



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

# The EU Taxonomy and Sustainability Performance

*A qualitative study on how the EU taxonomy affects a multinational enterprise operating in the automotive industry*

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# ABSTRACT

The EU taxonomy plays an important role in implementing the European Green Deal, meeting the EU's energy and climate targets for 2030, and increasing green investments. The aim of the taxonomy is to shift economic investments toward environmentally perdurable projects and provide the market with substantial data with regard to sustainability. Since the EU taxonomy operates in an emerging field of research, as the legislation is new and implementation within multinational enterprises is an ongoing action, a gap in knowledge was identified. This study aimed to evaluate how a multinational enterprise operating in the automotive industry is affected by and approaches the EU taxonomy. The focus was to comprehend the sustainability management of the chosen enterprise and in-depth understand the opportunities and challenges the company perceived. To be able to provide a balanced thesis with various viewpoints, the legislative side of the taxonomy was added.

The thesis was performed with a qualitative approach and with semi-structured interviews. In addition, a literature review was conducted to present relevant background information and a theoretical framework. The in-depth interviews were performed with nine employees at Volvo Cars and two employees at Swedish authorities. As Volvo Cars is situated within the automotive industry, an industry traditionally characterised by high CO<sub>2</sub> emissions, was the interpretation that the enterprise could contribute beneficial information to the research. This research determined that Volvo Cars prior to the taxonomy had strong sustainable commitments and that changes with regard to sustainable activities after the implementation of the taxonomy have been few.

Volvo Cars was evaluated as being benefited from high taxonomy requirements since the enterprise was stated as being in the front of sustainable economic activities. Opportunities with the EU taxonomy were argued to refer to increased legitimacy related to stakeholders and the implementation of a tool supportive of increasing data on environmentally sustainable activities. The increased data was evaluated as substantial for comparativeness between market actors. The challenges for Volvo Cars referred to a need for clarification, as the classification system is still being developed. For further research, it would be of significance to comprehend the effects of the EU taxonomy, as well as the effects of the European Green Deal and Agenda 2030.

**Keywords**

The European Green Deal, Agenda 2030, EU taxonomy, Sustainability Management, Automotive Industry, Climate Neutrality, Transparency.

# DEFINITIONS

*Table 1: Definitions of abbreviations used in the thesis.*

<b>Abbreviation</b>	<b>Definition</b>
CapEX	Capital Expenditures
EFRAG	European Financial Reporting Advisory Group
ESAP	The European Single Access Point
IASB	International Accounting Standards Board
IPCC	Panel on Climate Change
NFRD	Non-Financial Reporting Directive
KPI	Key Performance Index
NGO	Non-Governmental Organisation
OpEx	Operational Expenditures
SFDR	Sustainable Finance Disclosure Regulation
SVHC	Candidate List of Substances of Very High Concern for Authorisation

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# 1 INTRODUCTION

## 1.1 Background

Agenda 2030 consists of 17 global goals and 169 interim targets for sustainable development. The global goals aim to extinguish poverty and hunger, create gender equality and economic empowerment for women, accomplish human rights for everyone and look after the planet and its resources. The goals are impartial and integrated, which implies that there has to be synergy between them to accomplish the high set future vision. The sustainable development goals balance three dimensions of sustainable development, the economic, the social, and the environmental (The Swedish Government, 2016).

Climate and environmental challenges are this generation's main defiance. This includes the pollution of forests and oceans, a warming atmosphere, and an overall harmed climate. As a response to these challenges, the Green Deal was implemented. The Green Deal is a green growth strategy aligning with Agenda 2030 whose intention is to transform the European Union into a modern, successful, and resource-efficient economy. There is a need for economic growth and resource use to be decoupled to be able to reach the goal of no net emissions of greenhouse gases in 2050 (The Swedish Government, 2016).

When implementing the Circular Economy Action Plan, one of the headstones of the European Green Deal, the aim is to promote sustainable growth and transit to a circular economy. To align with the circular economy processes, enterprises need to assert that their products' life cycles are sustainable and truthfully communicated. In this way, the member states of the European Union should be able to produce sustainable goods and services, as well as implement sustainable business models as an established norm by implementing a coherent policy framework.

Consumers would be able to in a valuable way transform consumption patterns towards a more sustainable direction. The aim is to significantly decrease the environmental footprint created by the Union and contribute to the encapsulated policy objective of EU climate neutrality by 2050 (EU, 2022).

To be able to meet the EU's energy and climate targets for 2030 and align with the Green Deal, there is a need to invest sustainably. Direct investments need to be addressed towards projects

and activities that invest in sustainable operations. The need to direct money towards sustainable projects has been enhanced with the COVID-19 pandemic, making it essential to make societies, businesses, and economies, particularly the health systems, more resistant to environmental and climate impacts. To be able to achieve this, a common definition of ‘sustainable’ needed to be implemented and that is why the action plan on financing sustainable growth called for a green classification system. The legislation contributes to the possibility to evaluate economic activities concerning sustainable economic activities, in other words - the ‘EU taxonomy’ (EU, 2021).

Green investments are more important and relevant than ever before, and the many initiatives performed demonstrate their significance. Businesses, investors, and consumers must all unite in the transition toward a green economy and create a common, comprehensible language. With this aim as background, the EU taxonomy was implemented. The taxonomy provides a common framework, evaluating the green economic activities aligning with the goals for sustainable development. The green transition affects all market actors and particularly multinational enterprises that need to relate to new frameworks and policies. The classification system has an important role in helping the EU increase sustainable investments and achieving the aims of the European Green Deal. The EU taxonomy establishes a record of environmental economic activities and provides investors, companies, and policymakers with a definition of which economic activities should be considered environmentally sustainable. The aim is to shift economic investments towards environmentally perdurable projects, effectively helping investors evaluate a business's operations and supporting companies to increase their environmental activities and appease market fragmentation (EU, 2021).

The term ‘greenwashing’ is a relevant topic to consider with regard to sustainable challenges. Greenwashing is a widespread issue and implies that companies give a false impression concerning their environmental impact or beneficial actions. Companies perpetuating greenwashing are misleading market actors, which does not favour market competitiveness since actors’ credibility is reduced. Enterprises that put in the effort to make their economic activities green are not beholden in the way that they should be. Ultimately, this leads to a less green economy, a path that needs to be precluded. As a part of the European Green Deal, companies document their environmental activities compared with a standardised framework to make their

impact on the environment accessible for market actors. The purpose is to increase reliability and comparison across the EU and lead the market towards a transparent unfeigned. This is a way for market actors, including companies, investors, and consumers, to make decisions aligned with sustainable standards and promotive activeness (EU, 2022).

## **1.2 Problematisation**

The EU taxonomy is a part of the EU Green Deal, which aims to encourage green investments. The legislation affects the automotive industry, among other industries, whose activities are characterised by high CO<sub>2</sub> emissions that require reduction. The industry's attributes implicate an opportunity for the research to closely follow the phases of change a multinational enterprise needs to undergo to be able to align with the taxonomy objectives. To be able to meet the UN's Intergovernmental Panel on Climate Change (IPCC) vision of limiting the temperature rise to 1.5 degrees Celsius to preclude harmful environmental impacts, enterprises are requested to act (IPCC, 2022). As an effect of the increased necessity for action concerning a greener economy is particularly the automotive industry in a need of modifications. Initiatives taken by both the selected enterprise, and society at large, indicate that the automotive industry and the consumer demand are in a phase of change.

The thesis follows a gap-spotting method and is more specifically developed from neglect spotting, which implies that the thesis aims to perform research on a topic where insufficient research has been carried out (Sandberg & Alvesson, 2011). Since the EU taxonomy operates in an emerging field of research, as the legislation is new and implementation within the multinational enterprises is an ongoing action, a gap in knowledge has been identified. The purpose is to fill the gaps identified, by applying relevant theories. The comprehension is that activities performed with regard to the EU taxonomy have been performed, but that research applying academic theories is insufficient. There is a need to convert practice into theoretical findings. As described by Patel & Davidson (2019) does the knowledge gap indicate that the thesis complies with an explanatory approach, where the aim is to gather specific information regarding a determined subject, in this case, the EU taxonomy.

Our path of the current understanding of the green classification system has been determined by information gathered from formal sources. Information is to be found in various authorities'

publications, including those carried out by the Swedish Government and the European Union (e.g., EU regulation, 2020/852). Furthermore, could information be gathered from sustainability reports performed by the multinational enterprises that are under the requirement of reporting. However, the information gathered does not evaluate how enterprises have perceived the classification system, and whether the company has undergone phases of change after the objectives were presented. There is a need for further research concerning the outcome of the legislation and how the response has been from the enterprises being affected.

