Investor preferences reflected in sustainability reporting

A study assessing the informational quality of sustainability reports with respect to investor preferences

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Abstract

Title: Investor preferences reflected in sustainability reporting, A study assessing the informational quality of sustainability reports with respect to investor preferences
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The interest for investing in sustainable assets has grown rapidly over the recent years. Many investors use methods for risk assessment based on for example Environmental, Social and Governance (ESG), Corporate Sustainability (CS), Environmental Risk assessment (ERA) and Socially Responsible Investments (SRI). It is also common that investors use sustainability reports to gather information. Often when companies do have information on their sustainability practises they tend to overload the reader by reporting all their activities without any real value for the stakeholder. Rather than providing valuable information, the report confuses the stakeholder with a quantity of irrelevant facts.

The main purpose of this paper is to investigate what information professional investors and analysts prefer to see in sustainability reports and to what extent the prefered information matches the information provided by sustainable firms based in Sweden, producing products and/or services based on some sort of renewability.

This report is based on a multi-method approach which includes qualitative interviews and the Consolidated Narrative Interrogation model (CONI). A selection of theories namely, Socially Responsible Investments (SRI), Legitimacy theory, Stakeholder theory, Screening, Green-washing and Defining sustainability are used to explain the context of the subject of investigation.
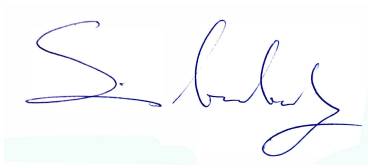
As for the qualitative part of the study, eight themes were identified and translated into content categories. A conclusion that has been drawn from the qualitative part of the study is that the informational preferences are well reflected in recognised frameworks such as ESG, GRI and the UNs SDGs. Furthermore, it is of great interest to investors and analysts to receive detailed, numerical and measurable information regarding all content categories. The authors have concluded that the preferences regarding informational quality are not reflected in the reports as the contextual scores were assessed as mediocre at best. The authors have also drawn the conclusion that companies have to improve the informational quality of the reports and provide a larger amount of numerical figures that are measurable over time.

Keywords: Sustainability reporting, Greenwashing, Screening, ESG, CSR, ERA, Asymmetries, communication.

Acknowledgements

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1. Introduction

The introductory section aims to describe and develop the background to the work's subject choice and problem statement. The section describes the problem in its entirety, where financial risk assessment using sustainability measurements constitutes the primary area for discussion. Various aspects attributable to risk assessment and sustainability measurements are further described and discussed in the problem discussion as well as the study's contribution to the research area.

1.1 Background

One aspect that has risen in priority when making investment decisions in the last decade is sustainability, where corporate leaders soon will have to answer more integrated questions regarding their Environmental, Social and Governance (ESG) performance (Harvard Business Review, 2019a). If one were to simply look at the big investor firms' websites today there is no denying that sustainability is a key element in their decision-making. With headlines such as "Sustainability as BlackRock's New Standard for Investing" (BlackRock, 2021), "Sustainable Finance at Goldman Sachs" (Goldman Sachs, 2021) or "Our Commitment to Sustainable Development" (JPMorgan Chase & Co, 2021) to name a few. Standardisation is common practice in most fields, one example of this is the law which we all follow that is a type of standardisation of our behavior towards one another and the society. With sustainability a need for standardisation has also begun to fester, for instance the ISO-standards aim to clarify the information given by companies in the conversations (ISO, 2021a). There is not only a need for clarification from companies to inform their stakeholders, but also a regulatory basis for this by the European Commission. Regulation (EU) No 1025/2012 aims to provide a legal basis for financing the European standardisation process, among other things (European Commission, 2021a).

As an answer to this, ESG criterias have grown in popularity in the financial market (Herzig & Schaltegger, 2006), where if you are to fully "ESG integrate", all material factors are considered. This includes Environmental, Social and Governance as well as other aspects that

are relevant in the investment analysis (PRI, 2018). At a conference in London[1] Sara Bernow, the leader at McKinsey on sustainable investing and co-leader of the institutional investing practise in Europe, and Robin Nuttall, who leads the regulatory and government affairs practise at McKinsey, spoke about ESG and why it is here to stay. When being asked the question "[...] what is your experience of how ESG is measured and what do you see as challenges?" (McKinsey, 2020). Bernow (2020) answered that the majority of large companies incorporate ESG into their reporting process and that they do this thoroughly with the goal to inform their stakeholders. In a recent study, the result showed that 90 percent of companies in some way reported on sustainability (mainly around the ESG criterias), however the report showcased that merely 15 percent of the investors successfully could utilise the information when making investment decisions (Ibid).

Further, the question "Is that disparity caused by a lack of standardisation?", in the context of the previous question above; refers to standardisation on sustainability reporting (Ibid). Bernow (2020) continued to answer that there are vast varieties of existing frameworks and standards. Companies are free to use whichever framework they seem fit as a basis for reporting. Most select several frameworks which results in a large amount of data. This limits the transparency as to how the data is relevant to a firm's financial performance. Another aspect related to this is the lack of metrics of standardisation. Bernow (2020) exemplifies with workplace diversity and water consumption which can be defined differently depending on the standard the company has chosen. Bernow also highlights the problem with validating or auditing the data as a stakeholder, therefore you can not rely on the quality of the data (Ibid).

The growing interest in the subject of sustainable investments raises the question of what information is needed in an analysis of companies as well as what information that is already out there? How can one be sure of its credibility and/or relevance? What this paper aims to further elaborate is the asymmetry in information that seems to exist between stakeholders and companies as Bernow (2020) explains it.

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[1] The European 2020 M&A Conference in London

1.2 Problem discussion

Previous work done by Freide et al. (2015) as well as Alshehhi et al. (2018) confirms that there exists a positive correlation between Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP). Furthermore Friede et al. (2015) states that the effect seems to be stable over a long period of time. Arguments can be made that ESG wouldn't exist without CSR. Alva Group (2020) explains it as "while CSR aims to make businesses accountable, ESG criteria makes it measurable" (Alva Group, 2020). The interest for ESG as a measurement method has grown rapidly over the past years but the efforts of the corporations however are hard to evaluate and measure, as Jacqueliene Poh (2019) writes in a Bloomberg article, the risks involved are firstly, hard to measure, and secondly hardly even disclosed (Bloomberg, 2019). Schaltegger and Figge (2000) claims that "Environmental risks are the third important factor affecting shareholder value" which indicates the importance of ESG implementation.

Schaltegger and Figge (2000, p. 21) also states there is a problem in this field: "The challenge for the financial analyst is therefore to look at the type of company and its environmental management practices and draw conclusions regarding the impact on environmental efficiency".

Directive 2014/95/EU (European commission, 2020c) demands that companies that exceed 500 employees to present a non-financial report in addition to their usual financial reports. The report has to include how the company works with the environment, social aspects, human rights, anti-corruption and diversity on company boards. Furthermore, the European Commission published a proposal of directives to follow when formulating a sustainability report called the "Corporate Sustainability Reporting Directive" (CSRD). With this as a base for all sustainability reporting the hope is that all larger companies compile more similar and transparent reports (European Commission, 2021a) as well as comparable (European Commission, 2021b).

There are several complications that exist with sustainability reporting today. For instance, that the information given by the companies is not easily accessible, which then leads to asymmetries in information between the stakeholders and the companies (Herzig & Schaltegger, 2006). Even if the information is found easily there is often the problem of relevancy. Companies do not always possess the relevant information that the stakeholders

deem of value and can thereof not disclose any information of value. Often when companies do have information on its sustainability practises, they tend to overload the reader by reporting all their activities without any real value for the stakeholder. Rather than providing valuable information, the report confuses the stakeholder with a quantity of irrelevant facts. As mentioned earlier, there are frameworks in place in order to make all the reports more comparable. However, there is no clear law on what regulation companies are supposed to utilise, as long as one regulation is applied. This makes the information in the sustainability reports differ a lot as well as complicate analysis for stakeholders when making comparisons (Herzig & Schaltegger, 2006).

1.3 Purpose

The main purpose of this paper is to investigate what information professional investors and analysts prefer to see in sustainability reports and to what extent the prefered information matches the information provided by sustainable firms based in Sweden, operating in the industry for renewable products and services.

1.4 Research questions

To be able to answer the main purpose, a set of research questions have to be answered:

- *What information do professional investors and analysts value regarding firms' sustainability efforts in screening processes?*
- *How are investor preferences reflected in sustainability reports provided by Swedish companies with sustainable business models?*
- *Are there any asymmetries between investor preferences and the information provided by companies and is there any room for improvement of the sustainability reports?*

1.5 Delimitations

The scope of this study is limited to investigating the preferences of investors and analysts based in Sweden. The reason behind the geographical limitations is due to the authors general knowledge of the Swedish market. The latest issued sustainability reports are used to measure to what extent the investor preferences are reflected today. The companies analysed in the study are all based in Sweden and are considered having sustainable business models (Nosratabadi, 2019). The authors of this report had a time limit in conducting the study, thus the study is

limited to five companies. Furthermore, the ongoing Covid-19 pandemic has made it impossible to have physical interviews which is why all interviews have been conducted digitally.

2. Literature Discussion

This chapter introduces a description of sustainability reporting as a concept together with an explanation of theories and framework which have certain influence on investors preferences and sustainability reporting. This is followed by a comprehensive explanation of the theoretical framework used in this report. The theoretical framework is put in the perspective of relevance to the subject of investigation. A presentation of previous research within the field is also included at the end of this chapter.

2.1 Sustainability reporting

Directive 2014/95/EU (European commission, 2020c) requires that certain large companies must disclose information regarding how they manage social and environmental challenges. "Large companies" are defined by having at least 500 employees (European Commission. 2020c). This is most commonly done by producing a sustainability report as part of the annual report document (the administration report) or as a separate document that is submitted at the same time as the annual report. According to the European Commission (2020c), large companies must disclose information regarding; environmental matters, respect for human rights, social matters and the treatment of employees and diversity on company boards (in terms of gender, age, educational background and professional background).

All companies that produce sustainability reports are obliged to provide information regarding the sustainability risks in the business such as business relationships, products, or services, including how the company manages these risks. The company's business model also has to be described together with an explanation of how it takes sustainability aspects into account, i.e. the sustainability impact that arises through the company's way of doing business. Lastly, companies must report on how sustainability efforts are managed in the organisation through, for example, policies, goals and performance indicators. If the company does not follow any policy, this must be explained and justified (European Commission, 2020c). Sustainability reporting can be conducted in accordance with a selection of frameworks and principles available such as EU-law, the Global Reporting Initiative standards (GRI-standards) and the Corporate Sustainability Reporting Directive (CSRD). GRI and CSRD are described in further detail below.

2.1.1 Corporate Sustainability Reporting Directive (CSRD)

The Corporate Sustainability Reporting Directive is an addition to the already existing Non-Financial Reporting Directive (NFRD); which requires larger companies that have over 500 employees to release a report on: social, employee and environmental aspects, human rights as well as corruption and bribery. However, the information is often irrelevant, non-comparable, not reliable, and hard to find. The directive's aim is to eliminate these problems so that stakeholders have easier access to this type of information when dealing with investment decisions (European Commission, 2021, b).

