data collection on the value chain more efficient. Another respondent questioned why there is an absence of algorithmic solutions in value chain information to ease the data collection process. Companies also called for authorities to take action in retrieving value chain information related to social conditions by providing a coordinated effort to store this information in a repository. Among other things, artificial intelligence is mentioned by several respondents as a possible source of assistance in the future.

Regarding the transition’s effect on the quality of sustainability reports, we divide it into negative and positive effects. Respondents do not fully agree on the directive’s influence on the quality of reports, but that may be because they choose to emphasize different aspects of newly introduced requirements. Prior research implicitly states that quality is not directly attributed to the amount of information presented but instead explains what defines sustainability information of high quality (Boiral et al., 2019). Statements made by participants add to this by describing a concern about too comprehensive information requirements and a dismay that this will inhibit the precision level of reports, which aligns with findings regarding the NFRD (Korca et al., 2021). Even though companies agree that an audit requirement will improve quality, certain companies ponder over the level of competence among the auditors. Boiral et al. (2019) describe the uncertainty among auditors as lacking skepticism, indicating that they lack in-depth competence. Venturelli et al. (2020) investigated the comparability of sustainability reports before and after the introduction of NFRD, and the results portrayed less comparable reports after the introduction of mandatory requirements compared to voluntary reports. Respondents think requirements relating to the double materiality assessment will lead to less comparable reports, as material topics are individual. The companies we have interviewed are in relative agreement that an audit of the sustainability report leads to a greater degree of comparability and, thus, increased quality as long as audit procedures are optimized. Boiral et al. (2019) have previously criticized assurance statements of sustainability reports for being a legitimacy tool rather than serving a sustainable purpose. In this sense, comparability may be increased if auditors share the same practice but will fail to serve the fundamental purpose. However, it is important to add that the competencies among auditors may have increased because of the greater attention in recent years.

We also aim at touching.on several aspects of the transition towards CSRD and ESRS, and get insight into companies' overall perception of the transition. This involves a general statement on preparations made prior to the directive and their personal view of the transition in light of existing practices. We discuss our findings based on prior research on the NFRD transition where applicable. As respondents tend to consider the CSRD and ESRS as one, relevant findings are interconnected and will be discussed in conjunction, i.e., the overall transition towards a new directive and framework. Findings indicate that companies already reporting in accordance with the GRI framework view the transition as minor (Grewal et al., 2015), as the ESRS and GRI standards are perceived as built on the same principles. Upon embedment in the NFRD, Breijer and Orij (2022) found that companies tended to opt for investor-oriented frameworks. Companies cannot choose frameworks for reporting freely following the introduction of CSRD, as they are required to report in accordance with the ESRS. The ESRS is considered a multi-stakeholder-oriented framework, as evidenced by a double-materiality assessment. This unintended consequence of the NFRD, seemingly an excessive freedom of choice, is eliminated by using a common framework. Breijer and Orij (2022) describe the GRI framework as a multi-stakeholder-oriented framework, and many of our respondents have already conducted gap analyses between the GRI and ESRS based on this common orientation. Respondents' gap analyses show that minor adjustments are needed to comply with newly introduced standards. Auditing of the sustainability report is widely used among Norwegian companies prior to the introduction of mandatory reporting. Based on prior research, this cannot be entirely attributed to the audit requirement of CSRD, as the demand for assurance statements could have increased regardless of such a requirement (Christensen et al., 2021). The Norwegian companies allocated resources to sustainability before being subject to requirements, supported by Fiechter et al. (2022). This resource allocation involves conducting a double-materiality assessment, attending courses, and devoting resources to developing Scope 3 data collection and risk management procedures. In addition to within challenges, respondents highlight smaller-sized companies' lack of ability to act proactively towards the transition. This implicitly states that these companies cannot allocate resources today and thus need a more reactive approach by imitating those embedded at an earlier stage. Furthermore, a gradual introduction of requirements, following company size, leaves room for imitation and development of own procedures.