The environmental classification system aims to help investors and other market actors to be able to evaluate economic activities as sustainable or not, but there is insufficient research on how the legislation has been approached by multinational enterprises operating in the automotive industry. The gap that has been identified concerns a connection between the legislative side and the enterprise side, and we aim to fulfil this gap through applicable theories and empirical data collection. By collecting relevant data and performing an in-depth analysis of the empirics the thesis should add new knowledge to an ongoing discussion. New legislation requires change, and the gap we try to fulfil is how this change has been performed within an enterprise operating within the automotive industry. The matter is both interesting and relevant and requires new research to be performed.

The research questions are determined and formulated from this distinguished gap of knowledge that the link between the companies and the legislative side constitute. The research questions determine the path of the study, in an attempt to contribute meaningful science to the emerging field of study. The knowledge is important to develop for multinational enterprises affected by the classification system, as well as for the legislative side to generate an understanding between the distinguished actors. Every person in society is affected by the harmful impacts on the environment human economic activities can lead to, and the synergy between actors within society needs to be understood and evaluated in order to efficiently contribute to the objectives that the European Union, and the Green Deal, in particular, wants to accomplish.

### **1.3 Research Purpose**

The purpose of the research question is to evaluate how a multinational enterprise operating in the automotive industry is affected by and approaches the EU taxonomy. The aim is to evaluate

which phases of change the firm has undergone and which remaining phases the firm needs to undergo to be able to align with the legislation. The intent is to define challenges the firm has encountered, as well as to comprehend if the business potentially can benefit from the legislation, concerning sustainable economic activities. The research aims to contribute knowledge regarding the EU taxonomy, which multinational automotive enterprises potentially will find valuable when adapting to the new legislation implemented. The thesis will focus on two main aspects which concern the EU taxonomy. At first, the focus will be on sustainability management and how/if the management of the enterprise changed after the first implementations. This concerns strategy, reporting, and individual and enterprise mindset. Second, the thesis focuses on the six objectives within the EU taxonomy and which challenges, or even opportunities the enterprise perceives it has encountered.

The EU taxonomy is investigated from different sections in the enterprise in order to research its influence, both concerning the deficiencies and the opportunities that appear when implementing a new classification system regarding sustainable investments. The purpose is to pronounce how the multinational enterprise needs to modify in order to stay competitive in an industry highly affected by the transition to a green economy within the borders of the EU, including the transition to low-carbon operations.

Adding the legislative side into the thesis balances the information given from the enterprise and gives a viewpoint from both the enterprise, as well as the legislative. The purpose of adding the legislative view is to comprehend how different market actors interoperate and comprehend the challenges when implementing and pursuing the EU taxonomy.

### **1.3.1 Research Question**

“How does the EU taxonomy affect sustainability management in a multinational enterprise operating in the automotive industry?”

- *Which opportunities and challenges do a multinational enterprise within the automotive industry distinguish with regard to the EU taxonomy?*
- *Which opportunities and challenges do Swedish authorities distinguish with regard to the EU taxonomy and the automotive industry?*

## **1.4 Delimitation**

The delimitation of the thesis is focused on the EU taxonomy, which is a part of the Green Deal concerning a green economic growth strategy. We delimit the thesis to multinational enterprises since the legislation does not yet cover small- and medium-sized enterprises and concentrate the research on a selected Swedish multinational enterprise within the automobile industry.

The delimitation is set to efficiently comprehend and evaluate a selected enterprise that is highly affected by the regulations set by the EU. The automotive industry is in a phase of change that generates questions about strategy and implementation. The selected enterprise is Volvo Cars Group and the focus will be on Volvo Cars, an enterprise within the affiliated company. Volvo Cars' global headquarters is located in Gothenburg, and the thesis will focus on interviewees located at the headquarters. To comprehend the legislation in-depth, administrative authorities will be interviewed. The delimitation concerning authorities is set to Swedish authorities since Volvo Cars is operating globally but with headquarters in Sweden.

## 2 COMPREHENSIVE BACKGROUND

### 2.1 EU Taxonomy Regulation

The EU taxonomy is a classification system, which evaluates economic activities as sustainable or not. The EU taxonomy regulation establishes six objectives that the economic activity is measured against, and the economic activity is considered sustainable when; 1. Contribute substantially to at least one of the six environmental objectives defined in the Regulation; 2. Do no significant harm to any of the other environmental objectives; 3. Comply with Minimum Social Safeguards and; 4. Comply with Technical Screening Criteria (TSC). This regulation applies to companies subject to the obligation to publish a non-financial report or a non-financial report for consolidated accounts (EU, 2021).

### 2.2 The Six Environmental Objectives

The taxonomy builds on the six following environmentally sustainable objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

For the objective of climate change mitigation an economic activity that strives for the environmental goal should make a significant contribution to stabilising greenhouse gas emissions. This can be accomplished by avoiding or reducing emissions or by increasing their uptake. The economic activity should be compatible with the long-term temperature targets of the Paris Agreement. The second objective of climate change adaptation includes an economic activity that should contribute to reducing or preventing the negative consequences of the current or expected future climate, or the risks of such negative consequences. It can be either for the activity itself or people, nature, or resources. The environmental objective of sustainable use and protection of water and marine resources include, among other things, the management of water

quality, protection of water against pollution and deterioration, and purification of sewage (EU, 2020).

For transition to a circular economy, an economic activity can make a significant contribution in several ways. For example, the companies can increase product durability, repairability, and reusability or decrease the use of resources by choosing the right materials. Another contribution to the circular economy could be developing business models for products in the form of services and circular value chains, in order for products, components, and materials to maintain the highest possible usability and value for as long as possible. The fifth objective focuses on pollution prevention and control where the companies expect to strive for economic activities where prevention of direct or indirect transmission of pollutants to air, water or land as a result of human activity. The last objective is the protection and restoration of biodiversity and ecosystems where economic activities contribute to, for example, the protection of species of animals and plants and the conservation of habitats for these (EU, 2020).

Today, two of the six objectives have been applied, which means that the reporting of the first two objectives should be included in the company's sustainability report for 2021 which will be released in 2022. The other four objectives will have to be reported in the company's sustainability report for 2022 which will be released in 2023. The establishment of the six objectives states the right direction for the companies to become more climate-friendly and also shift the investments where they are needed the most. Within the objectives, there are also two classification categories of the activities; enabling activities and transitional activities. Enabling activities will contribute to one or more of the objectives and have a substantial positive impact on the activity's lifecycle. The transitional activities must contribute to the first objective of climate change mitigation where the Paris Agreement commitments are in focus. The two classification categories were introduced to make it easier to label the overall objective of promoting sustainability. The adaptation of the company's activities will also have to be reported according to the EU's Non-Financial Reporting Directive (NFRD) and the Sustainable Finance Disclosure Regulation (SFDR) (EU, 2022).



## **2.3 Purpose of the EU Taxonomy**

To be able to implement the European Green Deal and increase green investments, the EU taxonomy plays an important role. The green classification system is established to evaluate economic activities as sustainable or not. The purpose is to define environmentally sustainable economic activities and for market actors to be able to compare and value economic activities against each other. This creates transparency and a common language concerning green investments within the EU (EU, 2021).

The EU taxonomy is argued to be a needed green classification system, bringing transparency on the environmental sustainability to investors, businesses, institutions, and issuers and consequently conduce to well-informed decision-making. There is a need for a reliable tool regarding green investments when enterprises are transitioning to climate neutrality and sustainable economic activities. The EU taxonomy classification is implemented to create a common language and interpret the environmental objectives into comprehensible and clear criteria. When using the classification system, there is an aim to scale up green investments and counteract greenwashing which is a necessity to implement the European Green Deal. The European Parliament and the Council focused on the sectors and activities that can contribute the most to the green transit and investments, prioritising the sectors contributing to improving climate resilience and reducing greenhouse gas emissions when implementing the first two climate objectives including climate change mitigation and climate change adaptation (EU, 2021).

The EU taxonomy will be developed over time, and include additional sectors and activities. The sectors considered for these first two objectives include the automotive sector, where the enterprise evaluated operates. The EU taxonomy criteria encompass the economic activities of approximately 40% of the listed firms, which are accountable for almost 80% of direct greenhouse gas emissions in Europe. This means that the EU taxonomy potentially can effectively contribute to the transition to a green economy, especially in the carbon-intensive sectors where change is particularly urgent, and protect private investors from greenwashing. Furthermore, the Platform on Sustainable Finance is working on a separate delegated act to focus on recommendations covering the other four objectives; the sustainable use and protection of

water and marine resources; the transition to a circular economy: pollution prevention and control; and the protection and restoration of biodiversity and ecosystems (EU, 2021).