2.1.2 Global Reporting Initiative standards (GRI-standards)

The Global Reporting Initiative (GRI) standards are used for public ESG reporting and are acknowledged as the best global praxis for reporting economic, social, and environmental impact. Reports based on the GRI standards provide information on whether an organisation has positive or negative impact on sustainable development. The modular standards provided by GRI are primarily formulated to be used as a set with the purpose of preparing sustainability reports focused on material subjects. According to GRI (2021), every organisation that develops sustainability reports are using the GRI standards and are also able to choose between a selection of topic-specific standards in reporting social, environmental or economic impacts.

Formulating a report aligned with the GRI standards provides an inclusive depiction of the material topics of an organisation, as well as the effects related to the topics. The formulation also provides a clear description of how these effects are managed. Organisations can choose freely between using all standards or only a selection of standards provided by GRI (Ibid).

2.1.3 International Organization for Standardization (ISO)

The International Organization for Standardization (ISO) is a widely recognised organisation that produces international standards. ISO have published over 23830 international standards which are used by organisations all over the globe. Their standards include everything from production, to management, to material handling (ISO, 2021b). The three most relevant frameworks to this report developed by the ISO are the "ISO 14000 family", which is about environmental management (ISO, 2021c), the "ISO 45001", which is about occupational health and safety (ISO, 2021d) , and lastly the "ISO 26000", which is about social responsibility (ISO, 2021e).

2.1.4 Sustainability Accounting Standards Board (SASB)

The Sustainability Accounting Standards Board is a non-profit organisation that provides a framework for sustainability reporting. They have developed 77 Industry Standards that companies can use in their specific industry. These standards are applicable for all companies in their respective industry and provide them with what is minimally required of them in terms of non-financial disclosures. They have identified five head-categories: Environment, Social Capital, Human Capital, Business Model and Innovation and Leadership and Governance (SASB, 2021).

Further they have also identified other sustainability topics which are linked to at least one head-category. Environment, for example, has other topics such as Air quality and energy management, Social Capital has Data Security and Customer Welfare. The organisation stresses the importance of being able to identify the differences in the different industries. They say that each industry has its own unique sustainability profile with different questions being the focal point of the discussion. Their approach customises the framework for your specific industry and your specific context (Ibid).

2.2 Professional investors & Analysts

According to the Forum of European Securities Commissions (2000) a professional investor is "those who may be deemed to possess the experience, knowledge and expertise to make their own investment decisions and properly assess the risks they incur". Equity analysts are tasked with processing sectors and companies to provide financial recommendations to professional fund managers and private customers. By analysing companies, equity analysts produce projections and research reports to support decision making for investors. One of the key tasks for an equity analyst is to produce recommendations on whether investors should buy, hold or sell an asset. The analysts are often specialised in a specific industry or sector to develop a high level of expertise (Investopedia, 2019a).

2.3 Sustainable business models

Nosratabadi et al. (2019) discusses the implication of a sustainable business model in their paper *Sustainable Business Models: A Review*. According to them a sustainable business model

works with proactivity and engaging the different stakeholders. They have a long-term perspective that aims to meet the UNs sustainability goals. Furthermore, sustainable business models are actively contributing to reducing the negative effects the firm has on the environment and society and thus succeeding in achieving their economic goals as well as sustainability goals.

The initial purpose of sustainable business models was to transform companies into being more sustainable and for them to further the United Nations (UNs) agenda with the Sustainable Development Goals (SDGs). Today a sustainable business model is rather seen as a competitive advantage contrary to just satisfying legal demands (Geissdoerfer et al. 2018). The definition of a sustainable business model as described by Geissdoerfer et al. (2018) is almost identical with the definition given by Nosratabadi et al. (2019). Geissdoerfer et al. (2018) have also identified proactiveness, a long-term perspective and monetary and non-monetary values to satisfy stakeholders. The sustainable business model was developed from the conventional business model and the next development stage is the circular business model which incorporates more factors to a larger extent, such as narrowing the resource loops. Down below is a figure depicting the evolution of business models (Ibid).
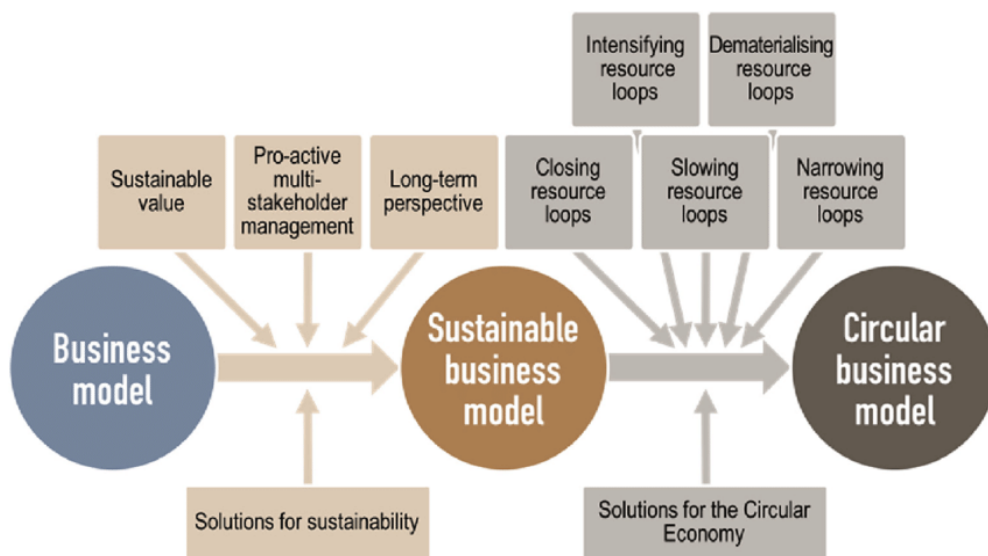
Figure 1. Sustainable and circular business models (Geissdoerfer et al., 2018)

2.4 Theories & Concepts

2.4.1 Socially responsible investments (SRI)

Socially responsible investment or ethical investment as it is commonly referred to, can be described as an investment discipline which takes social- and/or environmental risks into consideration as a complement to traditional risk & return assessment. The SRI discipline consists of three characteristic techniques which can either overlap each other or be used sequentially: exclusion, activism and engagement or dialogue. Exclusion has the same function as a traditional screening process in which investment objects with judgmentally unacceptable operations are excluded from the equity portfolio. Activism on the other hand aims to use shareholder rights to claim social objectives (Sparkes, 2008). Engagement is commonly executed through certain levels of responsible shareholder activism such as voting and using dialogue (SRI Services, 2021). SRI can be executed by institutions through pension funds or charitable foundations but can also be used as an investment approach by individuals through for example mutual funds. The application of SRI in the context of institutional investors is limited due to various concerns regarding investment performance and certain legal restrictions (Sparkes, 2008).

2.4.2 Environmental Risk Assessment (ERA)

Environmental risk assessment (ERA) is a process used for estimating risk attached to changes in environmental conditions as a result of human activities. Environmental risk assessment is commonly used as a complement to Environmental Impact Assessment (EIA), State of Environmental Reporting (SOE), risk management and other forms of measurement approaches. The ERA approach consists of three main objectives: identification, analysis, and presentation of the risks related to environmental values. It can be argued that ERA can act as a support function for planning- and decision-making processes (Habitat Branch Technical Bulletin 1, Ministry of Environment, Lands and Parks, 2000).

2.4.3 Legitimacy Theory

To establish and maintain a sustainable communication with stakeholders, companies need to be aware of the demands of current stakeholders. Acting in accordance with the stakeholder's demands will, according to the legitimacy theory, secure a good relationship with respective stakeholders. Building relationships based on trust is a pivotal factor in the process of creating

legitimacy. The legitimacy theory explains how a company behaves towards their ecology, also referred to as the environment in which the company operates. According to the legitimacy theory, companies that fail to adapt to environmental norms and standards of society, will most likely not be considered to act in an appropriate way by their stakeholders (Deegan, 2002). According to Deegan (2002), companies neglecting to adapt to environmental norms and standards risk losing market share and customers. He also implies that there are incentives for companies to communicate commitments and initiatives that are in accordance with society's expectations. As this thesis investigates investor preferences and stakeholder communication, the legitimacy theory has been determined as highly applicable in this study.

2.4.4 Stakeholder Theory

Stakeholder Theory is based on the concept that corporations should aim to create value for all of their stakeholders. The theory is commonly referred to as a perspective of capitalism which stresses the relationships between a corporation and individuals that have stakes in the organisation (Donaldson, 1995). According to Donaldson (1995), stakeholders are defined as groups or individuals with legitimate interests in either substantive or procedural aspects of corporate activity. Furthermore, Donaldson (1995) implies that stakeholder's interests are of intrinsic value which means that each group of stakeholders acts from their own interest instead of someone else's (Donaldson, 1995).

2.4.5 Screening

Screening can be described as the work that is done when a portfolio is either created or adjusted. The actual screening work involves balancing which assets should be included in the portfolio, based on different types of preferences. This is usually done in two different ways, positive screening and negative screening. Positive screening involves mapping assets that are characterised by sustainability and that meet the preferences of the investor. For example, it could be green energy or activities that promote social sustainability. In positive screening, there is an active search for these assets with positive externalities. Negative screening is about trying to exclude assets that are contrary to the preferences of the investor. For example, it may be a matter of excluding tobacco, fossil fuels and pornography from the investment portfolio if these areas of activity do not meet the investor's preferences (Bonhill Group, 2021).

2.4.6 Greenwashing

The term "Green-washing" that is the more commonly used term today was invented by Jay Westerveld, a biologist and environmental activist. The term used today however, has no definite definition and can be interpreted in several different ways according to Torelli et al. (2019). A confusion around the word is not inexplicable where the Oxford Dictionary defines the term as "disinformation disseminated by an organization so as to present an environmentally responsible public image". Torelli et al. (2019 quotes TerraChoice who defines it as "the act of misleading consumers regarding the environmental practices of a company or the environmental benefits of a product or service" (Ibid). Torelli et al. (2019) also quotes Delmas and Burbano, which defines the term as "poor environmental performance and positive communication about environmental performance". Further, they continue with their own explanation of green-washing and divide it into four levels.

1. Corporate-level greenwashing – This type of greenwashing permeates the whole corporation. From name and logo to vision and corporate certification.
2. Strategic-level greenwashing – If the company chooses to communicate misleading information to stakeholders regarding their green initiatives
3. Dark-level greenwashing – This is an addition to the strategic-level greenwashing, where illegal activates can be found underneath the "green communication"
4. Product-level greenwashing – The company has false advertising some specific products or family of products

2.4.7 Defining sustainability

Sustainable development defined by the United Nations (1987) in the Brundtland report was defined as "development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs". The definition of sustainability as a term can thus be perceived as vague as the "the needs of the present generation" and the needs of future generations are difficult to measure due to the inability to predict the future. An alternative definition on sustainability is "Corporate sustainability" which refers to corporation's ability to contribute to society through social-, environmental and economic measures (Epstein, 2014).

2.4.8 Environmental, social, and corporate governance (ESG)

ESG is a collective term for environmental, social, and governance-oriented establishments of standards for firms' operations. These standards are widely used by socially conscious investors as they make selections for their portfolio compositions. The social aspects of ESG refer to how corporations nurture their relationships with, for example, suppliers, customers, employees, and the ecology they operate within. The environmental standards are intended to describe companies' environmental performance, often presented through measurable environmental efforts. The governance-oriented part of the ESG refers to corporations' approaches dealing with areas such as leadership, auditing, salaries for management personnel and shareholders' rights. (Investopedia, 2021b). The three ESG rating databases with the highest quality were 2018: RobecoSAM Corporate Sustainability Assessment, MSCI's ESG rating, CDP worldwide Climate, Water & Forest Scores, in that order (C. Wong et al. 2019).