Lastly, we discuss Norwegian companies' perception of the real effects on sustainability resulting from the transition. On the one hand, we investigate their resource allocation within sustainability, i.e., the interaction between resources allocated to reporting and activities. On the other hand, respondents were asked whether the transition would lead to increased sustainability activities within the company. A few respondents had a clear structural distinction between reporting and activities regarding resource allocation. However, most Norwegian companies were concerned that such comprehensive reporting could lead to deprioritization activities. Respondents deem the extent of reporting resulting from the transition to place excessive demands on employees. As the comprehensiveness of sustainability reporting is steadily increasing due to increased user needs, there is a lack of research on the interplay between reporting and actual sustainability activities. As for increased sustainability activities, Jackson et al. (2020) found a positive association with mandatory sustainability reporting. Fiechter et al. (2022) found an increase in sustainability activities in companies affected by the NFRD before its introduction. All companies of our sample believe the transition will positively affect the scope of sustainability activities, as it will be more prioritized and forced onto the agenda. Previous literature has highlighted accountability as a driver for providing non-financial information (Dienes et al., 2016; Stanny & Ely, 2008; de Villiers & Dimes, 2021; Hahn & Kühnen, 2013; Junior et al., 2013), but La Torre et al. (2020) finds no significant improvement of accountability upon introduction of mandatory reporting (NFRD). The findings of La Torre et al. (2020) implicitly indicate that sustainability does not necessarily climb the priority ladder, which is partly contradictory to our findings. Certain Norwegian companies state that their scope of activities is more affected by other institutions, e.g., the UN, which may also have distorted previous research regarding the real effects of the NFRD (Fiechter et al., 2022). Participants were generally positive about the directive's effect on companies' extent of sustainability activities. They emphasized a more significant effect in companies with low ESG performance, a perception that aligns with Fiecther et al. (2022).

8. Concluding remarks

At the beginning of this master thesis, we defined a problem statement that involved determining how Norwegian companies make sense of the CSRD and ESRS. Then, as the problem statement was kept quite broad, we divided it into five more specific research questions, all contributing to answering the problem statement in different ways.

Findings related to RQ1 tell us that Norwegian companies perceive mandatory sustainability reporting as necessary to improve comparability and transparency. However, companies have different motivations for complying with this mandate, depending on who is deemed their most significant stakeholders. Generally, mandatory sustainability reporting is perceived as a means to improve the quality of reports, used to satisfy increasing stakeholder demands and minimize greenwashing tendencies.

Companies have also identified challenges and needs in relation to upcoming EU requirements in RQ2. The findings show that their main challenges are related to value chain data collection and the general comprehensiveness of requirements. In particular, our sample companies are concerned about smaller-sized companies facing these challenges. To overcome them, companies express needs for more interactive and automated systems, specifically addressing the value chain data collection challenge. Regarding comprehensiveness, companies state that they need more resources allocated to reporting and improved competence among existing employees.

Opinions among participating companies are divided regarding the effect of upcoming requirements on the quality of reports (RQ3). As we touched on in RQ1, companies consider mandatory sustainability reporting to increase reports' overall quality but raise concerns about its implementation. The comprehensiveness may inhibit the precision level of reports, the uncertainty of the level of competence among auditors, and peculiar reports resulting from the double materiality assessment were considered to limit quality improvement.

In RQ4, companies describe preparations made prior to the imposed requirements and their general view of the transition. The majority of companies used the GRI framework for sustainability reporting. Having conducted gap analyses between the GRI and ESRS, companies perceive the transition as minor. Auditing of the sustainability report pervades among companies of our sample as of today, which indicates that compliance with the audit requirement is feasible. Respondents further state that they allocate resources before the mandate comes into effect but raise concern for smaller-sized companies that may not have the opportunities to do so. Smaller-sized companies may approach requirements reactively through imitation, which is made possible by its gradual introduction.

Lastly, RQ5 displays the effect on resource allocation within sustainability and the scope of sustainability activities among the companies. They emphasize an apparent concern regarding the resource-allocation, further stating that the comprehensiveness of reporting may come at the expense of resources initially allocated to sustainability activities. Despite this, companies believe the transition will expand the scope of sustainability activities, based on increased internal awareness, especially for companies with a low ESG performance. However, certain companies are more influenced by other institutions regarding the extent of sustainability activities.

Norwegian companies perceive the transition towards the CSRD and ESRS as comprehensive but necessary to improve sustainability reporting, which can further lead to improved sustainability performance among affected companies. There is a clear need for increased resources and competencies within sustainability reporting, more evident in smaller-sized companies. Through insights gained from experience in the field, companies highlight several challenges that must be resolved to comply with requirements. Streamlining various processes and other work-relieving measures will ensure compliance and optimal prioritization within affected companies. Norwegian companies deem the transition feasible if adequate resources, competencies, and systems facilitate it.

8.1. Limitations

Not unlike others, there are several limitations to our study as well. Firstly, the existing literature on mandatory sustainability reporting is limited, especially regarding the CSRD and ESRS. The topic of investigation is emerging, and its novelty impedes the creation of a solid theoretical foundation. Concerning the selection of interviewees, we have consciously chosen companies with different characteristics. We attempt to create an overall picture of Norwegian companies’ view of the transition and do not target a specific sector. The novelty of the CSRD/ESRS and the varying characteristics of participating companies lead to significant variations in the level of knowledge among interviewees, placing a heavier burden of interpretation on the interviewers. Although we consider our sample size adequate for providing an overview of the phenomenon, a limited number of interviewees may impair the generalizability of our study. We had difficulties increasing our sample size due to time constraints, and companies relevant to our research question are limited because of a gradual introduction and, thus, varying insights. Despite preserving interviewees' anonymity, they answer questions on behalf of the company. This causes difficulties defining interviewees' objectivity and honesty, as they feel compelled to shed positive light on the company.