The EU taxonomy is implemented as a tool to increase transparency where financial market participants shall provide investors with an objective reference point for comparison regarding the share of investments that finance environmentally sustainable economic activities (EU, 2020). Even if the EU taxonomy is primarily intended for investors, the EU taxonomy will still be a tool to contribute to transparency for all stakeholders. To be able to create a transparent business environment concerning environmental economic activities, the EU taxonomy sets mandatory requirements on divulgence. The disclosure concerns alignment with the EU taxonomy's criteria and comprises large financial and non-financial companies within the scope of the CSRD (Corporate Sustainability Reporting Directive), as well as financial market participants. (EU, 2021)

The voluntary use of the EU taxonomy concerns investors and other market participants that are not defined in the policy. This implies that the EU taxonomy is mandatory to be reported on from the enterprise's perspective, but the objectives and criteria are not mandatory to be fulfilled. The EU taxonomy can be used when attracting investors when implementing strategies and plans aligning with the regulations. There is a choice in using the EU taxonomy as a screening tool for investors when performing due diligence to be able to identify sustainable investment opportunities. Furthermore, small businesses have a voluntary opportunity to use the EU taxonomy to plan and perform economic activities aligning with the regulation to explain to investors and stakeholders the business direction. The regulation is mandatory to be reported on when the company has over 250 employees and hence needs to comply with the EU directive on non-financial reporting. (EU, 2021).

## 3 THEORETICAL FRAMEWORK

### 3.1 Stakeholder Theory

The term stakeholder is defined as “any group or individual who is affected by or can affect the achievement of an organisation’s objectives” (Freeman 1984, p. 46), and the management needed to take these groups in deference to be able to take strategic decisions to handle several market actors. The stakeholder approach is considered an academic theory; however, practitioners have developed the approach, and management practice has grown from its starting point. It is argued that to direct the enterprise in the right direction, active management is needed to understand the concerns of customers, shareholders, employees, suppliers, society, and lenders to run the business towards long-term success (Freeman & McVea, 2001).

The approach can be divided into several characteristics, to be able to understand how the firm can use the framework. To begin with, the stakeholder approach is characterised as a strategic framework. This implies that the framework should be used in a volatile environment without having the management adapt to new strategies when encountering business environmental changes. Second, the stakeholder approach is characterised as a dynamic strategic management process rather than planning and predicting the future. Strategic management is active and considers how the business affects and can be affected by the environment (Freeman & McVea, 2001).

Third, the stakeholder approach considers the survival of the firm. To be able to survive in a volatile environment, the management cannot merely focus on optimising the output today, but rather direct a future sustainable course for the firm. There is a need for the firm to achieve the organisation’s objectives by interpreting stakeholder relationships. The decisions of the firm do not merely lay on the objective of the management, but instead on the objectives of the stakeholders. Fourth, the approach considers the relationships between the stakeholders and the enterprise and the need to identify the relationships that ensure long-term success. When communicating clear business goals, the stakeholders unite over the shared set of core values and the firm can overcome stakeholder differences. The firm must integrate the business values as a key aspect of the strategic management process (Freeman & McVea, 2001).

Fifth is the stakeholder approach both descriptive and prescriptive. Strategic management should integrate politics, economics, and moral analysis to be able to actively direct the business in the perceived correct direction. The stakeholder management approach evaluates the relationships the firm possesses with a possibility of being influenced and created, rather than taken for granted. Sixth, the approach concerns the concrete stakeholders, that are specific to the firm and the environment the firm operates in. When being able to separate and understand the stakeholders' objectives, the management could create strategies that enhance all stakeholders of the firm. Finally, the management should have an integrated approach to strategic management decision-making, to be able to satisfy several stakeholders simultaneously (Freeman & McVea, 2001).

Miles (2012) contributes to the stakeholder theory by discussing the definition. The author argues that the most used conceptualisation of the stakeholder definition is the one by Freeman (1984) cited at the beginning of this theory chapter. Miles (2012) and Freeman et al. (2010) agree with each other that there is a risk that the stakeholder definition is believed too broad to be considered meaningful, as it could be argued that the traditional definition comprehends all different groups in society. Thus, there is a need for delimitations when applying the stakeholder definition to be evaluated as a helpful tool on a practical level. The stakeholder definition needs to be adapted to the specific situation where it is practised, while still keeping the core elements of the concept (Miles, 2012).

### **3.2 Transparency Theory**

The transparency theory will elaborate on the stakeholder theory, as it also takes an outside-in perspective from society to the company. The purpose of transparency is that it enables the stakeholders to assess the company's impacts and is a business-critical component to consider breeding accountability and loyalty. The transparency theory focuses on sustainability reporting, which is the link between assessment and reporting, which is influenced by standards, requirements, and the expectations from the society regarding the enterprises' actions (Maas et al., 2016).

Higgings et al (2020) describe transparency as being authentic about the information, conveying honesty and integrity to stakeholders to prove that the information is well-founded and free of

bias, and in some cases even describing the techniques and calculations used to be able to present the information. Regarding the scope of sustainability reporting, it can differ a lot, in smaller companies it may be a small part of the annual report while in larger companies there is usually a complete sustainability report. As a result of the EU directive on non-financial reporting, there is legislation on sustainability reporting that applies to companies with more than 250 employees, to create greater insight (EU, 2020). As the legislation does not apply to all companies, smaller companies have the opportunity to choose if they want to report on their sustainability work.

Maas et al. (2016) argue that corporate transparency is not needed only for financial matters, but also for the corporate behaviour of the social and environmental aspects. Transparency and reporting are among other things a motivation for employees to deal with sustainability issues, as well as a motivation to improve the corporate reputation and branding and create a credible and legitimate relationship with the stakeholders to make sustainable profits. Studies have revealed that transparency is still weak in reporting activities.

### **3.3 Theory of Legitimacy**

Legitimacy is defined by Suchman (1995) as a generalised perception or assumption where a firm's operation activities are correct, desirable, and appropriate. The definition of these suppositions is defined by social constructions of values and norms. The legitimacy is therefore dependent on collective social interpretation, moreover on the perception of the individual. Legitimacy exists to a high degree in enterprises, making it essential for firms to maintain legitimacy for both external and internal stakeholders. The core of the theory states that enterprises need to consider norms, expectations, and values set by society to preserve a sort of status.

According to Suchman (1995), status is possessed when the activities the firm performs are pursuant to the expectations society is setting. The legitimacy an enterprise possesses could be considered a resource since the company then can manipulate and affect its environment in directions that can benefit the firm (Deegan, 2014). To take into consideration is the continuously changing environment that comprises values and norms in society, which can infer a disparity between the firm and its environment. This implies that firms need to account for

changes in the environment, to be able to meet the expectations of society (Rimmel & Jonäll, 2018).

### **3.4 Sustainability Management**

Corporate sustainability requires management and measurement tools to handle sustainability issues within the organisation. According to Maas et al. (2016) will the link between sustainability assessment, accounting, and management control be able to develop an integrated approach to easier implement new systems to become more sustainable.

#### **3.4.1 Sustainability Assessment**

Sustainability assessment is mainly based on reporting needs, which is important both from a transparency and measurement perspective and is often seen as a different approach compared to performance measurement for decision-making. As mentioned above, the outside-in approach is targeted for reporting purposes to communicate with stakeholders. Maas et al. (2016) explain that the company can derive expectations and the performance measures from the stakeholders as a starting point of the performance assessment, as well as when the company needs to reassess because of new regulations.

Identifying, measuring, and evaluating the potential impacts of alternatives for sustainability can be described as the process of sustainability assessment and the main goal is that the plans and the activities will contribute to and support the company's work with the challenges of sustainability. Therefore, the goals, targets, and progress must be assessed to be able to report on their sustainability performance. The potential impact of reports leads to improved transparency and accountability, as well as internal change and therefore the various stakeholders including governments have high expectations of the assessed goals, targets, and progress of the company.

Moreover, Lucarelli et al. (2020) point out the connection between the sustainability assessment and the EU taxonomy, as the key part of the regulation is to identify what part of the company's activities and performance can be assessed as sustainable. Therefore, the sustainability assessment will support decision-making when it comes to how the company adapts to the EU taxonomy and strengthens the transparency that the regulation requires.

### **3.4.2 Sustainability Accounting**

Sustainability accounting refers to the analysis, the process of collection, and the communication of sustainability-related information (Maas et al., 2016). This includes information that is related to sustainability management and the decision-making that is used to improve sustainability performance. Accounting uses a diverse set of methods and measures for monitoring and collecting data where both monetary and non-monetary data are taken into consideration with the growing recognition that environmental and social issues are both economically relevant.