2.5 Previous research

The research summerised below is relevant in the aspect of explaining the connection between sustainability efforts and financial performance. Furthermore, the connection explains companies' incentives for disclosing information regarding their sustainability efforts. Previous research is of great relevance to efficiently understand the findings and the purpose of this report.

2.5.1 ESG and financial performance: aggregated evidence from more than 2000 empirical studies

In their article ESG and financial performance: aggregated evidence from more than 2000 empirical studies, Friede, Busch and Bassen (2015) shed light on the connection between environmental, social and governance (ESG) criterias and companies' financial performance (CFP). The article shows that a non-negative ESG-CFP relationship could be found in approximately 90% of the more than 2000 studies conducted. Furthermore, the authors emphasise that the positive ESG effect on companies' financial performance appears to be stable over time. Despite many positive examples of the relationship between ESG and CFP, researchers in the field claim that the results generated are often ambiguous, contradictory, and incomplete. Mainly this paper indicates that ESG has a positive effect on CFP with significant empirical evidence. The paper is exclusively based on academic studies.

2.5.2 The Impact of Sustainability Practices on Corporate Financial Performance: Litterature Trends and Future Research Potential

In this article, Alshehhi, Nobanee and Khare (2018) present an analysis of the relationship between corporate sustainability performance and economic results. The report is based on a study of 132 articles published by top-tier journals. 78% of the publications were found to report a positive relationship between corporate sustainability and economic performance. Although, variations in research methodology and the measurement of variables creates certain different opinions on the subject. In addition, the studies were to a large extent based on CSR rather than ESG which motivates for further research on the environmental perspective.

2.5.3 A systematic literature review of socially responsible investment and environmental social governance metrics

In this paper, Widyawati (2019) presents three important themes of research within the Socially Responsible Investments (SRI) literature; Investor behavior studies, SRI development studies and SRI performance studies. The author emphasises the weight of ESG-measurements within the SRI field as they allow for the SRI market to exist, and function as a proxy for sustainability performance. Lack of convergence and lack of transparency are two aspects related to ESG measurement values that are receiving remarkable attention in the report. The report in general motives for the importance of sustainable measurement methods when evaluating firms as investment prospects.

2.5.4 CSR and mainstream investing: a new match? – an analysis of the existing ESG integration methods in theory and practice and the way forward

This paper written by Nielson and Noeargaard (2012), has divided investors into three categories, namely: Mainstream financial investors, mainstream SRI investors, core SRI investors. They have explored relationships between the different groups of investors and CSR. Moreover, they find two approaches/strategies that the investors seem to have, a single decision model or a dual decision model, where they argue that both are insufficient and an integrated model with more comprehensive questions asked is needed. The authors do not see a link between CSR and financial performance in investments. However, they are not opposed to integrating more CSR into their decision-making processes.

2.5.5 Integrating sustainability into traditional financial analysis

Chousa and Castro (2006) emphasises the weight of ESG management as a complement to profit maximisation. The authors present evidential research proving a positive relation between sustainability efforts and financial performance. The main conclusion of the paper motivates the development of sustainability measurement instruments to be used in capital markets which justifies the need for further research in the field.

2.5.6 Environmental shareholder value: Economic success with corporate environmental management

Schaltegger and Figge (2000) analyses environmental shareholder value from two different perspectives. They state that there are mainly two different schools of thought regarding the effect of corporate environmental protection on shareholder value. One view is that current corporate environmental protection conflicts with other goals in a corporation, specifically the value for the shareholders. The other view is similar to the added dimension of environmental protection that also has a positive effect on the value for the shareholders. Both views share the thought that "corporate environmental protection has a relevant impact on shareholder value" (Schaltegger and Figge, 2000, p.4). The question in which they seek an answer to is "what kind of environmental protection" that a corporation utilises. The first part of the paper takes a management approach and how shareholder value can be increased through the manager and the environment. The second part analyses from a financial analyst's perspective.

2.5.7 An Exposé of the Challenging Practise Development of Sustainability Reporting: From the First Wave to the EU Directive (2014/95/EU)

This exposé as the author Arvidsson (2010) herself describes it, accounts for how sustainability reporting has evolved since the EU Directive 2014/95/EU. She argues that there are three reasons why sustainability reporting is important. 1. Gaining, maintaining and/or repairing legitimacy, 2. Improving stakeholder communication, 3. Decreasing the asymmetry in information between the stakeholders and the company. In her exposé the information asymmetry has been confirmed by several stakeholders to such an extent that involving sustainability parameters has been disregarded in investment decisions by a majority of said stakeholders. A suggested solution of mandatory requirements could be the way to proceed in the future. However, the solution seemed to rather give companies another barrier and they

seemed to, contrary to the intention, be subject to very high degrees of greenwashing instead. What she concludes is that the rise in demand for a solution has given birth to many frameworks that actively work with trying to standardise the market. Despite this the challenge of credible, relevant, and comparable information still seems to be present.

2.5.8 The Iron Cage Revisited: Institutional isomorphism and collective rationality in organizational fields

DiMaggio and Powell (1983) suggest that similarities between companies are not a result of competition but due to the fact that isomorphism leads to a market homogenisation. For companies to be successful and survive they need to follow the same regulation (coercive isomorphism), imitate effective strategies used by others to some extent (mimetic isomorphism), and follow organisational norms on what is considered to be professional (normative isomorphism).

2.5.9 Flexible Couplings: Combining Business Goals and Environmental Concern

Strannegård (2000) describes the translation process, through which external pressures to implement sustainability are progressively internalised, matched with existing tools and ultimately crystallised into a firm's environmental improvement efforts. His study found that beyond DiMaggio and Powell's three mechanisms of institutional change (1983), other patterns such as automorphism (Schwartz, 1997) and sense-making (Weick, 1995) characterised the emergence of environmental strategies at a Swedish multinational corporation.

Strannegård (2000) explains four ways how companies are influenced by external stakeholders and why the environment became a business concern. This assignment focuses on coercive and normative pressure. Coercive pressure can be exerted from environmental organisations, legislation or the media so the company has no other choice than making the environment a strategic concern. Normative pressure originates in convictions of the CEO and professionalisation of environmental management but can also arise from recruiting people with similar ways to think and act. Strannegård (2000) emphasises that every manager reacts differently to these pressures and finds his own way to translate them into structures and processes.

3. Method

This chapter describes the research design as well as the theoretical framework within this thesis. Moreover, the limitations of this study and the selection of analysed firms are presented. This chapter presents the validity, reliability and relevance of the results presented in this thesis. Further discussion on how the results can contribute to continued research in the area is also presented. Lastly, a presentation of the interview questions, as well as a relevant criticism for the methodologically chosen approaches are presented.

3.1 Research Design

A specific research design was used to achieve the purpose of this thesis. The research design is divided in two main aspects interacting with each other: Investor preferences and the information presented in sustainability reports. The first aspect is addressed through in-depth interviews. The second aspect is divided into two steps. Firstly a word search and then an informational quality assessment of the sustainability reports produced by firms with sustainable business models. The Consolidated Narrative Interrogation (CONI) model developed by Beck et al. (2010) is the basis for the whole process. The interviews serve as a qualitative part whilst the first part of the benchmarking of the sustainability reports takes on a more quantitative approach, and the second part of the benchmarking of the sustainability report a qualitative approach.

The first part of the research regards the stakeholders which in this case consists of professional investors and analysts. The foundation of the first part is based on the most crucial information preferred by investors when conducting their initial screening. Investor preferences constitute the main basis for the analysis of sustainability reports, produced by Swedish firms with sustainable business models. The content categories used when analysing the sustainability reports are based on the findings from the interviews.

By using the Consolidated Narrative Interrogation (CONI) model, it is possible to compare and rank companies based on the categories which enables a discussion regarding room for improvement with respect to the investor preferences. To conclude, investor preferences and the actual information reported in sustainability reports acts as the ground pillars for the research design. The research design is formulated in such a way that the interviews are

conducted before the benchmark for sustainability reports is initiated. The research model is described with an illustration below.
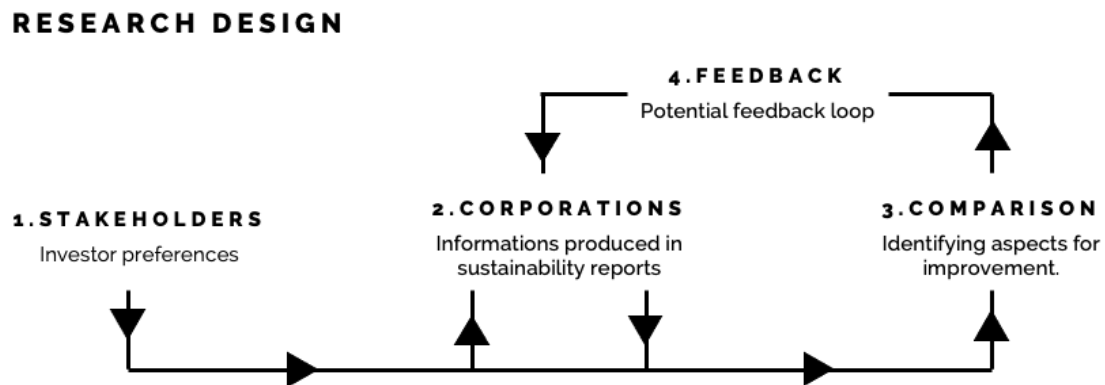
RESEARCH DESIGN

Figure 2. Research design illustrated with the two main aspects. Source: Own elaboration.

3.2 Theoretical Framework

Initially, the concepts; Sustainability reporting and sustainable business models are defined to provide the reader with a wider understanding of the main concepts of this report. Professional investors and analysts are also defined to provide the reader with information regarding the characteristics of the interviewees. Theories about Socially responsible investments, Environmental risk assessment, legitimacy theory, stakeholder theory, screening, greenwashing and ESG are included in the theoretical framework of this essay to explain various factors affecting companies and investors in their operating environment.

Sustainability is defined in a corporate context, ESG, GRI-standards, SASB, the ISO-standards and CSRD are explained to provide knowledge about the influencing factors of sustainability reporting. Previous research explaining the correlation between CSR engagement and corporate financial performance are presented to shed light on the importance of corporate sustainability engagement. The connection between SRI and ESG metrics, as well as environmental shareholder value are explained to illustrate the trend of sustainable investments. Furthermore, sustainability reporting is described in a global context, with the purpose to explain the characteristics of high performing firms with sustainability reporting for the reader.

The model presented below is a developed version of the report's research design. Including the theories and literature review in the analysis of the empirical data. The model below explains the analysis method of this report, presenting that the empirical findings have been analysed in combination with the theories, main concepts and influencing factors provided in this report.