8.2. Recommendations for future research

As our study adopts a qualitative approach, we recommend that future research adopt a quantitative approach when the mandate is implemented. In contrast to the overview of Norwegian companies’ perception provided in this study, a quantitative approach can accurately depict the practical implementation of the CSRD and ESRS. In addition, following frequently stated concerns regarding smaller-sized companies, we also recommend investigating sustainability reporting practices among these companies, as well as both their perceptions and practical implementations of the mandate.

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Appendices

Appendix 1: Interview guide in Norwegian

Der hvor dere ikke er i stand til å besvare spørsmål (f.eks. fordi selskapet ikke har vurdert spørsmålet per dags dato), er det hensiktsmessig å opplyse om dette også. Intervjuet er semi-strukturert, så der det er naturlig vil tilleggsspørsmål stilles.

Bakgrunnsinformasjon

Vi ønsker å undersøke om det allerede er allokert ressurser til bærekraftsrapportering i dag, evt. om det er lagt fremtidige planer for dette. Hvilket direktiv dere rapporterer i henhold til, og evt. hvilken standard som benyttes til dette, er også ønskelig.

- Kan du beskrive selskapets status for bærekraftsrapportering per dags dato?
    - Rapporterer selskapet i henhold til Global Reporting Initiative (GRI) standardene?
    - Hva er grunnen til valg av standard for bærekraftsrapportering?
    - Hvor lenge har dere rapportert på bærekraft?
    - Kvalitetssikrer dere bærekraftsrapporteringen per dags dato? (Kontrollert av revisor, o.l.)
- Hva er deres hovedmotivasjon for å rapportere på bærekraft i dag?
- Har selskapet en egen avdeling/ansatte for bærekraftsrapportering per dags dato?
    - Ser selskapet et behov for dette fremover mot innføringen av CSRD?
    - Hvilke behov er kartlagt?
- Må selskapet overholde krav i henhold til NFRD (Direktiv 2014/95/EU) per dags dato?
    - Hvordan har dette påvirket rapporteringen?
    - Har det vært utfordrende å overholde kravene som er satt til nå?
    - Hva er deres mening om det nåværende direktivet? (Svakheter?)
- Har dere noen tanker om nivået på bærekraftsrapporteringen i Norge i dag?

Corporate Sustainability Reporting Directive (CSRD) (Direktiv 2022/2464/EU)

Vi ønsker å undersøke hva de største endringene, utfordringene og/eller mulighetene selskapet står overfor ved overgangen til CSRD. Dette vil også innebære informasjon på endrede/fornyede systemer/infrastruktur, behov for arbeidskraft/kompetanse og selskapets stilling til revisjonskravet som CSRD oppstiller.

- Hva tror dere vil bli de største endringene for selskapet ved overgangen til CSRD?
    - Realistisk å overholde kravene fra og med 2024?
- Hva tror dere vil være de største utfordringene knyttet til overgangen?
- Tror dere nye muligheter vil vokse frem på bakgrunn av overgangen? Evt. hvilke?
- Har selskapet behov for kompetanse/nye systemer som det ved nåværende tidspunkt ikke besitter?
    - Hvilken kompetanse/nye systemer er det behov for?
    - Kan dere forklare nærmere hvordan dere dekker behov for kompetanse?
- Hvordan anser selskapet revisjonskravet til CSRD?
    - Er det andre krav som selskapet ser vansker med å oppnå?
- Tror dere CSRD vil bidra til forbedring av bærekraftsrapporteringen i Norge? På hvilken måte?
- Overordnet formening om CSRD? (Fri besvarelse)

European Sustainability Reporting Standards (ESRS)

Her ønsker vi å gå dypere inn på selve rapporteringen til selskapet, ved å stille spørsmål om hvordan dere har tatt stilling til ulike deler av ESRS. ESRS er påkrevd å benyttes dersom selskapet innfattes av CSRD, og derfor er dette hensiktsmessig å innhente informasjon på. Dette innebærer spørsmål om vesentlighetsvurdering som definerer selskapets påvirkning på Miljø- , Sosiale- og Forretningsetiske forhold.

- Hvordan har selskapet satt seg inn i de nye standardene?
- Hvordan påvirker standardene fremtidige rutiner for rapportering?
- Har selskapet erfaring med å utføre en vesentlighetsvurdering?
- I ESRS E1 Climate change oppstilles krav om formidling av Scope 1, 2 og 3 klimagassutslipp, samt. totale klimagassutslipp (jfr. ESRS DR E1-6). Scope 3 omhandler rapportering av klimagassutslipp som forekommer gjennom hele verdikjeden.
    - Hva er deres tanker om at det nå vil oppstilles krav om innhenting av informasjon på selskapets påvirkning gjennom hele verdikjeden?
- Er det noen flere tanker om ESRS dere ønsker å dele?