When collecting the data on economic, social, and environmental performance it is possible for the companies to understand the value they create and from that develop both internal and external sustainability performance management. Maas et al. (2016) identify a strong link between assessment, accounting, and reporting, thus the intention of information collection is both for external and internal purposes. Castilla-Polo et al. (2022) highlight that accounting helps companies to communicate corporate social responsibility to their stakeholders, which in particular is an important element to support the corporate sustainability processes and contribute to the company's image and reputation. Furthermore, the internal purposes can be described as the management control, which we will address more in the next section.

### **3.4.3. Sustainability Management Control**

Maas et al. (2016) explain management control as a key role in shaping processes of sustainability strategy formulation and implementation. The integration of sustainability aims to be a part of the firm's vision, strategy, risk management, control, and reporting system. Furthermore, the management control also includes the importance of formally and informally ensuring that the decisions of their employees are consistent with the organisation's sustainability objectives and a relevant factor for strategy development and change. Johnstone (2019) deliberates that sustainability management is everyone's responsibility, and therefore the importance of ensuring that all the employees are aware of the visions and strategies of the company.

Maas et al. (2016) state that sustainability assessment, accounting, and management control can together shape processes of implementing sustainability improvement activities. The interaction between business, society, and the environment is an iterative process and can be linked to both

assessment and accounting. Johnstone (2019) outlines the sustainability management control as a tool between strategy and operations to meet sustainability performance and the importance of sustainability assessment and accounting, which Johnstone describes as a design of independent controls grouped.

Sustainability management control is discussed in the context of supporting performance improvements by integrating the more operational and instrumental perspective of management accounting. Management control can also be linked to assessment because to control performance measures we need to assess the economic activities (Maas et al., 2016).

Assessment	Accounting	Management Control
<ul style="list-style-type: none"> <li>● Evaluating potential impacts</li> <li>● Assess economic activities</li> <li>● Assess targets and processes</li> <li>● Reporting</li> </ul>	<ul style="list-style-type: none"> <li>● Data collection</li> <li>● Monetary data</li> <li>● Non-Monetary data</li> <li>● Analysis</li> <li>● Reporting</li> </ul>	<ul style="list-style-type: none"> <li>● Strategy formulation and implementation</li> <li>● Vision</li> <li>● Control</li> <li>● Internal communication</li> </ul>

Figure 2: The three parts of Sustainability Management discussed in the theoretical framework.

### 3.5 Theory Discussion

The aim of the chosen theories is to in a coherent and structured way evaluate how an enterprise operating within the automotive industry performs sustainable activities. To be able to approach the research question, a comprehensible framework needs to be developed. The theory chapter is argued to be divided into two steps concerning the chosen theories. At first are the stakeholder theory, the transparency theory, and the theory of legitimacy evaluated, which is stated to take an all-embracing position since these theories approach the thesis topic in a general manner. The theories first discussed consider society to a high degree, which implies an outside-in perspective. Furthermore, sustainability management is taken into consideration, which includes



sustainability assessment, sustainability accounting, and sustainability management control. The sustainability management section of the thesis is included with contemplation of the firm-specific assumptions.

The intention when including Freeman & McVea's (2001) stakeholder theory within the theoretical framework is to be able to comprehend strategic decisions made by the enterprise, to comply with the environmental changes affecting the company. The gap spotted concerning the research questions refers to how a multinational enterprise's sustainability management has changed post of the taxonomy, and in order to understand which driving forces lay behind the change, is the stakeholder theory included. The integrated dependence between different actors within society is evaluated with the stakeholder theory as a comprehensible basis. Furthermore, when adding the legislative side, the thesis comprises two different actors in the financial market which implies that the stakeholder theory needs to be included for apprehension regarding the actors' relationship. To avoid the risk Miles (2012) refers to, that the inclusion of all groups in society in the stakeholder definition could lead to an invaluable tool, delimitations are set to the actors that we perceive are mostly affected by the green classification system. This includes enterprises within the automotive industry, authorities, the European Union, and employees.

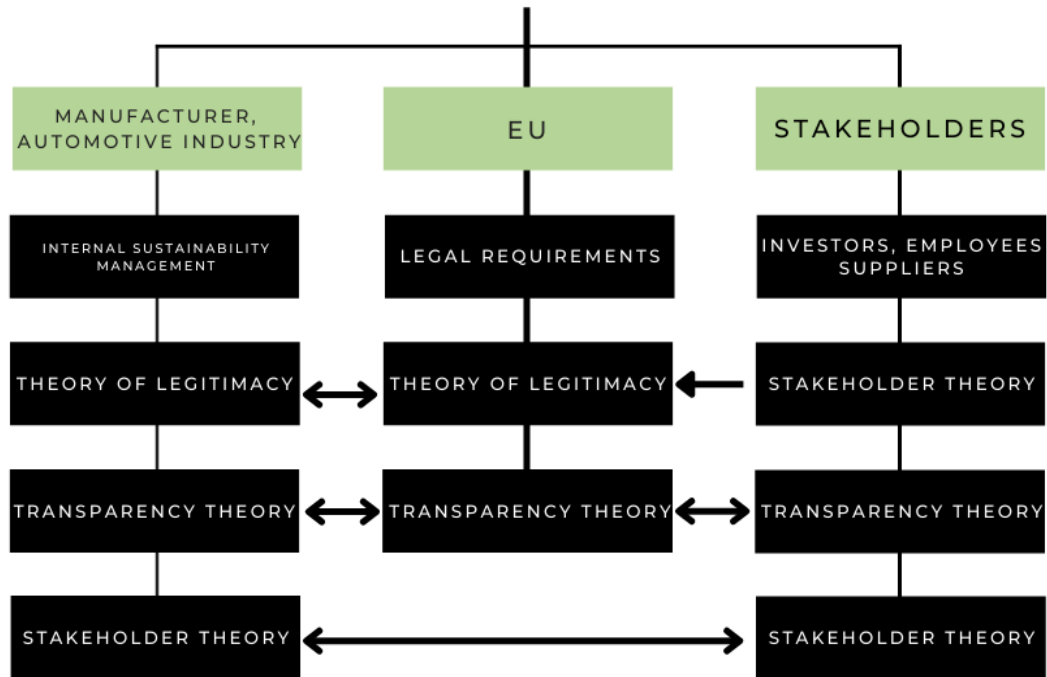
The transparency theory is included as a substantial basis for the theoretical framework to comprehend the motivation behind the EU taxonomy, both with regard to how a multinational enterprise aligns with the classification system, and to comprehend the overall aim when implementing the taxonomy. As stated by Higgings et al. (2020), transparency refers to authenticity and supports stakeholders when evaluating and comparing enterprises. The transparency theory is evaluated as being valuable when answering the sub-question of the thesis, which refers to opportunities and challenges with the implemented EU taxonomy. The requirement of transparency can benefit, as well as inhibit an enterprise, and the desire is to evaluate how a multinational enterprise operating within the automotive industry approaches the stakeholder demand for transparency. To understand the interaction between the enterprise and society, the theory of legitimacy is included. The intent is to distinguish the expectations society is abiding enterprises to comply with, and how this matter relates to the EU taxonomy.

The last theories included refers to the sustainability management of the enterprise and comprise sustainability assessment, sustainability accounting, and sustainability management control. The theories open up for understanding concerning enterprise's sustainability management, and function as a comprehensible base to understand the knowledge of a firm with regard to the EU taxonomy and how they approach the green classification system. The theories of sustainability management will be applicable when evaluating phases of change the enterprise has undergone to be able to align with the taxonomy objectives. Figure 1 visualises a summary of the three sections of sustainability management to give a clear view of the perspectives that will be used as an analytical framework when discussing the empirical data.

Figure 2 defines the actors discussed in the thesis, which include the manufacturer within the automotive industry, the EU and the stakeholders. The theories aim to explain the relationship between the actors and how these relate to each other. Internal sustainability management characterises the manufacturer within the automotive industry. The EU sets legal requirements on the enterprises, which they are demanded to comply with. Stakeholders to the enterprise influence the company's actions and are included to be able to comprehend different perspectives the company needs to consider. The stakeholders are defined as investors, employees, and suppliers. The theory of legitimacy is used to evaluate the integrated relationship between the EU and the manufacturer, concerning credibility. The stakeholder theory aims to evaluate the relationship both between the manufacturer and its stakeholders, which is seen as dependent, and how stakeholders affect legal requirements since legislations are a political product. Transparency theory is seen as a dependent relationship between the three actors and a driving aspect of the EU taxonomy.