THEORETICAL FRAMEWORK
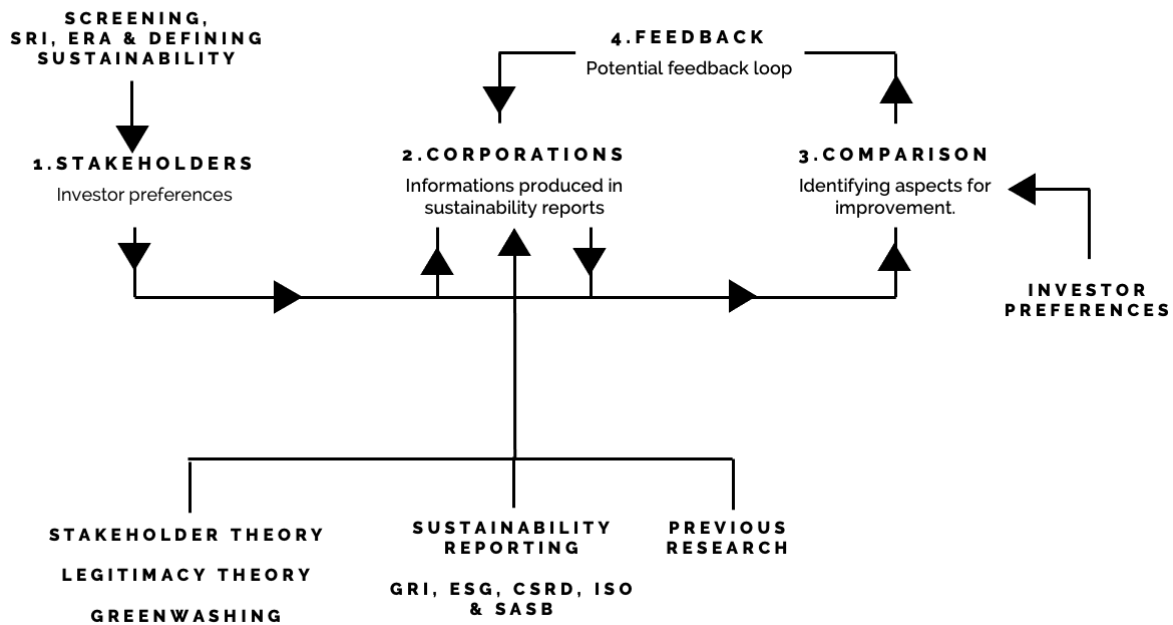
Figure 3. Theoretical Framework as a developed version of the report's research design. Source: Own elaboration.

3.3 Selection of companies and collection of data

Thus, this thesis aims to analyse the information produced by Swedish firms operating in the industry for renewable products and services, five publicly listed companies have been selected as objects for investigation. The companies investigated in this thesis are Eolus Vind, GARO, Stora Enso, ABB and Hexatronic Group. The main reason why these companies are chosen is due to the fact that they all have sustainable business models which makes it possible to define the companies as sustainable (Geissdoerfer et al. 2018). In addition, sustainability reports produced in 2020, by all the companies selected, are available as public information which facilitates the comparison process.

As this thesis is partly based on the present preferences of professional investors and analysts, it is of high relevance to study the most recently produced reports from the different selected companies. A comparison over time does not serve the purpose to analyse current asymmetries between investor preferences and available information in sustainability reports and will therefore not be conducted.

Using the most recently produced sustainability reports has been recognised as the most eligible approach in order to reflect the company's most recent advancement in accordance with the investor's contemporary expectations. This aims to further reflect the current asymmetries that might be of relevance to the report.

3.3.1 Company descriptions

GARO

GARO develops and manufactures innovative products and systems for the electrical installation market. This is done under their own brand and their operations are conducted in Sweden, Finland, Norway, Poland, Northern Ireland, the United Kingdom, and Ireland. The Group is organised into two main business areas: GARO Sweden and GARO Other Markets. GARO has a wide range of products and is the market leader in several product areas. The Group has approximately 420 employees and had sales of SEK 1008 million in 2019. The head office is located in Sweden, Gnosjö. GARO has been listed on Nasdaq Stockholm OMX since March 16, 2016 (GARO, 2021).

Stora Enso

Stora Enso is a leading actor in the bioeconomy sector which develops and produces renewable eco-friendly products based on wood and biomass. Their operations range all over the globe and include a range of industries and aåplications. The products are found in segments such as retail, building, food and beverages, publishing, manufacturing, pharmaceutical, hygiene, textiles and cosmetics. Stora Enso has approximately 23 000 employees and is publicly listed on the Stockholm and Helsinki stock exchanges. The sales in 2020 amounted to EUR 8.6 billion (Stora Enso, 2021)

Eolus Vind

Eolus Vind's main business idea is to design and build facilities for renewable energy and energy storage. Eolus Vind builds wind turbines in good wind conditions and leaves them turnkey to customers. The company is currently also active in solar power and energy storage in early project phases. The company has approximately 45 employees The sales in 2019/2020 amounted to SEK 2468,6 Million calculated on a 16-month basis (Eolus Vind, 2020)

ABB

ABB is a global company that specialises in power and automatisation. They are the largest provider of wind-generators in the wind industry worldwide as well as the largest supplier of grid systems on a global scale. The company focuses on research and development with seven research centres around the world. Their main product areas include electrification, process automation, motion, robotics, and discrete automation. In 2020 ABB had a total number of employees of 105,600, where 49,200 were located in Europe. They had a total revenue of $26.1 billion in 2020 (ABB,2020).

Hexatronic Group

Hexatronic Group produces and develops fiber network solutions. They are able to affect the end-product easily because of their close involvement throughout the whole process. Hexatronic Group owns their own product line from idea to finished product. All knowledge needed are available in-house where they even offer education programs to new candidates. In 2020 they had a total number of employees of 789 with net earnings of 126.5 million SEK (Hexatronic Group, 2020).

3.3.2 Interviews

The interviews have not been recorded or transcripted, because of a majority of requests for anonymity from the interviewees. Thorough notes have been taken during the interviews and later on structured in Google Sheets in order to achieve a clear overview of the interview material. The qualitative data from the interviews was organised in a document with shared access for all authors of this report. Regarding primary and secondary data, all information that has been gathered was inserted in a separate document with shared access for both authors. See Appendix 2 for the interview questions.

3.4 Limitations

This study is limited to Swedish companies with sustainable business models. The laws and constrictions that affect companies with a legal seat in Sweden motivates the limitation of firms. The laws and constrictions allow for easier comparison of the sustainability reports of each firm, as they all face the same legal requirements in the country. All interviewees are Swedish speaking investors and analysts that are oriented towards sustainable investments. The data used in the study must be comparable and trustworthy, to create an analysis that is relevant. As information gathered from the origin publisher constitutes the highest level of credibility available, this report is based on primary sources to the largest possible extent, furthermore sustainability reports issued by the firms themselves are chosen as sources of information

3.5 Consolidated Narrative Interrogation (CONI) model

To analyse the sustainability reports given by the selected companies the Consolidated Narrative Interrogation (CONI) model developed by Beck et al. (2010) has been utilised, with some minor modifications. Altogether they formulated 12 content categories that were sub-divided into 48 sub-categories by analysing previous academic work as well as The Ernst and Ernst studies (1972-1978), the GRI of 2002 and the UNEP/SustainAbility guidelines of 1996. One example of a content category identified by Beck et al. (2010) is "Who is responsible for the implementation and the environmental behaviour?". With these categories the model is applied in three steps, where the first two steps are considered of a more qualitative approach and the last step of a more quantitative approach (in this report the same steps are being used but the order is switched). To summarise the model: it uses categorisation in order to analyse the content of the sustainability reports. The following steps explain the model and its application with the mentioned modifications.

3.5.1 Step 1 - Formulating the content and sub-categories

The first step in the CONI-model is to create the content categories as well as the sub-categories. The categories were formulated via the interviews conducted. From the interviews with professional investors and analysts some main themes were found and used as a basis in formulating the categories. For example, the interviews highlighted the importance of a sustainable business model and thus the category "Sustainable Business model" was added. Some categories were directly taken from Beck et al. (2010) with the motivation of being in

line with the main themes found from the interviews. However, some sub-categories were eliminated within the content category because of its irrelevance to the professional investors and analysts. An example of this is the content category "Disclosures related to sustainability" where the sub-category "Conservation of natural habitat/species" were eliminated. See Appendix 1 for the full list of content and sub-categories.

3.5.2 Step 2 - Search process and content testing

The second step aims to find relevant information in the sustainability reports that are aligned with the categories found in the interviews. Relevant information was tested against the content categories and sub-categories in step 1 by searching on words selected as "search words" (see Appendix 1) for each category. The process was conducted using "command+F" in order to receive quick feedback on the word frequency for each word.

3.5.3 Step 3 - Assuring the quality of context

In this step, the content found in step 2 when searching for the content and sub-categories was assessed. By further evaluating the information and meaning behind the sentences in the sustainability scores were given with a numerical value from 0-5 taken from Beck et al. (2010) (Appendix 1 displays the different disclosure levels). The different disclosure levels can be seen as two blocks with various barriers that need to be fulfilled in order to advance to the next stage: disclosure level 1-2 (first block), 3-5 (second block).

A zero is given if the sustainability report did not report on any of the mentioned categories. Disclosure level 1, and a score of 1, is given to reports that simply mention any sub-category. If disclosure level 2 is to be reached more narrative information is required. Beck et al. (2010) valued numerical values higher than narrative information which the interviews in this report also indicated a preference towards. Thereof a more quantitative focus in disclosure level 3, where any numerical value related to the sub-categories indicated on an advance to disclosure level 3. To advance from disclosure level 2 to disclosure level 3 only the requirements of disclosure level 3 had to be fulfilled. To advance to disclosure level 4 more narrative information had to be given with the numerical value related to any sub-category. The last level highlights the importance of being able to compare your results over time. Beck et al. (2010) motivated this from the stakeholder's perspective; that the stakeholders value comparable factors very highly. The motivation was further confirmed in this paper via the interviews,

where comparability was mentioned and was indicated of high importance in a good sustainability report. In order to advance to disclosure level 5, the requirements from disclosure level 3-4 as well as the requirements from disclosure level 5 had to be fulfilled. If the information were questionable the lower score was chosen to prevent any overestimations. The category Separate environmental report (SER) is scored differently than the rest with a score of 1 if they reported on sustainability in any way. A 3 is awarded if the companies have an integrated sustainability report within their annual report, furthermore, a 5 is given to those who had a separate sustainability report. Appendix 2 exemplifies the different types of disclosure levels. All the scores are compiled and divided on the number of hits from the word frequency. The findings from the method can be found in the "empirical findings from the CONI-model" (4.2).

Consolidated Narrative Interrogation (CONI) model
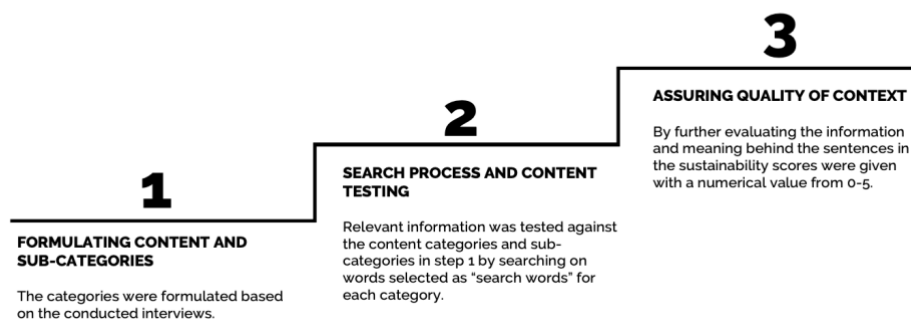
Figure 4. Visualisation of the CONI-model. Source: Own elaboration.