Appendix 2: Interview guide in English

If you are not able to answer the question (e.g. because the company has not yet assessed the question as of today), it is appropriate to inform us about this too. The interview is semi-structured, so where it is natural, additional questions will be asked.

Background information

We want to investigate whether resources have already been allocated for sustainability reporting today, possibly whether the company has made future plans for this. Which directive you report according to, and which standard is used for reporting, is also desirable.

- Can you describe the company's status for sustainability reporting as of today?
    - Does the company report according to the Global Reporting Initiative (GRI) standards?
    - What is the reason for your choice of standard for sustainability reporting?
    - How long have you been reporting on sustainability?
    - Do you have assurance of the sustainability report as of today? (Verified by auditor, etc.)
- What is your main motivation for reporting on sustainability today?
- Does the company have a separate department/employees for sustainability reporting as of today?
    - Does the company see an increased need for this going forward towards the introduction of CSRD?
    - Which needs have been identified?
- Does the company have to comply with requirements according to the NFRD (Directive 2014/95/EU) as of today?
    - How has this affected the reporting?
    - Has it been challenging to comply with the requirements that have been set so far?
    - What is your opinion about the current directive? (Weaknesses?)
- Do you have any thoughts about the level of sustainability reporting in Norway today?

Corporate Sustainability Reporting Directive (CSRD) (Directive 2022/2464/EU)

We want to investigate what the biggest changes, challenges and/or opportunities the company face in the transition to CSRD. This will also include information on changed/renewed systems/infrastructure, need for competencies/expertise and the company's position in relation to the audit requirement set by CSRD.

- What do you think will be the biggest changes for the company in the transition to CSRD?
  - Is it realistic to comply with the requirements from 2024 onwards?
- What do you think will be the biggest challenges associated with the transition?
- Do you think new opportunities will emerge as a result of the transition? If so, which ones?
- Does the company need expertise/new systems that it does not currently possess?
  - What expertise/new systems are needed?
  - Can you explain in more detail how you meet the need for expertise?
- How does the company consider the audit requirement of CSRD?
  - Are there other requirements that the company sees difficulties in achieving?
- Do you think CSRD will contribute to improving sustainability reporting in Norway? In what way?
- Overall opinion on CSRD? (Free answer)

European Sustainability Reporting Standards (ESRS)

We want to go deeper into the actual reporting of the company, by asking questions about how you have taken a position on various parts of the ESRS. ESRS is required to be used if the company is covered by CSRD, and therefore this is appropriate to obtain information on. This involves questions about materiality assessment which defines the company's impact on Environmental, Social and Business Ethics matters.

- How has the company familiarized itself with the new standards?
- How do the standards affect future routines for reporting?
- Does the company have experience in carrying out a materiality assessment?
- In ESRS E1 Climate change, requirements are set out for dissemination of Scope 1, 2 and 3 greenhouse gas emissions, as well as total greenhouse gas emissions (cf. ESRS

DR E1-6). Scope 3 deals with the reporting of greenhouse gas emissions that occur throughout the value chain.

  - What are your thoughts on requirements for obtaining information on the company's impact throughout the value chain?

- Are there any more thoughts about ESRS you'd like to share?

Appendix 3: Discussion paper by Mats Eklund - Responsible

In the University of Agder School of Business and Law's strategic framework for 2018-2023, the university states that its mission is "*to co-create knowledge by applying international, innovative and responsible perspectives*" (UiA, n.d.). In this paper I will discuss how our thesis relates to the broader concept of "*responsible*". I will provide a brief presentation of our thesis, before drawing on two interpretations of "*responsible*", ultimately discussing our thesis and "*responsible*" in relation to each other. The first interpretation of "*responsible*" involves responsibility in a corporate context, which is directly related to our thesis. The second interpretation is by identifying real or potential ethical challenges throughout the research process. Relevant theory and research will underpin the discussion.