The theories function as a basis for further chapters of the thesis study. The theories are used to create an interview schedule, which can be deduced from the theory section. Moreover, the empirical data gathered are evaluated with respect to the theories and operate as a foundation that performs the contextual ground the thesis is resting on.

## THEORETICAL FRAMEWORK SUSTAINABILITY



*Figure 2: The illustration visualises the interaction between the theories and market actors and how the theories will be applied with regard to the characteristics of the market actors (Source: own illustration).*

## 4 METHODOLOGY

### 4.1 Research Design

The thesis was engaged in phenomenological research, which indicates that the approach of the thesis was exploratory and analysed multiple realities held by the interview participants. The thesis explored lived experiences and concerned a smaller sample, with the expectation to gain an in-depth, complex understanding of the EU taxonomy. The thesis' fundamental philosophy aligns with interpretivism which implies that the aim was to understand the phenomena researched, held reality as socially constructed, and focused on the knowledge held by some selected people. The interviews were performed in an interactive and participatory manner, with a focus on discussion of the perceived truth (Quinlan, 2011).

The thesis progress could be seen as being an ongoing process of development since it is concerned with an in-depth understanding of a phenomenon that is related to its environmental context. The research method used for the thesis was a deductive approach, which could be argued to relate theory and empirics. First, a hypothetical pattern was developed, which was a suggestion of the theoretical structure. Second, the theory was tested in order to understand whether the theory needed to be developed to take a more general approach. The approach was chosen for the thesis to generate flexibility and openness toward new insights gathered as the process proceeded (Bryman & Bell, 2017).

The case study approach was an appropriate choice of method, considering that the research was focused on a selected enterprise and phenomenon. The case study does not evaluate a substantial population in terms of geographic spread or numerical size but rather concentrates on an in-depth understanding of a bounded entity (Quinlan, 2011). Since the research performed was bound to an enterprise, Volvo Cars, the case study research method was favourable. A holistic perspective was taken on the EU taxonomy, and the intention was to gather in-depth information. The case study approach is favourable when researching processes, which in this case implicate the phases of change Volvo Cars experienced after implementing the first two objectives of the EU taxonomy, as well as the phases of change that are to come when the remaining four objectives are to be implemented (Patel & Davidson, 2019).

Furthermore, according to Corbin and Strauss (2008) is an emerging field of study most effectively researched with a qualitative approach and since the EU taxonomy operates in an emerging field of study is the approach chosen. Consequently, this approach was chosen for the thesis research. Moreover, there was a lack of quantitative data within the field of study, which supported the decision of approach. The qualitative method performed included interviews with key persons concerning the EU taxonomy, as well as analysing empirics given from the interviews. The qualitative methodological approach could be considered to focus on the 'soft sides' where the researcher's aim is to acquire a comprehensive appreciation of the research study (Patel & Davidson, 2019).

## **4.2 Data Collection**

### **4.2.1 Literature Review**

The data collection for this study was collected in two ways, including a literature review and interviews at the case study company. Initially, the literature review was used to discover and obtain knowledge of the EU taxonomy, to be able to comprehend the aim of the taxonomy. The data regarding the EU taxonomy was primarily gathered from the Swedish Government, the European Union, and other official sources. The government and other authorities provide large amounts of information that can be useful to researchers in the field of study (Bryman & Bell, 2017) The data was used to form a comprehensive background as we considered it necessary to present a complete background of the topic to explain the purpose and cover the explanation of the six objectives of the EU taxonomy.

The literature review was extended for the theoretical framework to present relevant theories that could be used to understand the empirical findings. The theories were gathered from previous research through scientific articles. The theoretical framework, together with the presented theories was used for in-depth analyse and drawing conclusions from the empirical results. The last part of the literature review was to use the chosen company's official reports on governance and sustainability. Furthermore, we were encouraged by our respondents to use these public reports to be able to develop our empirical data with more information beyond what has been given in the interviews. According to Bryman & Bell (2017), the documents from organisations

are sources of special importance to researchers in the field of study, usually, there are many available on official websites.

#### **4.2.2 Interviews**

The other channel of the data collection concerned the interviews at the chosen case study company, where the interviews were performed in a semi-structured manner. The semi-structured approach infers that the themes of the questions were prepared beforehand, but that the respondent had a lot of room to answer the questions in the way that he or she comprehended the question. The interviews followed a base structure, however, this base could be deviated from if the situation required it. With regard to the two different actors that were interviewed, including Volvo Cars and Swedish authorities, was there a need to accommodate the questions to the respondent being interviewed. An adaptation was made when interviewing the administrative authorities, compared with the interviews performed with the selected automotive enterprise, to effectively comprehend two sides of the same taxonomy.

The questions were presented in a standardised manner when interviewing key persons in the same organisation, but with room for attendant questions not prepared before the interview. The methodological approach aimed to comprehend and identify the respondents' interpretation of the thesis topic, and not to determine the right or wrong answer. It could be argued that the interviewee and the interviewer were creating the discussion together since the interviewer had to build up reasoning about the research topic without diverting the interviewee into a determined path (Patel & Davidson, 2019). The decision to confirm semi-structured interviews with a standardised basis was made to make the answers comparable and identifiable when analysing the empirics. The interviews were built up with open questions, which implies that the questions were to be answered individually and unique depending on the respondents' interpretations. The choice of open questions in the empirical data collection was to understand the interviewees' understanding and comprehension with regard to the organisation and the EU taxonomy. The open questions are characterised by the need for thought and reflection by the respondent, which contributed to the complex empirical data gathered.

To be able to understand the selected respondents' understanding of the topic researched, the open questions were comprehended as favourable when conducting the data collection method.

The open questions opened up for discussion between the interviewee and the interviewer, which allowed a flexible approach and an opportunity to collect in-depth information (Quinlan, 2011). Nine interviews were performed within the organisation of Volvo Cars, which consisted of interviews in several divisions to comprehend diverse perspectives on the EU taxonomy held by the participants. To be able to comprehend the EU taxonomy from the authorities' perspective, interviews were performed with two Swedish authorities, which included the Swedish Ministry of Finance and the Swedish Financial Supervisory Authority. Four of the interviews were conducted through online meetings and seven interviews took place in the headquarter of Volvo Cars where in-person meetings were performed.

After performing the interviews, the interviews were transcribed and the most relevant qualitative empirics concerning the thesis topic were decided. The summaries of the interviews were thenceforth sent to each of the respective respondents where the individuals were told to inform the researchers of any misinterpretations and fill in any gap of knowledge that the researchers interpreted.

### 4.2.3 Respondents

*Table 2: Respondents interviewed in the thesis.*

<b>Respondent</b>	<b>Role</b>	<b>Description</b>	<b>Interview time and date</b>
A	Deputy Director	Ministry of Finance, Sweden	45 min, 7 April 2022
B	Advisor, Sustainability in the financial market	Swedish Financial Supervisory Authority, Sweden	35 min, 28 April 2022
C	Head of Sustainability Supply Chain Management	Support supply chain management considering	75 min, 12 April 2022

		sustainability performance	
D	Head of Group Financial Planning	Operational planning, follow-up, and setting of operations	75 min, 12 April 2022
E	Expert Controller Investment	Controller within the cash and capital team, group financing planning. Investments from a group perspective. Involved in the CapEx part of reporting considering the EU taxonomy	75 min, 12 April 2022
F	Controller	Group financial planning, with a focus on costs and ad-hoc tasks. Involved in the taxonomy for OPEX reports and turnover	75 min, 12 April 2022
G	Head of Sustainability Finance	Responsible for the taxonomy reporting	55 min, 19 April 2022
H	Director at Public Affairs	Representing Volvo Cars in Brussels towards EU	45 min, 21 April 2022



		institutions and other stakeholders	
I	Public Affairs Officer	Representing Volvo Cars in Brussels towards EU institutions and other stakeholders	45 min, 21 April 2022
J	Senior Manager Sales, Inventory, and Warranty Accounting	Responsible for the legal accounting	65 min, 26 April 2022
K	Expert Accountant, Warranty	Accounting, with global responsibility of how all units within Volvo Cars report warranty	65 min, 26 April 2022

**4.3 Data Selection and Analysis**

To be able to in a comprehensible way understand different aspects of the EU taxonomy, the enterprise Volvo Cars was chosen as a starting point for the research presented. When bringing in the company side of the legislation, we were able to understand how the EU taxonomy affected a multinational enterprise operating in the automotive industry and the phases of change the enterprise had to undergo to align with the classification system. The determination of the selected enterprise to perform the research focused mainly on the industry the company was operating in. Since Volvo Cars is situated in the automotive industry, an industry characterised by high CO2 emissions, we perceived that the company was able to bring beneficial information into the research. The apprehension was that the enterprise is affected by the EU taxonomy based on the industry the enterprise is operating in.