3.5.4 Sources of error

As the analysis of the various aspects described in Appendix 1 and Appendix 2 are conducted manually, there is an imminent risk for eventual asymmetries in the results caused by human error. As the interviews were not recorded, the authors would like to stress the possibility of human errors in the interpretation of the responses. The search words are selected by the authors, with the intention of being the words that best reflect each content category. Therefore, the results from step 2 might not reflect all the information available regarding word frequency. The qualitative step 3 is also prone for errors. The most tangible is the subjectiveness from the authors. The framework in which the authors have been used can be found in Appendix 2. The technology used to conduct this study could also contribute with occasional errors caused by

several technical factors. Lastly, the ongoing Covid-19 pandemic could influence the sustainability reports that are analysed.

3.6 Method discussion

3.6.1 Validity

To achieve a high level of validity, it is required that the report achieves the purpose by, in a correct way, measuring what the study intends to measure (Bryman & Bell, 2013). As previously mentioned, the report is partly based on qualitative methods. Thus, analysis and conclusions are not based on statistical significance or hypothesis tests, giving those results are not being able to answer the research questions with statistical certainty. Analysis and conclusion are only an indication of what an outcome could be in a study of a larger selection of firms and interviewees.

3.6.2 Reliability

Reliability refers to how reliable the report's various measurements are and whether the report responds to randomised or temporary events (Bryman & Bell, 2013). As the report's qualitative data is produced from interviews with professional investors and analysts, the reliability of the qualitative study can be declared as reliable. Regarding the sustainability reports, they are directly produced by the studied firms. The information included in the reports have thus been considered as reliable.

3.6.3 Relevance

This report is relevant in order to better understand how professional investors and analysts value information about companies in connection with screening. This study also provides relevance in the form of bringing transparency in how companies are screened in professional investment contexts. The results presented in the thesis can serve as a relevant basis for further studies in the field and as a discussion opener for how screening of sustainable companies can be made more efficient. Lastly, this thesis can function as a benchmark for companies that aim to improve their stakeholder communication with potential investors.

4. Results

This section presents the empirical data from the qualitative part of the study, as well as a presentation of the empirical findings from the second part of the study. Graphs and tables are included to illustrate the findings which in turn aim to facilitate the interpretation of the results.

4.1 Empirical findings from the interviews

It was possible to identify eight central themes from the conducted interviews (see Appendix 1). All themes were to some extent assessed as valuable categories of information amongst all the interviewees.

One aspect that some interviewees identified was the concern for pollution related questions from the companies. If the companies had a lot of emissions for example, how could they be a truly sustainable business? If they on the contrary had less emissions, it could indicate a more sustainable business. The overall problem with producing companies and its negative impact on the environment was also discussed. However, all interviewees had the same chain of thought; that as long as they were improving and did not have an excessive number of emissions (in relation to other companies in the same sector) it could be beneficial to invest in the company. This collective answer was only applicable for long-term investments. The authors of this report therefore identified "Pollution related disclosures (POLL)" as a content category.

The second theme that was able to be identified regards the social matters of sustainability reports. Four out of six interviewees mentioned that they often chose to analyse the social aspects of companies' sustainability strategies. Aspects especially important to the interviewees regarded; gender diversity, employee satisfaction and board diversity to name the most distinguishing aspects. The four out of six interviewees had very similar answers and motivated their answers that social aspects have throughout history always been disregarded in analysis. However, according to them there is very much research and proof that workers with high satisfaction levels deliver better results and have fewer complaints. Important to note is that the remaining two interviewees did not entirely disregard social aspects but rather stated that it was not included in their core analysis process. Because of this the authors of this report decided to add "Workplace related disclosures (WOR)" as a content category.

Overall the interviewees expressed a concern about companies sustainability work and the legitimacy of what they were reporting. Very often companies would speak about sustainability, especially regarding the environment, but when more intricate questions were asked by the stakeholder (interviewees) the answers from the companies showed that they did not know what they were speaking about. In other words, green-washing tendencies were a very present and repeating subject, and the legitimacy of the reports took a hit because of this. In order for the authors to try and capture this concern the content category "Sustainability related disclosures (SUSTAIN)" was added.

When finding the information regarding a company's sustainability work a *sustainability report* was regarded of very high importance by all interviewees. The main argument was that if the report was integrated into the regular annual report the information blended into the rest of the information. A separate sustainability report also indicated that the company in question really cared about their sustainability work to a larger extent (generally). This was also dependent on the size of the company. There is the law that demands companies with over 500 employees to maintain a non-financial report with certain sections. If the company despite not having the law requirement did report on sustainability the credibility of the company increased despite a lower quality sustainability report. There was a consensus for the importance of a sustainability report, even better a separate sustainability report. "Separate sustainability report (SSR)" was therefore selected as a content category.

The interviewees expressed a demand for companies' general take on sustainability, including information regarding the includement of the UNs SDGs and guidelines from recognised initiatives. The UNs SDGs is very well known and to not mention any goal in relation to these was seen as complete ignorance from the interviewees. Some stated that they thought it impossible to find companies with a law requirement to uphold a non-financial report that did not mention the UNs SDGs. Furthermore, all interviewees mentioned at some point that the UNs SDGs also are closely connected to frameworks or regulations in some way. It is of importance to mention these frameworks or regulations to further your credibility and therefore the UNs SDGs are a great way to ease the reader to the more complex aspects of regulations/frameworks. The authors therefore identified "Any mentioning of the UNs SDGs (UNSDGS)" as a content category.

A theme that was one of the most consistent was the measurability of the information in the reports. All the interviewees considered KPIs as an important aspect in sustainability reports. To have sustainability related KPIs is not something that has historically been the common practise. However, it was something that all interviewees strongly felt all companies should integrate and integrate more of. The ability to measure KPIs over a period of time was especially important. This was because the analysis of companies would be much easier. Thus, the content category "Sustainability related KPIs (SUSKPI)" was selected.

Mutually important for a majority of the interviewees was the fact that the company in question had a sustainable business model, when evaluating investment decisions regarding sustainable companies. Most of the interviewees expressed that they value the durability of the business model to motivate long term investments. Companies that had unsustainable business models were, according to the interviewees, rejected the majority of times when making investment decisions. This was the main reason for wanting to easily know if the company genuinely had a sustainable core business: To simplify the first initial choice in the screening process. To answer the interviewees' concerns the content category "Sustainable business model (SBM)" was selected.

Companies efforts to create legitimacy through compliance with regulatory frameworks in their sustainability reporting was considered as an important factor according to all of the interviewees. Most of the interviewees addressed the importance of long-term value creation as a central part of any business. They did also mention that sustainability reports produced with the support of regulatory frameworks such as GRI, CSRD and SASB were desirable when gathering information simultaneously as the frameworks help companies to create legitimacy. The interviewees preferences can be described as information regarding the includement of various frameworks. Thus, the authors chose to select "Compliance with regulatory frameworks (CRF)" as a content category.

4.1.1 Pollution related disclosures
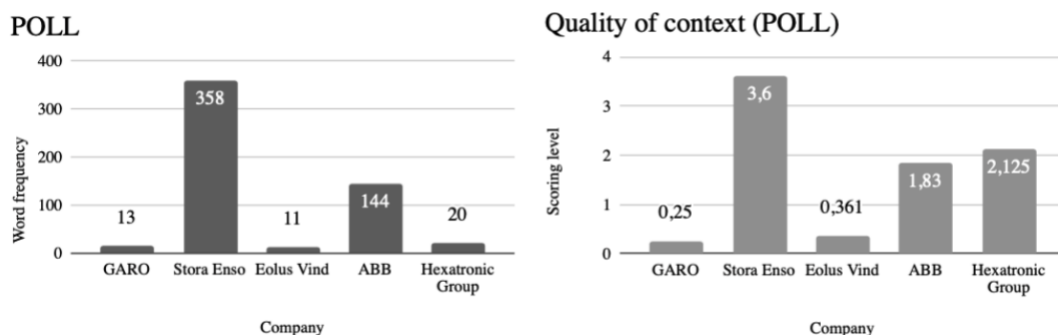
Graph 1. Pollution related word frequency and quality of context. Source: Own elaboration.

Visualised in Graph 1, Stora Enso and ABB performed well regarding the word frequency for the category pollution related disclosures. With word frequencies of 358 respectively 144 they outperformed the remaining companies to a large extent. GARO (13), Eolus Vind (11) and Hexatronic Group (20) did not mention the search words to the same extent as Stora Enso and ABB. Regarding the quality of context, Stora Enso was awarded with the highest score of 3,6 due to a large extent of quantitative figures and information rich with detail. Hexatronic group received a score of 2,125 and ABB got a score of 1,83 which both are significantly larger than GARO (0,25) and Eolus Vind (0,361). Terms of context quality evaluation are to be found in Appendix 2.

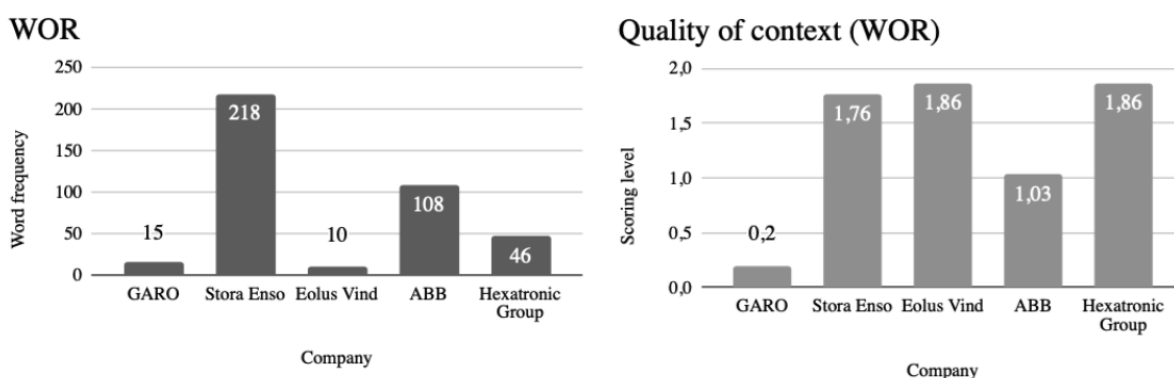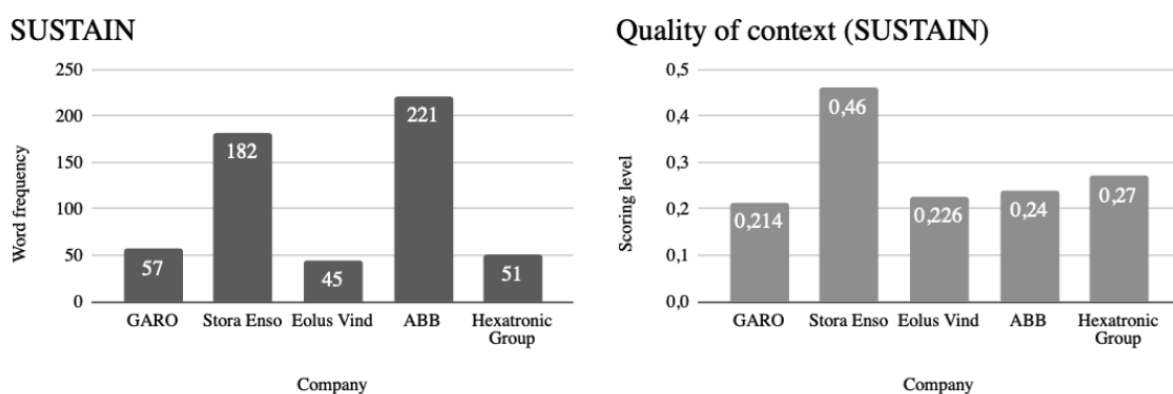### 4.1.2 Workplace related disclosures

Graph 2. Workplace related word frequency and quality of context. Source: Own elaboration.