Brief presentation of master thesis

There has been a substantial growth in published sustainability reports globally over the last years (KPMG International, 2022, p. 13), which may have been a result of increasing stakeholder pressure in this respect (Christensen, Hail & Leuz, 2021, p. 1177). Until today, sustainability reporting has mainly been conducted on a voluntary basis, but the European Union has made a concerted effort to improve sustainability reporting on the territory of the Union, enforcing the Corporate Sustainability Reporting Directive (CSRD) and introducing the European Sustainability Reporting Standards (ESRS) (Directive (EU), 2022/2464, 2022). There are inadequacies of current sustainability reporting practices, of which many stem from excessive freedom of choice. Companies may disclose non-financial information to meet stakeholders' information needs, but others may be influenced by legislation to provide a sustainability report in some cases. Regardless, framework utilized for sustainability reporting is voluntarily chosen, with the GRI standards being the most opted for (KPMG International, 2022, p. 24). The CSRD, which is the first mandatory sustainability reporting directive on such a scale, incorporates several categories of undertakings, and reporting in accordance with the ESRS is required. As widespread mandatory sustainability reporting spreading across several countries is new, we choose to investigate their own perception of upcoming requirements. Our problem statement is kept quite broad, to gain insight on a novel topic, and results in:

"How do Norwegian companies make sense of the CSRD and ESRS?"

Adhering to an iterative research process, involving an interaction between prior research and empirical findings, we determine five research questions to assist in sorting statements made by interviewees:

1. *How do Norwegian companies perceive mandatory sustainability reporting, and what is their motivation to comply with upcoming EU requirements? (RQ1)*
2. *Which challenges have Norwegian companies identified before EU requirements, and what needs must be fulfilled to overcome them? (RQ2)*
3. *What are the perceived effects of the CSRD and ESRS on companies' quality of sustainability reporting? (RQ3)*
4. *How do Norwegian companies perceive the transition towards upcoming EU requirements? (RQ4)*
5. *What do Norwegian companies predict the real effects of the CSRD and ESRS will be on sustainability within the company? (RQ5)*

We hope answering these research questions will be of interest to scholars who wish to further develop the knowledge on the field, but also provide practical relevance for companies starting their sustainability journey and in consideration of incorporating the directive into Norwegian legislation.

Corporate social responsibility

Friedman (2007, p. 178) states that there is only one social responsibility of businesses, which is to increase its profits while playing by the rules of the game. As long as businesses do not engage in deception or fraud, they are only expected to ensure that the business is profitable (Friedman, 2007, p. 178). Companies of our sample are concerned with being profitable, like most other companies. However, they deem the corporate social responsibility of companies to be a lot broader. Profitability is required for survival of the participating companies, meaning that they recognize Friedman's (2007) take on social responsibility for businesses. Exerting effort beyond profitability may have a ripple effect on profitability. Providing more sustainable solutions, products or services has a positive influence on society, which could in turn lead to increased profits through increased sales. With increasing global focus on sustainability, the intention of exerting additional effort is what determines which responsibility the company takes on. However, all sustainability effort should be considered responsible, as it contributes to a sustainable development.

Carroll (1979, p. 499) states that corporate social responsibility means to fully address economic, legal, ethical, and discretionary responsibilities. The relative magnitude of the responsibilities follows the order in which it is listed, from large to small. By economic responsibilities, Carroll (1979, p. 500) describes the business to have a responsibility to produce, sell and make a profit on products and services the society desires. This is regarded a fundamental assumption, and other business roles rely on this assumption (Carroll, 1979, p. 500). The legal responsibilities are formed by the laws and regulations which businesses must comply with, forming the ground rules of business activity (Carroll, 1979, p. 500). Both economic and legal responsibilities must be met simultaneously. Ethical responsibilities are formed by the ongoing debate of what is ethical and what is not, and these are most often located above the legal responsibilities. With a developing society, ethical norms develop beyond economic and legal responsibilities (Carroll, 1979, p. 500). Discretionary responsibilities are not explicitly determined, and society does not have a clear expectation for the business in this sense (Carroll, 1979, p. 500). Discretionary responsibilities are voluntary, and often characterized by exerting effort beyond economic, legal, and ethical expectations (Carroll, 1979, p. 500). Norwegian companies assume responsibilities covering all four of Carroll's (1979, p. 499) responsibilities, but their approaches to responsibility seem to differ. Companies in our sample exert effort into all types of responsibilities, but their consideration of which responsibility is assumed is not entirely clear. Norwegian companies indicate that they treat economic and ethical responsibilities in relation to each other, i.e., they consider ethical responsibilities only if it fulfills economic responsibilities. This implicitly states that they consider their economic responsibilities as their most important. Legal responsibilities are required to fulfill for survival, which means that this comes down to economic responsibilities as well. Despite the noticeable focus on economic responsibilities, Norwegian companies frequently take on discretionary responsibilities. They seemingly do this for the greater good, not responding to internal or external demands. Norwegian companies wish to contribute, which could be of positive reputational effects. Nevertheless, they have adopted sustainability into all parts of the organization, making a genuine attempt to serve the general purpose of sustainability, and not profitability.