The concept of thick description was used in the data analysis of the qualitative information gathered. The thick description originates from Geertz (1973) and concentrates on the development of thick and rich information gathered from the qualitative data collected on the investigated topic. Geertz included the environmental context in the observations, as a way to increase the understanding of the research. The thesis aimed to provide the reader with the necessary background information to be able to comprehend both the relevance and the social interaction.

The thematic analysis method was used to analyse the empirical data collected by the qualitative interviews performed. The analysis aimed to identify and interpret patterns that were found within the qualitative data. The method was determined based on the character of the thesis, where the participants' opinions and perceptions were of utmost importance. The usage of thematic analysis provided flexibility when interpreting the qualitative data, as well as accommodated an organised structure. The thematic analysis performed is argued to be deductive, since prior to the interviews we had a conception of the themes that were to be found within the qualitative data collected. Furthermore, the analysis followed a semantic approach, which inferred that the analysis concentrated on the explicit content the data provided, and henceforth an exclusion of analysing the underlying assumptions (Bryman & Bell, 2017). To be able to highlight common themes ahead of the structuring of the empirics, each interview was transcribed separately.

## **4.4 Research Quality**

### **4.4.1 Validity and Reliability**

To be able to evaluate the research quality of the study, it is important to consider the reliability and validity of the thesis. Reliability refers to the statement that the result should be independent of the specific case, which infers that with the same method, the results should be identical. The transparency aspect is important and how well the method is explained affects the level of reliability of the study. Validity refers to how the data reflects truth and reality, as well as how useful and reasonable the research performance is. Validity includes both an internal and an external perspective. The internal validity is the inferences regarding cause-effect and causal relationships. However, in most observational or descriptive studies, the internal validity is not of

relevance. External validity refers to generalisability to other situations, groups, or events and to what extent the study can be applied (Bryman & Bell, 2017).

Bryman & Bell (2017) argue that the measure of validity in qualitative research differs from the measure of validity in quantitative research. For this reason, the methods in qualitative research formulated alternatives to what validity stands for. Internal validity and external validity in qualitative research can be explained as credibility and transferability. Credibility refers to that the research has been carried out in accordance with the existing rules and that those who have been studied, the respondents in the interviews, are allowed to take part in the information to be able to ensure that the researchers have perceived the information given correctly. Transferability can be explained as the level of accurateness and comprehensive description of the results, which increases the transferability to be used in other studies.

To reduce the risks of our chosen method to increase the validity, and reliability of the study, we have taken some special measures. To enhance the reliability, credibility, and transferability, all the interviews were recorded to prevent possible loss of information, misunderstandings, and language barriers when transcribing the material from the interviews. After the transcription was finished, the summaries of the interviews were sent to each respondent to approve and possibly add or change information if needed. Considering that the EU taxonomy is a new and complex area, it was especially important for us to have a continuous dialogue with the respondents throughout the process. The recording of the interviews and the approval of the material from each respondent made us feel confident with our presented empirical data, as we have reduced the risk of incorrect data analysis and henceforth possible inaccurate results and conclusions. According to Bryman and Bell (2017), this is called respondent validation, where it is ensured that the results of the study obtained are consistent with reality.

Regarding transferability, the result in this study is complex to transfer to other studies as the study does not represent all companies since the sample is not sufficiently extensive to be transferred to all companies. Qualitative research is often about the interpretations of a small group of individuals and to create a more in-depth understanding, which can make it difficult to generalise the result to other multinational companies, for instance.

#### **4.4.2 Triangulation**

To ensure triangulation, the aim was to use different types of sources for the data collection to study the phenomenon from more than one perspective, which also increases the reliability of the study. This type of triangulation is called data triangulation (Quinlan, 2011). In this study, we used both text analysis and semi-structured interviews which relate to both a quantitative and qualitative study. Using several methods can thus be a way to variegate the picture of reality and show that a scientific problem consists of many aspects and is affected by different objects and reduce the risk of systematic mistakes.

The data triangulation will compensate for the weakness of each method. Besides that, we used text analysis and interviews as data collections, we also added the legislative side of the empirics as we also interviewed authorities, to obtain more comprehensive information about the EU taxonomy through a primary source. In this study, we can also consider that the researcher triangulation is improved as the research was performed by two researchers. This means that it reduces errors in interpreting and analysing data and henceforth the opportunity to correct each other in the event of any misinterpretations.

#### **4.4.3 Ethics and Sustainability**

The thesis follows the Swedish Research Council's (2017) standard with regard to Good Research Practices. The four separate research principles developed by the Swedish Research Council to take into consideration are; reliability; honesty; respect; and responsibility. The aspects that need to be discussed more particularly are consent, privacy, and correctness.

Consent refers to voluntary participation in the thesis. Prior to the interviews, we emphasised to the respondents that the participation is voluntary and defined the aim of the study in order for the participants to have the ability to decline the offer to participate in the thesis research. The interviewees also had the possibility to give their consent to voice-recording the interviews and were informed that the recording's purpose was solely for the transcribing process to be performed effectively, and to avoid misinterpretations. Furthermore, after the interviews were transcribed, the recordings were deleted, which were communicated to the respondents. If no consent was given, no recording was made. The privacy aspect refers to the anonymity of the participants.

Prior to the interviews, the respondents were questioned if the researchers were allowed to use their names and positions within the organisation in the thesis. Every participant has been given the opportunity to be referred to anonymously. The respondents' answers were collected and defined how the researchers managed the personal data of the participants. The last aspect to take into consideration was the correctness. The correctness refers to the correctness of the result and emphasises the importance for the result to be truthful and not modified. To be able to align with this requirement, the results from the empiric were summarised and sent to each of the respondents. As a consequence, the researchers could be notified of any misinterpretations that needed to be modified in order to present the empirics in the proper context (Swedish Research Council, 2017).

#### **4.4.4 Research Quality Discussion**

The thesis used a deductive approach, which came with advantages, as well as disadvantages. The disadvantages concern the subjectivity of the thesis, which implies that the researchers choose a case subject to study based on earlier experiences and formulate a provisional theory hypothesis that excludes other theories that could have been of interest. There is a need for the researcher to be open to alternatives, and preserve a broad-mindedness (Patel & Davidson, 2019).

The presented disadvantage concerning a case study method needs to be taken into consideration. It has been argued that the case study method provides an inadequate base for scientific generalisation since the case study by some is considered too situation-specific (Yin, 1994). However, Weick (1979) proposed that what had been seen as a critique of the case study research design, could in addition be seen as an opportunity. To be able to understand phenomenon in their environmental context, the interaction needs to be evaluated. The interaction is most effectively evaluated by in-depth investigation, where case studies play an important role. Furthermore, both Weick (1979) and Yin (1994) identified the weakness of the case studies with regard to information gathering. The authors meant that the will to describe everything, often resulted in describing nothing. To decrease the risk the case study provides, this study was designed to be structurally established in theories that are argued to increase the thesis' consecutiveness.

The thematic analysis used comes with advantages, but also disadvantages. The flexibility that was seen as an advantage in this thesis, could also be seen as a general disadvantage. The flexibility could lead to providing the thesis with inconsistency, and an absence of coherence when coming to derive themes out of the qualitative data (Holloway & Todres, 2003). To be able to prevent that the flexibility was seen as an unfavourable character of the chosen method, the research held a connective structure along the process, which provided the thesis with the consistency needed.

## 5 EMPIRICAL FINDINGS

### 5.1 Introduction of Selected Organisations

#### 5.1.1 Authorities

The Swedish Ministry of Finance is responsible for questions concerning the economy of Sweden, with regard to coordination, analyses, forecasts, politics, taxes, and steering. The Ministry of Finance forms a part of the Government Offices and possesses the formal responsibility concerning the EU taxonomy (Regeringskansliet, 2022). Respondent A is positioned within the Financial Market division and coordinates questions regarding the taxonomy in close cooperation with other departments, such as the Environmental department. The respondent is responsible for collegiate Sweden's position concerning the EU taxonomy.

The Swedish Financial Supervisory Authority operates as a financial supervisory authority for all companies active in Swedish financial markets. The focus areas include promoting efficiency and stability within the financial system and in addition, ensuring effective consumer protection and sustainability (Finansinspektionen, 2022). Respondent B is located within the Sustainability department of the Swedish Financial Supervisory Authority and is responsible for the legal coordination of the authority's activities in the field of sustainability.