Visualised in Graph 2, Stora Enso and ABB performed well regarding the word frequency for the category workplace related disclosures. With word frequencies of 218 respectively 108 they outperformed the remaining companies to a large extent. GARO (15), Eolus Vind (10) and

Hexatronic Group (46) did not mention the search words to the same extent as Stora Enso and ABB. Regarding the quality of context, Eolus Vind and Hexatronic Group were awarded with the highest weighted scores of 1,86 due to a relatively large extent of qualitative information rich with detail. A weighted score of 1,76 out of 5 was assessed for Stora Enso. ABB and GARO received weighted scores of 1,03 respectively 0,2 due to lack of detail and quantitative figures within the category. Terms of context quality evaluation are to be found in Appendix 2.

4.1.3 Disclosures related to sustainability

Graph 3. Sustainability related word frequency and quality of context. Source: Own elaboration.

Visualised in Graph 3, ABB and Stora Enso performed well regarding the word frequency for the category disclosures related to sustainability. With word frequencies of 221 respectively 182 they outperformed the remaining companies to a large extent. GARO (57), Hexatronic Group (51) and Eolus Vind (45) did not mention the search words to the same extent as ABB and Stora Enso. Regarding the quality of context, Stora Enso was awarded with the highest weighted score of 0,46 as the information lacked quantitative figures and details. A weighted score of 0,27 out of 5 was assessed for Hexatronic Group. ABB (0,24) Eolus Vind (0,226) and GARO (0,214) received the lowest weighted scores due to lack of detail and quantitative figures within the category. Terms of context quality evaluation are to be found in Appendix 2.
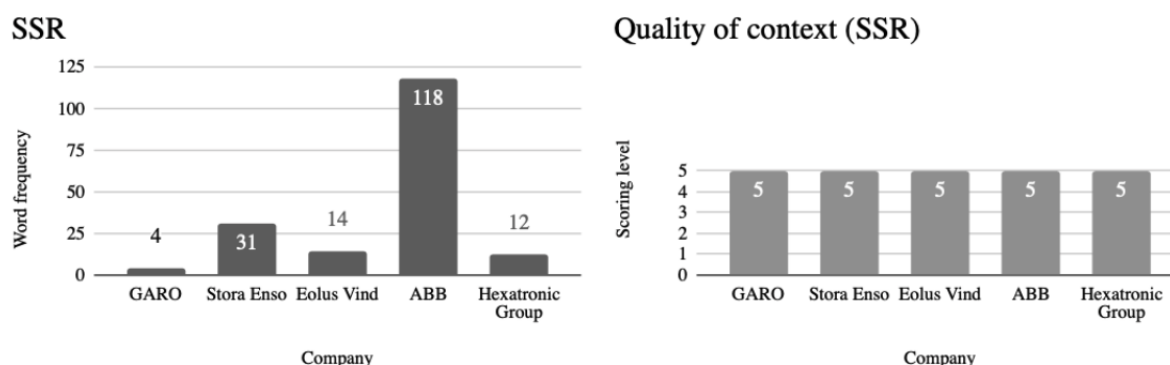
4.1.4 Separate sustainability report

Graph 4. Sustainability reporting related word frequency and points awarded. Source: Own elaboration.

Visualised in Graph 4, ABB performed well regarding the word frequency for the category separate sustainability report. With a word frequency of 118 they outperformed the remaining companies to a large extent. Stora Enso (31), Eolus Vind (14), Hexatronic Group (12) and GARO (4) did not mention the search words to the same extent as ABB. Regarding the quality of context, all companies were awarded with the highest weighted score of 5 out of 5 because they all produced separate sustainability reports.

4.1.5 Any mentioning of the UNs SDGs

Graph 5. United Nations Sustainable Development Goals related word frequency and quality of context. Source: Own elaboration.

Visualised in Graph 5, Stora Enso performed relatively well regarding the word frequency for the category any mentioning of the UNs SDGs. With a word frequency of 32 they outperformed the remaining companies to a rather large extent. Hexatronic Group (11) and ABB (7) did not

mention the search words to the same extent as Stora Enso. Eolus Vind (3) and GARO (3) had the lowest word frequency for this category. Regarding the quality of context, Hexatronic Group was awarded with the highest weighted score of 2,16 due to a relatively large extent of qualitative information rich with detail. A weighted score of 2 out of 5 was assessed for Stora Enso. ABB received a weighted score of 1,75 which was relatively high in comparison to GARO and Eolus Vind which received weighted scores of 0,5 due to lack of detail and quantitative figures within the category. Terms of context quality evaluation are to be found in Appendix 2.

4.1.6 Sustainability related KPIs

Graph 6. Sustainability related KPI related word frequency and quality of context. Source: Own elaboration.

Visualised in Graph 6, Stora Enso and ABB performed relatively well regarding the word frequency for the category sustainability related KPIs. With a word frequency of 60 respectively 54 they outperformed the remaining companies. Eolus Vind (39) and Hexatronic Group (33) did not mention the search words to the same extent as Stora Enso and ABB. GARO (29) had the lowest word frequency for this category. Regarding the quality of context, Stora Enso was awarded with the highest weighted score of 3,8 due to a relatively large extent of qualitative information rich with detail. A weighted score of 1,95 out of 5 was assessed for ABB which was relatively high in comparison to Hexatronic Group (0,55), GARO (0,2) and Eolus Vind (0,254) which received the lowest weighted scores due to lack of detail and quantitative figures within the category. Terms of context quality evaluation are to be found in Appendix 2.
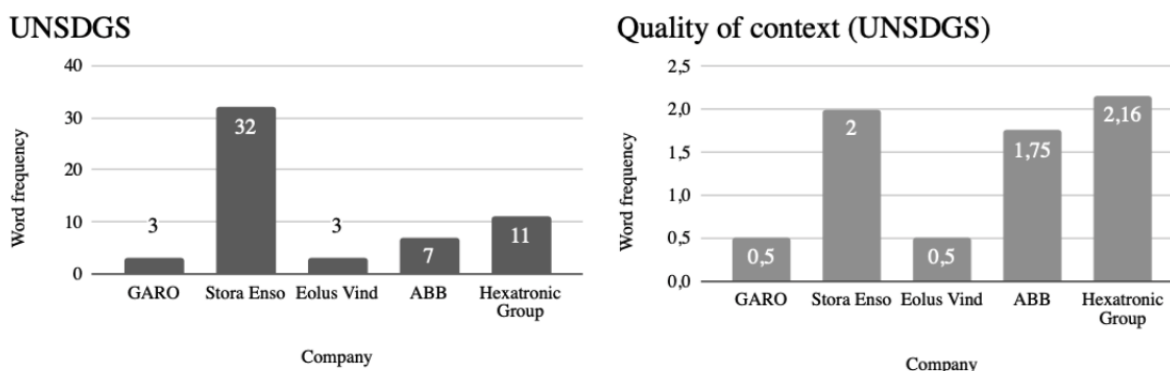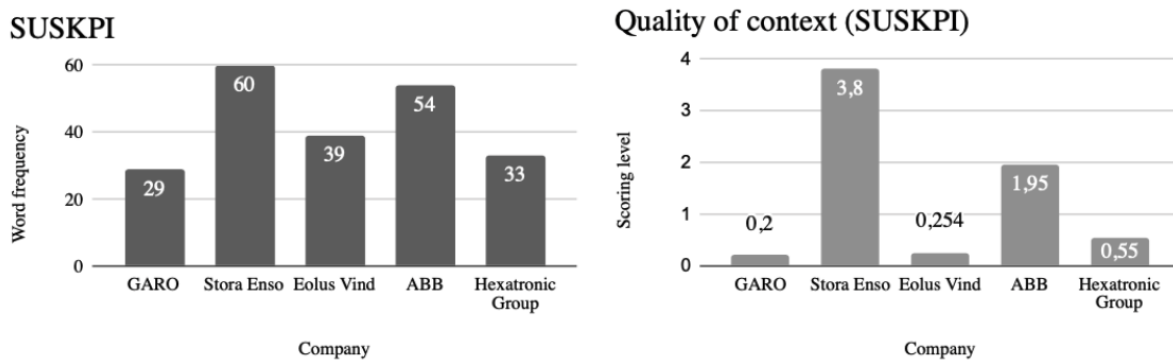
4.1.7 Sustainable business model
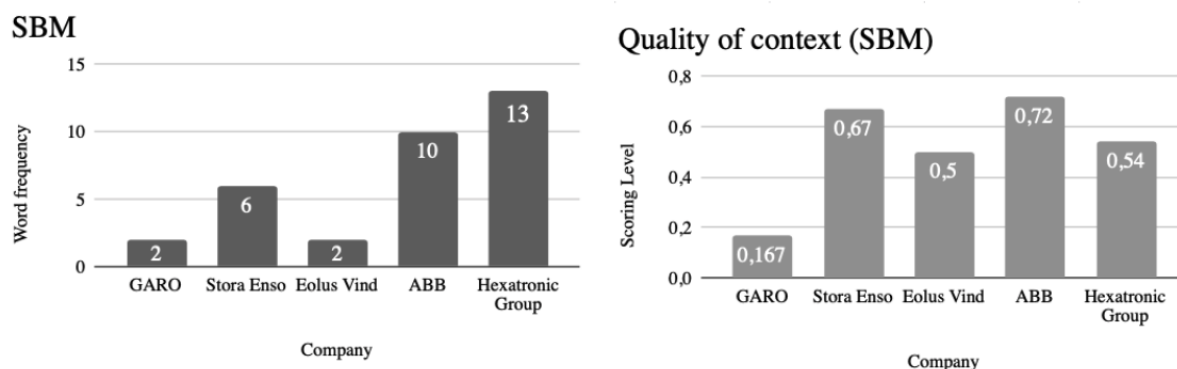
Graph 7. Sustainable business model related word frequency and quality of context. Source: Own elaboration.

Visualised in Graph 7, Hexatronic Group and ABB performed relatively well regarding the word frequency for the category sustainable business model. With a word frequency of 13 respectively 10 they outperformed the remaining companies to a rather large extent. Stora Enso (6) did not mention the search words to the same extent as Hexatronic Group and ABB. Eolus Vind (2) and GARO (2) had the lowest word frequency for this category. Regarding the quality of context, ABB was awarded with the highest weighted score of 0,72 even though the information lacked quantitative figures and details. A weighted score of 0,67 out of 5 was assessed for Stora Enso. Hexatronic Group (0,54) Eolus Vind (0,5) and GARO (0,167) received the lowest weighted scores due to lack of detail and quantitative figures within the category. Terms of context quality evaluation are to be found in Appendix 2.