The Brundtland Commission (1987, p. 292) defines sustainability as *"…meeting the needs and aspirations of the present generation without compromising the ability of future generations to meet their needs…*". Sustainability and corporate social responsibility are often used interchangeably (Christensen et al., 2021, p. 1179), but there is an abundance of definitions of corporate social responsibility (Meuer, Koelbel & Hoffmann, 2020, p. 320; Christensen et al., 2021, p. 1179; Bansal & Song, 2017, p. 106). However, the common denominator is that companies should consider the environmental and social impacts of their decisions (Adams & Zutshi, 2004, p. 31). In consideration of these impacts, sustainability reporting serves as a tool for clarification. Interviewees frequently describe the CSRD and ESRS as helpful for decision making, i.e., determining where effort needs to be put in place. Increasing focus on sustainability among companies, especially of a larger size, means sustainability is rooted in the organizations. The challenging part of corporate social responsibility for Norwegian companies is to efficiently allocate resources to sustainability, which justifies their acceptance of mandatory sustainability reporting. In relation to definitions of corporate social responsibility provided by Friedman (2007) and Carroll (1979), Norwegian companies' view on the matter differs. Respondents seem to have adopted the responsibility of sustainability, both the companies and the individual worker. They do not view it as any sort of hinderance or redundancy, but rather see the importance and necessity of contributing to a sustainable future.

Ethical challenges

Anonymity

The most prominent ethical challenge of our study is preserving interviewees' anonymity. Anonymity and confidentiality are intended to protect the privacy of participants (Kang & Hwang, 2023, p. 6). Even though the data collection process was approved by the NSD, there is still an issue of indirectly recognizing interviewees. As companies of our sample are all defined as large undertakings by Directive 2013/34/EU, statements made in interviews may be traced back to the company and thus interviewees' anonymity may be compromised. With the majority of participants listed on the stock market, attitudes regarding mandatory sustainability reporting may be detrimental to their value. The stock market may be particularly reactive to statements made regarding RQ2 and RQ4. Responses to RQ2 may reveal challenges or needs that the companies may struggle to overcome, which may induce a negative stock market reaction. RQ4 responses may show that companies are not prepared for the transition, which could lead to worsened economic results and thus a negative stock market reaction. However, companies believe the mandate entails a collaborative effort, meaning companies perceive the transition to mandatory sustainability reporting to be imbued with cooperation. Providing useful insight into companies' perceptions of the CSRD and ESRS, while also preserving privacy among the companies and interviewees, has been challenging. We attempt to solve this by omitting longer quotes from the thesis, being aware of identifiable statements, and discussing interesting insights in text.

Honesty and objectivity

Following the data collection, information gathered does not necessarily conform with the intention of its retrieval. Maintaining honesty is crucial to preserve trust among researchers, and is done by avoiding falsifying, fabricating, or misrepresenting data (Resnik, 2015, p. 93). Interviewees possess varying degrees of knowledge on the CSRD and ESRS, as they have not yet been fully adopted. Statements made by participants were not always relevant to the thesis itself. It is important not to be tempted to fabricate retrieved data, making it suitable for our thesis. Adhering to an iterative process, our thesis is largely formed by the data collection, eliminating the pitfall of fabrication, and ensuring honesty.

We conducted semi-structured interviews to be able to deviate from the interview guide if necessary. The interplay between objectivity and exploring topics of interest was challenging. The objective researcher does not let his own ideas, thoughts or values affect the data collection (Resnik, 2015, p. 92). As with honesty, objectivity is crucial in ensuring that we answer what we set out to investigate, which is Norwegian companies' own perception of the CSRD and ESRS. One can easily be tempted to steer interviewees in a specific direction when utilizing semi-structured interviews, but the iterative process helps us preserve objectivity as well. We do not initiate interviews with a desire to obtain information specifically relevant to our thesis, but let our interviewees lead us in the direction they desire. This involves a lot of work, as large sets of transcriptions must be analyzed, and important parts must be identified.

Conclusion

Norwegian companies seem to have matured significantly regarding sustainability. In light of Friedman (2007), upcoming requirements should be seen as a burden which could potentially hamper profitability. However, Norwegian companies perceive mandatory sustainability reporting as completely opposite, expressing excitement and commitment to the mandate. They believe the additional workload of a stricter regime can only induce positive effects, both for themselves and society. Carroll's (1979) expansion of corporate social responsibility may be more suited to Norwegian companies' perceptions. As most companies in our sample are stock listed, they must answer to societal expectations, even though they might not state so explicitly. Norwegian companies fulfill discretionary responsibilities by being proactive, initiating sustainable activities before being influenced to do so. Their intentions for taking on the different types of responsibilities are ambiguous, i.e., are they all rooted in profitability? Regardless of their intentions, their efforts emphasize the importance of corporate social responsibility by influencing others and leading by example. Norwegian companies' corporate social responsibility opposes Friedman's (2007) view on the sole responsibility of businesses and is partly recognized by Carroll's (1979) four responsibilities.