#### 5.1.2 Volvo Cars

The selected enterprise is operating in the automotive industry, under the name 'Volvo Cars'. The headquarters is located in Gothenburg, where the brand was founded in 1927. Since the 29 of October 2021, Volvo Cars is a publicly listed company on the Nasdaq Stockholm Stock Exchange and the largest owner of the enterprise is Geely Sweden Holdings AB, holding 82% of the shares and capital. The vision of Volvo Cars is to make life easier, better, and safer for everybody. The automotive enterprise states that "We want to provide you with the freedom to move in a personal, sustainable, and safe way". To build the most personal solutions in mobility and make life less complicated with products are services that are personalised, familiar, and luxurious. They commit to responsible business conduct and their ethical values run through

everything and pioneering the safest and most intelligent technology solutions in mobility. (Volvo Cars, 2022).

## **5.2 Interviews with Authorities**

### **5.2.1 Purpose with the EU Taxonomy**

Respondent A states that the EU taxonomy is a matter for the Swedish Ministry of Finance and specifically the Financial Stability Council since the EU taxonomy is considered a transparency tool that targets the financial market participants primarily but in practice concerns almost every part of the Government Offices. The Swedish Ministry of Finance coordinates Sweden's position in the question. Respondent A describes that the taxonomy is connected to the Green Deal, but that the taxonomy in reality is older than that. Sweden has since 2015 acted in a way to promote a sustainable financial market, including better transparency and to be able to create a classification system related to the financial market side. Respondent A reports that the Commission presented its proposal of the EU taxonomy constitution 2018 and that the Green Deal was implemented in late 2019. Furthermore, does the taxonomy frames within the Green Deal and the aim of the taxonomy refers to the transit to climate neutrality, which is considered to require extensive resources. The taxonomy will support canalising resources to sustainable projects, but to be able to evaluate these, a classification system is needed, as stated by respondent A, which is confirmed by respondent B. As explained by respondent A, two delegated acts have been implemented, and an additional act has recently been presented which requires a lot of work by the Council and the Parliament to develop a Swedish position and decide whether any objection will be submitted.

Respondent B states that the Swedish Financial Supervisory Authority practises supervision of enterprises operating in the Swedish market. The aim is to ensure that enterprises comply with the legal framework decided by politicians, which includes supervision of the EU taxonomy objectives. Moreover, respondent B describes that the taxonomy does not constitute an independent document but rather functions as a classification system. This implies that the taxonomy moderates how enterprises should report with regard to environmentally sustainable investments in the annual report, and these documents shall be declassified according to SFDR's standards. Furthermore, respondent B states that the Swedish Financial Supervisory Authority is



active both within IASB and EFRAG, and a driving market actor in developing new standards with regard to enterprises' sustainability reporting. Today, the Swedish Financial Supervisory Authority delegated the surveillance of the sustainability reporting to the Board for Swedish Accounting Supervision, since the sustainability report composes a part of the administration report within the annual report. Any serious infringements shall be reported to the Swedish Financial Supervisory Authority, which decides when intervention is suitable. Respondent B emphasises that this is not the case yet, since the first taxonomy-related annual reports are still to come. It is too early to say something about practical management, but the actor is prepared to rearrange operations if needed.

### **5.2.2 Implementation**

Respondent B concerns transparency when discussing the management control measure the taxonomy constitutes. The respondent states that this is not a genuine market failure, which implies that the management control measure is transparency. The trade-off between environmental sustainability and returns is made by the market and in the best of worlds, the environmentally sustainable assets also bring high returns. For the market to be able to manage this trade-off is data required, to be able to price sustainability risks into its investment decisions. Furthermore, does respondent B argue that the taxonomy will support effective resource allocation not only from a return perspective but in addition from a sustainable point of view. However, the respondent emphasises that it is the market's task to solve the equation between return and sustainability in the investment processes.

Respondent A argues that an incitement for Volvo Cars to align with the taxonomy objectives is to be evaluated as green. However, the respondent discusses that there will always be investors that do not concern themselves with the taxonomy in investment decisions. Respondent A refers to a discussion regarding the Swedish Armed Forces' sustainability or non-sustainability, where some members claimed that investors would not invest in the Swedish defence if their activities would not be classified as green according to the EU taxonomy. However, respondent A denies this statement and refers to the consequences of the Russia-Ukraine war, where SAAB's stock share increased rapidly. Respondent A concludes by arguing that some investors will continue investing in organisations evaluated as non-green, but for selected organisations can an alignment with the taxonomy objectives be of high worth, which includes organisations such as

Volvo Cars. However, respondent A mentions an unease that has been perceived within SMEs which might not have the capacity to dedicate specified resources to dig into the taxonomy, and this ambiguity amounts to concern.

Respondent B refers to the European Single Access Point (ESAP), a legislative proposal adopted by the Commission in the Autumn of 2021. The proposal constitutes a digital platform where public financial and sustainability information will be reported, concerning enterprises operating in the European market, as well as EU investments. This information will be machine-readable and accessible to the public and the respondent believes that a best practice is going to develop as these documents will be reported to the European Securities and Markets Authority (ESMA). Furthermore, does respondent B explains that besides the category-based and the template questions runs a work that concerns the technical aspect of the reporting process.

At this stage of time, respondent A states that the work of the Financial Stability Council concerns communication, toward enterprises as well as authorities and departments that require clarification. The Financial Stability Council's function is information aggregative and stands humble in front of what is known, and what the future holds. The Commission provides guidance, which is an important factor since interpretations in Sweden should not be stricter than any other member state in the EU, the market needs to be harmonised. Respondent A states that a big interest is perceived in Swedish commercial and industrial life, and in politics. Furthermore, what can be problematic is that actors do not particularly know exactly what they want, more than promoting a green transition, and there is a need for the Financial Stability Council to concretise these proposals from different actors in order to evaluate them as operable or not.

### **5.2.3 Opportunities with the EU Taxonomy**

In the opinion of respondent B, is the primary opportunity concerning the taxonomy that the enterprises themselves have to reflect on their activities with respect to sustainability.

Respondent B continues by arguing that numerous enterprises have not understood that many activities they perform align with environmentally sustainable work. Furthermore, can the taxonomy support companies in distinguishing which activities are beneficial from a sustainable perspective. The same goes in the opposite direction, when discovering activities that were thought to contribute to sustainable work, but do not align with the taxonomy. The respondent

quotes that “*Global issues require global solutions, but in this case do the global issues get a regional solution*” (Respondent B, Interview 28 April 2022).

In the opinion of respondent A, could the taxonomy eventually assist in increasing transparency, since an actor claiming that a fund is green, has to prove it in comparison with the taxonomy. According to respondent B, there has been a lack of data on sustainability, where the taxonomy can be the first step in increasing comparativeness between data. This means that it is presented a definition of what environmentally sustainable is referring to, which creates comparability. Respondent A argues when discussing possibilities with the taxonomy with regard to Volvo Cars, can an opportunity be to continue promoting a green image which in extension can lead to market shares when aligning with the objectives. Furthermore, does respondent B mention the social sustainability taxonomy, that in a short while will be introduced by the EU.

#### **5.2.4 Challenges with the EU Taxonomy**

According to respondent A, a challenge with the taxonomy is its ambitious approach, whose aim is to cover all sectors of the economy. Respondent A emphasises that this aim is good, but that it means that the taxonomy is greatly extended and that it takes time and is complicated. Furthermore, respondent A believes that there is an expectation from multinational companies, such as Volvo Cars, to receive clear requirements in an early stage in order to ensure predictability and legal security. Respondent B, conforming to respondent A, mentions the political aspect of the taxonomy and states that actors should not be naive when it comes to the taxonomy as it is based on political precepts. Respondent B continues by arguing that a lot of actors thought of the taxonomy as a neutral and scientific-based product, but states legislation as a political product which per definition cannot be completely scientific-based without any political character. Furthermore, does respondent B emphasise that the taxonomy is based on proper analysis of what is defined as environmentally sustainable, but gives an example of the political character when stating that politicians determine which enterprises the taxonomy covers based on what is believed that the enterprises and the market can manage. Respondent A, as well as respondent B, refers to the discussion with regard to the inclusion or non-inclusion of nuclear power and natural gas that the Platform was critical to, but which still were included by the Commission as taxonomy-friendly activities. This discussion is difficult and takes time, and respondent A does not see it as an impossible outcome that the delegated acts concerning the

four remaining objectives will be delayed with regard to the political decisions that need to be determined.