## 4.1.8 Compliance with regulatory frameworks
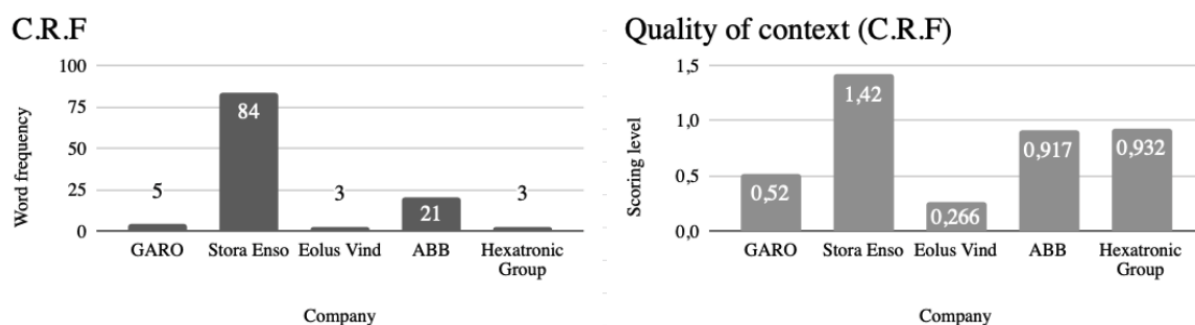
Graph 8. Compliance with regulatory frameworks related word frequency and quality of context. Source: Own elaboration.

Visualised in Graph 8, Stora Enso performed relatively well regarding the word frequency for the category Compliance with regulatory frameworks. With a word frequency of 84 they outperformed the remaining companies. ABB (21) did not mention the search words to the same extent as Stora Enso. GARO (5), Eolus Vind (3) and Hexatronic Group (3) had the lowest word frequency for this category. Regarding the quality of context, Stora Enso was awarded with the highest weighted score of 1,42 due to a relatively large extent of qualitative information rich with detail. Weighted scores of 0,932 respectively 0,917 out of 5 was assessed for Hexatronic Group and ABB which was relatively high in comparison to GARO (0,52) and Eolus Vind (0,266) which received the lowest weighted scores due to lack of detail and quantitative figures within the category. Terms of context quality evaluation are to be found in Appendix 2.

4.2 Summary of the empirical findings from the CONI-model

Table 1 illustrated below summarises the findings from step 2 - Search process and content testing in the CONI-model. The table presents the word frequency for each company in the respective content categories. In addition, the total word frequency per company and content category are summarised as "TOTAL " at the end of each column and row.

Company	POLL	WOR	SUSTAIN	SSR	UNSDGS	SUSKPI	SBM	C.R.F	TOTAL
GARO	13	15	57	4	3	29	2	5	**128**
Stora Enso	358	218	182	31	32	60	6	84	**971**
Eolus Vind	11	10	45	14	3	39	2	3	**127**
ABB	144	108	221	118	7	54	10	21	**683**
Hexatronic Group	20	46	51	12	11	33	13	3	**189**
TOTAL	**538**	**397**	**556**	**179**	**56**	**215**	**33**	**116**	

Table 1. Search process and content testing overview (compilation of the "command+F" search). Source: Own elaboration.

Table 2 illustrated below summarises the findings from step 3 - Assuring the quality of context in the CONI-model. The table presents the scoring level assessed for each company in the respective content categories. In addition, the total scores per company and content category are summarised as "TOTAL " at the end of each column and row.

Company	POLL	WOR	SUSTAIN	SSR	UNSDGS	SUSKPI	SBM	C.R.F	TOTAL
GARO	0,25	0,2	0,214	5	0,5	0,2	0,167	0,52	**6,801**
Stora Enso	3,6	1,76	0,46	5	2	3,8	0,67	1,42	**18,71**
Eolus Vind	0,361	1,86	0,226	5	0,5	0,254	0,5	0,266	**8,606**
ABB	1,83	1,03	0,24	5	1,75	1,95	0,72	0,917	**13,437**
Hexatronic Group	2,125	1,86	0,27	5	2,16	0,55	0,54	0,932	**13,437**
TOTAL	**8,166**	**6,71**	**1,41**	**25**	**6,91**	**6,754**	**2,597**	**4,055**	

Table 2. Assuring the context quality overview (compilation of the qualitative examination of the word frequency) Source: Own elaboration.

5. Discussion

This chapter presents an analysis of the findings from the qualitative and quantitative study. The literature, concepts, theories and previous research presented in chapter 2 is taken in consideration when discussing the results. The authors of this report connect previous research with the findings in this chapter to present a relevant discussion.

The content categories found in 4.1 were identified based on the answers from the interviews conducted. Many of the categories were in line with what the law demands of the companies (European Commission, 2020c). E.g., how their business model is structured or their sustainability related KPIs. Both are examples of information that is demanded by law by the European Commission (2020c) to be included in a non-financial report. The interviewees had, in that regard, some very basic demands from the companies. Further, the interviewees expressed ESG as a suggestion of guidelines that would be easy to follow for the report to reach higher standards.

Other content categories that the interviewees expressed interest in were a separate environmental report, workplace related disclosures, compliance with regulatory frameworks etc. The reasoning behind the interest in other categories other than those that are demanded by law could be to facilitate investment decisions when analysing by sustainability parameters. These parameters include social, environmental and governance principles. Socially responsible investment, ethical investments, takes social and/or environmental risks into consideration. The three approaches used are: exclusion, activism and engagement or dialogue. (Sparkes, 2008). Blackrock, Goldman Sachs, and JPMorgan Chase & CO all heavily depend on the exclusion approach, and the others to different degrees depending on the situation (Blackrock, 2021: Goldman Sachs, 2021: JPMorgan Chase & CO, 2021). The interviewees also depended, at least in an initial stage, on the exclusion approach. The content categories reflect the preferences that the interviewees have when making investment decisions and the importance of the information if a company is to attract investors.

Widyawati (2019) especially emphasises the importance of ESG-measurement and she argues that without ESG-measurement the SRI market would not exist. In order for professional investors and analysts to make Socially responsible investments the paper and Widyawati (2019) argues for the implementation of ESG into the sustainability reports. For the interviewees to express an interest in ESG parameters in sustainability reports is therefore highly justified. Nielson and Noeargaard (2012) identified three types of investors: Mainstream financial investors, mainstream SRI investors and core SRI investors. Based on the interviews conducted and the answers our interviewees leaned towards mainstream SRI investors and core SRI investors. In other words, they are more aware of the rising demand and interest from the general public in SRI. Further they found two approaches that the different groups of investors tended to use. A single decision model and dual decision model, where the latter are used by SRI investors and core SRI investors. It does take ESG parameters into consideration with traditional financial analysis, however, it is based around including or excluding companies because of their ESG parameters. The dual decision model with exclusion the investors have regarding their investment decision making serve as an argument to the content categories.

What the content categories indicate is that our interviewees are making SRI with ESG parameters in mind, as well as other preferences such as a separate sustainability report to make the screening process easier. Arvidsson (2010) has three reasons why companies should provide reports on their sustainability practises. Firstly, it provides the company with legitimacy, secondly, it improves the stakeholder communication, and thirdly, it decreases the asymmetry between the company and the stakeholders. The investor preferences are in line with the reasons Arvidsson brings up in her paper. Both the stakeholders and the companies have common goals where investors want to invest in legitimate companies, they want to have good communication with the company in question as well as a smaller gap in information. With this they can then make more sustainable investments.

Freide, Busch and Bassen (2015) implies that the includement of the ESG-criteria has a positive effect on corporate financial performance, with the support of significant empirical evidence. Their statement could be an explanatory factor to why the accumulated contextual quality-scores for the categories POLL and WOR were higher compared to the categories

SUSTAIN, SBM and C.R.F. It is possible that the informational quality of the categories POLL and WOR is higher due to wider implementation of the actual ESG-criteria compared to the implementation of frameworks such as GRI, CSRD and SASB. Regarding the word frequency for the categories POLL and WOR, ABB and Stora Enso outperforms the remaining companies. Strannegård (2000) explains how Multi Corporations environmental management was developed and was a result of both normative, coercive, and mimetic isomorphism. In line with explanations given by Stranengård (2000), it is possible that ABB and Stora Enso, which both are large industrial companies, have performed or are performing isomorphism to some extent in order to create legitimacy in their environmental efforts. The difference in word frequency between ABB, Stora Enso and the remaining firms can also be explained with isomorphism where Hexatronic Group, Eolus Vind and GARO supposily perform mimical isomorphism to some extent in order to remain legitimate. The lack of word frequency in the reports of Hexatronic Group, Eolus Vind and GARO could be a result of substandard efforts with the ESG-criteria.

According to Strannegård (2000), stakeholders have an important role in the determination of how corporations choose to manage environmental issues. Varying levels of stakeholder pressure could be an explanation why the results differ between the companies and content categories. The different companies have different stakeholders with specific needs which to some extent have affected the formulation of the sustainability report. It is possible that Stora Enso, ABB and Hexatronic Group have similar stakeholders as they all were assigned relatively high scores, especially on the content categories UNSDGS, POLL, WOR, SUSKPI and C.R.F. The size of the companies entails greater stakeholder pressure, which increases the requirements for the information published in the sustainability reports (Ibid).

Even though all companies that were analysed had some sort of word frequency on every content category, the overall informational quality can be considered as low with some exceptions. The exceptions especially noticeable is Stora Ensos' scores on the categories POLL and SUSKPI where they outperformed the remaining companies significantly, this can also be explained by the variation in stakeholder pressures amongst the companies. As Arvidsson (2018) stated, previous empirical evidence shows that the quality in sustainability reports tend to keep a low level of quality as many of the requirements are easy to meet, even the ones that are mandatory. The findings in this report strengthens the argument regarding the quality of

information which means that companies must elaborate various parts of their sustainability reports to satisfy the needs of their stakeholders.

The content categories that have been developed from the interviews explains the most relevant aspects that the stakeholders value. The highest score available in the quality of context was a 5. The highest recorded score was in the content category SUSKPI, where Stora Enso had a score of 3,8. The lowest score (besides 0) was a 0,2. The evidence from this report clearly suggests that there is room for improvement. This also indicates an asymmetry in the information that stakeholders value and what companies are providing. Arvidsson (2018) relates this to the availability of credible vital information given by the companies. Further, the argument of a proactive rather than reactive approach to sustainability reporting is presented. This would eliminate the information asymmetry. As Arvidsson (2018) stated the credible vital information was scarce when analysing the sustainability reports and a majority of investors deemed the information was so farfetched that it was not worth the trouble of involving it in benchmarking or other investment decisions. The lack of attainable credible information that the interviewees in this report indicated upon is further amplified with the results from this report. In the category "Compliance with regulatory frameworks", it is very evident that mentioning any regulatory framework is inadequate. This includes both the word search and the "quality of context" step in the method.

Several studies (Arvidsson, 2010; Freide et al., 2015; Widyawati, 2019; Chousa & Castro, 2006) show that there is a positive relationship between sustainability reporting and positive cash flows. This serves as an incentive for companies that are not obliged to have a non-financial report by law to engage in sustainability reporting. However, the reasoning behind why some companies might not report on their advances in sustainability is because they might be perceived as greenwashing. Arvidsson (2010) argued that the dialogue has shifted. Contrary to before, if one should report on sustainability, to what quality the information had, why companies established sustainability reports (PR tricks) or simply that it lacked credibility (greenwashing). The empirical results from this report do indicate some green-washing tendencies. When the quality of the information was evaluated, the overall scores were very low even though some words had very high occurrences in some reports. To simply say "sustainability" 100 times does not make the report more credible but rather the contrary if no importance in the context is added.