In relation to preservation of anonymity, the responsibility portrayed in interviews may not be entirely truthful. Even though participants are informed that anonymity is preserved through transcription and coding, they may be reluctant to share an accurate depiction of their perception. Despite being able to speak freely, respondents seem to feel they are answering on behalf of the company. Insights gained from interviews may not be completely accurate, and companies may approach sustainability or corporate social responsibility differently. Regardless of these concerns, Norwegian companies have a deep understanding and clear position on sustainability. By highlighting sustainable values in their operations continuously, both the company and the individual worker will adopt them eventually. Statements may be superficial but should have a positive cultural effect within the company over time. Despite the possibility of untruthfulness, all emphasis on sustainable solutions contribute to increased sustainable focus, similar to the previously mentioned intentions for taking on responsibilities.

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Appendix 4: Discussion paper by Jonas Askevold Vaaler - International

The University of Agder's strategy from 2018-2023 involves a mission statement which aims to "*co-create knowledge by applying international, innovative and responsible perspectives*" (UiA, n.d.). This discussion paper is based on the thesis "*the transition to CSRD and ESRS*," where we have investigated how Norwegian companies make sense of the CSRD and ESRS. The task I have been given is to discuss the thesis against the theme "*international*". First, I will summarize the main points from our thesis before presenting different international trends and forces. Ultimately, I want to discuss our thesis concerning these international trends and forces.

Introduction

Companies face increasingly challenging demands from investors and other stakeholders regarding how they contribute to, among other things, reducing emissions, safeguarding the health of their employees, or keeping waterways clear (Christensen, Hail & Leuz, 2021, p. 1177). The stakeholders also request more information from the companies on handling this (Amran & Ooi, 2014, p. 38). Corporate Social Responsibility interest increased sharply in the 90s when globalization accelerated (Agudelo, Johannsdottir & Davidsdottir, 2019, pp. 6-7). Internationally, there has been significant growth in the number of companies that choose to report on their sustainability information, and it is constantly increasing (KPMG International, 2022, p. 13). The reason for this may be the above-mentioned increased pressure from stakeholders who demand that companies contribute to more sustainable value creation and report on how they contribute and work towards this. Several companies have aligned their goals with the Paris Agreement and the UN's sustainability goals. They will also have to consider the EU's framework and regulations when publishing non-financial information. Reports published on non-financial information in recent decades have had a voluntary character, leading to tendencies towards greenwashing, where the responsibility for interpreting the information has been placed on the report user (Hahn & Lülfs, 2014, p. 401). To increase the transparency and comparability of these reports, the EU has adopted a new and more comprehensive directive with accompanying reporting standards (Directive (EU) 2022/2464, 2022, Recital 10).

Summary of our thesis

The corporate sustainability reporting directive (EU 2022/2464) is a directive that aims to develop sustainability reporting with in-depth standards that companies, within the requirements, are obliged to follow and contains, among other things, an audit requirement (Directive (EU) 2022/2464, 2022, Recital 5). To increase the comparability between different companies' reports and reduce greenwashing using more transparency, the EU has created a common framework with standards that companies must follow in the directive. In 2022, the European Financial Reporting Advisory Group (EFRAG) was tasked with clarifying these standards for sustainability reporting (EFRAG, n.d.).
Our aim with the study has been to investigate how the larger Norwegian companies view the transition to a more comprehensive set of regulations and frameworks that will eventually become mandatory for them to follow. To find answers to our problem about how Norwegian companies make sense of a future transition, we have made use of a few more research questions to be able to form an overall picture:

1. *How do Norwegian companies perceive mandatory sustainability reporting, and what is their motivation to comply with upcoming EU requirements?*
2. *Which challenges have Norwegian companies identified prior to EU requirements, and what needs must be fulfilled to overcome them?*
3. *What are the perceived effects of the CSRD and ESRS on companies' quality of sustainability reporting?*
4. *How do Norwegian companies perceive the transition towards upcoming EU requirements?*
5. *What do Norwegian companies predict the real effects of the CSRD and ESRS will be on sustainability within the company?*

We have interviewed relevant representatives from 13 Norwegian companies to find out how they perceive the change. We have tried to understand how it will change practice for sustainability reporting, whether they have identified possible challenges, and whether it can improve the quality of this reporting and be an essential step towards more sustainable development.