According to Deegan (2002) and legitimacy theory companies that fail to follow the environmental norm and standards will fall under appropriate response from stakeholders. What this entails depends on the severity of what is neglected. It is not uncommon to lose market shares and customers. The choice the company now stands before is upholding a sustainability report that does not indicate any type of green-washing or failing to act according to legitimacy theory and head towards bankruptcy anyway. Arvidsson (2010) exemplifies some corporate scandals such as: Enron and WorldCom.

What this report found from the empirical results was that it would not be the most dramatic change to improve the asymmetry in information that is obvious. The companies would increase their credibility drastically by simply following one of the recognised frameworks e.g., GRI or ISO. Arvidsson (2010) advocated for a proactive approach to sustainability reporting, which the authors of this report strongly agree with. The sustainability reports that exist today are clearly made in a reactive manner. The empirical results indicated that the intentions of the reports were to show that they upheld the law rather than really wanting to show their progress, when all the sustainability reports analysed received very low overall scores. The stakeholders preferences have yet to be incorporated and showed consideration by the companies providing the information.

6. Conclusions

This final chapter is a summary of the discussion that provides answers for the three research questions. Furthermore, the contributions of this report are presented together with recommendations for further research within the field.

As the interest for investing sustainably has grown rapidly over the recent years, many investors tend to use sustainability reports in order to gather information for their investment decisions. It is common that companies disclose information about their sustainability efforts, although the informational quality is not always the highest in the sustainability reports. The reports are often filled with quantities of irrelevant information that confuses the stakeholders. The purpose of the report was to investigate what information professional investors and analysts prefer to see in sustainability reports and to what extent the preferred information matches the information provided by sustainable firms based in Sweden. This report is based on a multi-method approach which includes a qualitative study when conducting interviews, a quantitative approach was used when analysing the sustainability reports. For the analysis of reports, a framework referred to as the CONI-model was used. The findings of this report consist of eight content categories that investors prefer to analyse when screening for sustainable investment objects. Furthermore, the content categories are not reflected very well in the sustainability reports analysed due to lack of numerical figures, detail and measurability of the information. Various asymmetries were identified regarding the preferences of the investors and the actual information in the reports. Finally, this report shows that companies have to improve the informational quality in order to satisfy the needs of professional investors and analysts.

Regarding the first research question *What information do professional investors and analysts value regarding firms' sustainability efforts in screening processes?* Professional investors and analysts tend to prefer quite similar information when analysing sustainability reports. As for the qualitative part of the study, eight themes were identified and translated into content categories namely*, Pollution related disclosures, Workplace related disclosures, Disclosures related to sustainability, Separate environmental report, Any mentioning of the UNs SDGs, Sustainability related KPIs, Sustainable Business Model and Compliance with regulatory frameworks.* A conclusion that has been drawn from the qualitative part of the study is that the informational preferences are well reflected in recognised frameworks such as ESG, GRI and

the UNs SDGs. Furthermore, it is of great interest to investors and analysts to receive detailed, numerical and measurable information regarding all content categories.

After analysing and discussing the second research question *How are investor preferences reflected in sustainability reports provided by Swedish companies with sustainable business models?* The authors have concluded that the preferences regarding informational quality are not reflected in the reports as the contextual scores were assessed as mediocre at best. The word frequency is also not reflected in the reports entirely as the overall word frequency for the different content categories was quite brief amongst the majority of reports.

With regards to the third research question: *Are there any asymmetries between investor preferences and the information provided by companies and is there any room for improvement of the sustainability reports?* Clear asymmetries have been identified between the investor preferences and the information in the reports. There is great room for improvement of the informational quality in the reports. It is also possible to identify asymmetries between the preferences and the frequency of measurable numerical figures in the reports. The authors have drawn the conclusion that companies have to improve the informational quality of the reports and provide a larger amount of numerical figures that are measurable over time.

The contributions of this study can be summarised as a basis for improving general understanding of sustainability reporting and the asymmetries between stakeholder preferences and information provided in sustainability reports. The asymmetries are identified by answering the research questions: This thesis sheds light on the urgent need to improve the informational quality in sustainability reports in order to satisfy the needs of stakeholders. Furthermore, this thesis can act as a benchmark for further research within the field.

Based on the findings in this report, recommendations for further studies are presented in this paragraph. As the authors of this paper had a short period of time to finish the study, the first recommendation would be to extend the sample of this study to bring more validity to the results. It is also recommended to conduct this study with a larger scope e.g., including certain industries, regions, or countries. Furthermore, it would be interesting to extend this study and

provide relevant suggestions on how to improve sustainability reporting more specific and tailored.

7. Appendix

Appendix 1. Categories and sub-categories used in the CONI method.

Category	Definition	Sub-categories	Search Words
POLL	Pollution related disclosures	Waste Emission/ Effluent	**ENG:** Waste, Emission, Effluent, CO2. **SWE**: Avfall, Utsläpp, Koldioxid, CO2.
WOR	Workplace related disclosures	1. Gender distribution in board 2. Employer satisfaction	**ENG:** Gender, Distribution, Employer, Satisfaction, Board. **SWE**: Kön, Fördelning, Styrelse, Anställd, Tillfredsställd
SUSTAIN	Disclosures related to sustainability	1. Any mention of sustainability 2. Involvement/Commitment to UNCED, Brundtland, Rio, Kyoto	**ENG**: UNCED, Brundtland, Rio, Kyoto, Sustainability. **SWE:** UNCED, Brundtland, Rio, Kyoto, Hållbarhet
SSR	Separate sustainability report	1. Available 2. Reference within annual report	**ENG**: Sustainability report, sustainability **SWE:** hållbarhetsrapport, hållbarhet
UNSDGS	Any mentioning of the UNs SDGs	1. Mentioning of working with at least 1 of the UNs SDGs	**ENG:** SDG, Sustainability goals **SWE:** SDG, Hållbarhetsmål
SUSKPI	Sustainability related KPIs	1. Achieved KPIs 2. Adopted KPIs	**ENG:** KPI, Goal, achieved, adopt **SWE:** KPI, Mål, Uppnått, Antaget
SBM	Sustainable Business Model	1. Integrating sustainability when mentioning their business model 2. Deeply integrated and involved with sub-contractors 3. Generally working with a core business that reduces the negative impact on the environment 4. A long-term perspective/policies	**ENG**: Value creation, business model, involvement with subcontractors, sustainable core business, long-term perspective **SWE:** Värdeskapande, affärsmodell, engagemang med underleverantörer, hållbar kärnverksamhet, långsiktigt perspektiv
C.R.F	Compliance with regulatory frameworks	1. Any mentioning on how/if the company follow any frameworks on how to report how sustainability related matters	**ENG:** NFRD (Non-Financial Reporting Directive), CSRD (Corporate Sustainability Directive), GRI (Global Reporting Initiative standards), ISO (International Organization for Standardization), SASB (Sustainability Accounting Standards Board) **SWE:** NFRD (Non-Financial Reporting Directive), CSRD (Corporate Sustainability Directive), GRI (Global Reporting Initiative standards), ISO (International Organization for Standardization), SASB (Sustainability Accounting Standards Board

Source: Own elaboration based on Beck et al. (2010).

Appendix 2. Definition of each disclosure level (Beck et al. 2010) with examples from the selected sustainability reports. * = translated from Swedish.

Definition type	Definition	Examples
1	Disclosure addresses issue related to category definition; **pure narrative**	"The sustainability goals of the company lay the foundation for the everyday work in the group, and assures that we meet the stakeholders' expectations" (Garo, 2020, p. 4)* "Of the five areas that the Annual Accounts Act mention as mandatory to take a stand on in a sustainability report; human rights at supplier level was considered irrelevant for Eolus"(Eolus, 2020, p. 8)*
2	Disclosure addresses issue related to category and provides details; **pure narrative**	"Based on our experiences over this period, we have also learned that we can make our operations more circular by collaborating with suppliers to find ways to achieve the "closed-loop" recycling of plastic waste from our own manufacturing processes" (ABB, 2020, p. 31) "As a global player in fiber expansion, the goal where we can make the most difference is Goal 9 and Target 9.1: "develop quality, reliable, sustainable and resilient infrastructure". We can do this through our business concept, which aims to accelerate the digital transformation to the benefit of society, businesses and individuals by offering, smart, reliable product and system solutions for passive fiber infrastructure" (Hexatronic Group, 2020, p. 29)
3	Disclosure addresses issue related to category in numerical way; **purely quantitative**	"The investment of EUR 3.6 million in wastewater treatment improvements at the Anjalankoski Mills was completed in 2020" (Stora Enso, 2020, p. 39) "This have led to a decrease in emissions by 90 percent from heating as well as about a 25 percent decrease in the total emissions made by the company" (GARO, 2020, p. 9)*
4	Disclosure addresses issue related to category in numerical way, including qualitative explanations; **narrative and quantitative**	"In 2020, our CO_2e emissions per saleable tonne of board, pulp, and paper were 26% lower than the 2010 benchmark level (26% lower in 2019) (Stora Enso, 2020, p.46) "Over the past year, in-house recycling and reuse, mainly of packaging materials and thermoplastics, reduced the amount of waste ABB generates by 1,700 tons (ABB, 2020, p. 67)
5	Any numerical disclosure to the category including qualitative statements demonstrating year comparisons; **narrative, quantitative and comparable**	"In 2020, we exceed our target of reducing ABB's employee total recordable injury frequency rate (TRIFR) to less than 0.7. We ended the year with a TRIFR of 0.31, down from 0.47. In terms of actual injuries, we improved from 744 recordable incidents in 2019 to 410 in 2020" (ABB, 2020, p. 53) "The Group.level Employee Satisfaction Index increased from 69 to 71. A figure of above 75 or above signifies "very satisfied". The Group.level Employee Loyalty Index increased from 80 to 81" (Hexatronic Group, 2020, p. 34)
0	Not mentioning the category	

Source: Own elaboration based on Beck et al. (2010).

Appendix 3. Questions asked in the interviews.

Hur identifiera/definierar du ett hållbart företag?

Investerar du i vad du anser vara hållbara företag?

Använder du dig av screening innan du investerar i hållbara företag?

När du screenar, för att hitta information om hållbarhet, var/vad/hur hittar du informationen?

(Om svar hållbarhetsrapporten), hur kommer det sig att du använder dig av denna?

(Om svar annat), hur kommer det sig att du inte använder dig av hållbarhetsrapporten?

Vilken information gällande hållbarhet anser du vara som mest värdefull för att fatta ett investeringsbeslut?

Anser du att informationen som redovisas i företags hållbarhetsrapporter är tillräcklig?

Vad hade du velat se mer utav?

Varför är den informationen väsentlig för ditt investeringsbeslut?

Tycker du att det finns en asymmetri i dagsläget mellan informationen som du hade behövt och informationen som finns tillgänglig i företags hållbarhetsrapporter?

Börjar det bli för standardiserat med ESG (box-ticking)?

I en ideell värld, hur hade du velat att intressentkommunikationen gällande företags hållbarhetsprestationer såg ut?

Source: Own elaboration.

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