In our thesis, we have presented a literature review and previous research on sustainability reporting. These reviews are based on earlier studies in several countries and across countries. We chose to interview companies in our study and got in touch with the appropriate employees to answer questions about the upcoming changes. The reporting of sustainability information was the focus, so we didn't want to reveal anyone or brag about any companies. However, after interviewing the companies, we have, among other things, become aware that there is a need for development both on the system side and especially to capture all the information that the requirements require. The dedication of more employees within the company in the area of sustainability reporting was also highlighted as a need to satisfy the requirements. The companies we interviewed agree it is a wise and logical step towards a more sustainable society where companies must show transparency on an entirely different level. Among other things, artificial intelligence was mentioned as an opportunity that, if used correctly, could lighten the workload of the extensive transition affecting the companies. Furthermore, we were informed that following a common framework could lead to identifying those who spoke nice words without being able to defend them with actual actions. A common perception, and partial challenge around such a comprehensive framework, is that much of the resources dedicated to sustainability activities now, at least initially, had to focus on reporting to a greater extent. Since we interviewed larger companies that have been used to reporting on supplementary financial reports, voluntary sustainability reports were a general concern directed at the smaller companies that will be incorporated under the directive in subsequent periods.

International Trends and Forces

A global and international trend introduced in 2015 was the introduction of the UN's sustainability goals in 2015, where the UN introduced 17 goals on the way to more sustainable development (United Nations, n.d.). These forces set in motion by the UN, a global institution, are, among other things, about the activities themselves that companies must strive for. It is not only in Norway that sustainability reporting is widespread among companies. After the introduction of the UN's sustainability goals, international organizations such as GRI and the UN global compact have assisted companies in most countries to include sustainability in their strategy and reporting (Tsalis, Malamateniou, Koulouriotis & Nikolaou, 2020, p. 1618). Another popular global trend is artificial intelligence, which is increasingly discussed and researched and is part of the prominent fourth industrial revolution (Tiwari & Khan, 2020, p. 2).

Discussion

The master's thesis is naturally relevant to "*international*" as it deals with common frameworks across nations. For example, the EU is a cross-border organization in Europe, and its directives, e.g., Directive 2014/95 (NFRD), have had relevance for all member states of the union and members of the EEA agreement (AccountancyEurope, 2017, p. 5). On the other hand, the companies we have chosen as interview subjects for our research have mentioned that they have customers, investors, and other stakeholders across national borders, and some of them have also said that the most significant part of their business is outside Norway's national borders.

As mentioned, the development goals provided by the UN are more about actual sustainability, while the EU's regulations and framework are about how the reporting of non-financial information should be prepared and disclosed. This distinction between activities for sustainability and reporting on sustainability is, among other things, something our interviewees believe will change with the introduction of the EU's requirements towards more resources aimed at reporting than activities. However, others are clear that you must have some activities to report on if you want to report well.

The interaction can be such that if companies report in accordance with the EU's requirements, then as an investor or supplier, for example, you can more easily distinguish between which companies to choose. Although, in the future, at least according to the EU's intention, it will become more difficult to greenwash the reports, companies will be exposed to a greater extent if they do not operate sustainably, regardless of whether it is based on the UN's goals or others.

New demands from the EU regarding the enormous amount of information that must be obtained may take advantage of such an international trend as the fourth industrial revolution may turn out to be. Furthermore, as mentioned, the companies in our study also call for new interactive systems to a significantly greater extent than today. Therefore, collecting everything in one place may also be within the realm of possibilities for new technologies that are constantly being improved. Certain interviewees called for the use of artificial intelligence in the data collection. Such a solution would lighten the workload and automate large parts of the reporting process on sustainability. Even if the technology is not sufficient today, the interviewees state that the developments in the last year have been enormous, and it is considered only a matter of time before the technology can replace much of the job. This development may partly be due to globalization and increasingly better information sharing.

As previously mentioned, the companies interviewed in our studies are Norwegian. Still, international forces influence them in many ways, whether they are customers from other countries, suppliers, or investors across national borders. The war in Ukraine and Covid-19 are international examples of forces that impact companies worldwide. This has come at the expense of earnings for some but built opportunities for others, which is the case for our sample of companies. We have seen that this has stolen some focus from the sustainability momentum within the companies. As our study deals with Norwegian companies, it weakens our generalization of other nations' interpretations of them. On the other hand, our findings have been mainly in line with previous research in other countries, which can strengthen the validity and reliability of our study. Perhaps it can help to give a complete picture of the conditions surrounding sustainability reporting concerning new requirements in the rest of the EU and perhaps even globally.

Conclusion

To sum up, our master's thesis and investigation relate to international trends and forces. We have looked deeper into how Norwegian companies perceive the upcoming introduction of regulations and standards with cross-border implications provided by the European Union. The forces launched by the EU want to improve sustainability reporting internationally by increasing their transparency, credibility, and comparability. As mentioned, this applies to all EU member states and will most likely be incorporated into the EEA agreement. Furthermore, it will also be relevant for companies outside the EU that operate within the EU. In addition, our findings show that some companies are considering focusing on artificial intelligence to handle the various demands of the transition. International Information sharing and globalization form the basis for innovation and creativity. This can again prove to be essential on the road to sustainable development.

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