## **5.3 Interviews with Employees at Volvo Cars**

### **5.3.1 Sustainable Activities Related to the Six Objectives**

Regarding the sustainability performance, related to the six objectives, nearly every one of the respondents state the goals of the company. In 2025, Volvo Cars plans that 50% of the automobiles sold will be electric cars and that the enterprise would have reduced 40% of CO<sub>2</sub> emissions. Furthermore, does Volvo Cars intends to be a fully electric car company by 2030. The ambition is to be climate neutral according to the Paris Agreement. Respondents C and F state climate action, circular economy, and ethical and responsible business as the enterprise's overall strategies, and the three main focus areas. According to respondent F, the enterprise possesses a lot of ambitions and strategies with regard to sustainability, which the company is trying to break down into operational performances.

In the opinion of respondent G, is the first objective, mitigation of climate change, the clearest objective and most related to the automotive industry, whereas respondents C and H agree that climate change mitigation is the main objective for the organisation. Furthermore, respondent K and G states that the electrification of Volvo Cars' cars has started the transformation considering mitigation of climate change to the highest degree, as when Volvo Cars sell electric cars, the enterprise reduces emissions and the negative impact on the climate. It is stated that the electrification of cars permeates everything the company does. Respondents C and D further explain that the company's overall strategy, climate action, circular economy, and ethical and responsible business, are related to the UN's 17 sustainable development goals.

Respondents D and E declare the tariff of 1000 SEK per ton of CO<sub>2</sub>, which infer that all new car programs have a tariff that implies a higher cost the higher carbon emission. If they are looking at a business case to do an investment it is included in the calculations as a justification towards financials, to apply a certain level of cost that is otherwise not done. Respondent E refers to the Green Finance Framework, where the enterprise has a number of projects that are evaluating; where to invest in the future; where to spend; and where not to spend, to support all the new

objectives. It is stated that a decision may not financially be the best solution, although it is needed to become climate neutral, for example, in manufacturing. Moreover, respondent D opines that Volvo Cars is growing in the green financing area, with several green products.

Considering the second objective, adaptation to climate change, respondent G believes that the objective is more unclear than the first one and does not have the same gearing. However, most of the respondents agree that mitigation and adaptation go hand in hand. It is crucial that Volvo Cars moves towards electrification and reduces its carbon footprint the product constitutes.

Respondent D highlights that sustainability is broad and concerns carbon footprint, purchasing of material, and corruption. Consequently, it is crucial to scope it down and see sustainability from different aspects, *“Even if the words are small, you can find a lot of things in it”* (Respondent D, Interview 12 April 2022). Regarding the first two objectives, the respondents agree that the industry they are operating within needs to take responsibility to mitigate and adapt to climate change.

The objective concerning the sustainable use and protection of water and marine resources has less focus, according to some respondents. Moreover, it is emphasised that the objective is important and relevant to take into consideration, as a lot of water usage occurs in the manufacturing operations. Respondent C states that the third objective was not a prior focus as long as the manufacturing was based in Sweden, since no issues concerning water resources were to be found. However, since manufacturing, in addition to Sweden, is performed in Gent and Charleston, the objective is more relevant as there is found to be a scarce commodity in many places. Respondents G and C state that the third objective is complex since it varies a lot depending on country and production. According to Volvo Cars' sustainability report (2021), the enterprise's target is to reduce the water usage per car by at least 15% between 2018 and 2025. Pursuant to the sustainability report, water usage has been reduced by 23% by 2021, which is stated to partially be an effect of process and maintenance improvements. Besides, respondent D mentions that Volvo Cars was active in water protection projects in Australia, to emphasise the importance of the matter.

The fourth objective concerns the transition to a circular economy, priorly described by respondents C and F, as one of the company's overall strategies and ambitions. The circular

economy material topics are resource efficiency, material management, use of recycled materials, and minimise waste and will support their profitability through generating cost savings and creating new revenue streams. Overall, several of the respondents place the circular economy as most relevant in relation to their daily work since the perspectives of the circular economy can be numerous, both including supply chain management and accounting. For respondent C, the focus lies on recycled material in packaging and recycled plastic to emphasise durability and enable reuse, repair, and refurbishment to develop the logistics systems which will support the circular transformation. Another focus area where supply chain management can contribute to the circular economy transition is the spare parts, where processes and solutions are developed to use spare parts more efficiently. Moreover, does Volvo Cars have a remanufacturing program where they restore replaced parts to their original specifications to realise both environmental and financial savings. Furthermore, respondent J explains that Volvo Cars entered a partnership with Northvolt for sustainable battery development and production for the next generation of pure electric Volvo cars. The joint venture research centre and manufacturing plant are to be placed in Gothenburg, to commence operations in 2025. It is important to work closely with partners to create new circular processes and solutions.

Pollution prevention and control is the fifth objective and was said by many respondents to be connected with the first two objectives of mitigation and adaptation of climate change as it also revolves around the electrification of the cars and the overall strategy of climate action. Respondent I states that pollution can be foreseen from different perspectives such as from the car, logistics, material purchases, and sourcing. Therefore, it is perceived that climate action and circular economy are merging in many sections. Respondent C states that Sweden has fairly strict requirements when it comes to emissions and pollution, and traditionally is the pollution linked to emissions in manufacturing. Regarding the manufacturing part of emissions, Volvo Cars perceives themselves as quite strong and opines that already in 1972, they were seen as the leading car manufacturer from an environmental perspective. Respondent C continues to explain that the substantial problem today is that the emissions from the car are greater than the emissions from the production, which implies that the usage of the car, dependent on the consumer, causes the most emissions and pollution of the environment. Therefore, it is important with the electrification of the cars to ensure that fuel consumption is as low as possible and to introduce car-sharing business models to reduce the overall number of cars. Furthermore, in the

opinion of respondents H and I, the industry that the company is operating within is one of the most regulated sectors, and there are regulations or initiatives which are targeting the enterprise.

For the last objective, protection and restoration of biodiversity and ecosystems, respondents G and C state that biodiversity, together with water resources, is the most challenging objective to understand and improve. The focus on biodiversity elaborated rapidly, and consequently, it is important to keep up and keep track of the situation. It is a work in progress and the focus on protecting biodiversity will increase in coming years, respondent D states that every objective is important for Volvo Cars.

### **5.3.3 Sustainability Management**

Respondent G, conforming to respondent H, states that the sustainability strategy is the same now, as before the knowledge of the EU taxonomy, and cannot envision that it will affect their overall strategy or goals except perhaps for some smaller corrections to align with the taxonomy. Respondent D agrees that the EU taxonomy is not driving their performance. Moreover, respondents G and H believe that the reporting of the taxonomy objectives becomes quite uncomplicated, as it fits well with the strategies and goals of Volvo Cars. As specified by respondents H and C, Volvo Cars has strong commitments in terms of sustainability and where the enterprise wants to be in the future. Respondent C states that during the last three years, the general sustainability approach, with a focus on climate action, is more apparent on the agenda and in decision-making. The respondent does not believe that this is a consequence of the EU taxonomy regulation. Furthermore, is the respondent convinced that both the overall strategy and the goals of Volvo Cars are well known within the organisation, and that employees generally put pride in working with sustainability. Respondent E emphasises that employees are given a task and understand how they are believed to support Volvo Cars' strategy. Respondent F agrees that they break it down in the operations, so everyone should be involved. Moreover, respondent C argues that Volvo Cars can continue to improve to evaluate sustainability consequences together with other calculations such as quality, cost, and lead times.

In the opinion of respondent H, the internal response with regard to the EU taxonomy has been rather positive, as with any topic that has to do with sustainability. Respondent H argues that Volvo Cars tends to see initiatives at an EU level on sustainability as something that can support

the enterprise's strategy. Furthermore, conforming to respondent H, respondent D states that there is an internal engagement with regard to the taxonomy, which is believed to be important. The respondent argues that meetings are characterised by enthusiasm in trying to find new ways of reporting and solving several matters. The opinion that respondent C holds is that the taxonomy internally at Volvo Cars is quite unknown and that the strategy of the enterprise is to have few people deeply dedicated to the matter. The advantage of this strategy is argued to include effective lobbying by the Global Sustainability Team and Public Affairs. Furthermore, does the respondent state that the internal knowledge with respect to the taxonomy is held by the Finance division and the Global Sustainability Team. However, most of our respondents believe that the specific knowledge about the EU taxonomy is rather limited, although the overall sustainability strategy and goals are widely-known. As described by respondent G, the implementation of the EU taxonomy is still in a start-up phase and they have to understand what applies and what they need to do. In the future, the ambition is to have the taxonomy integrated into the standard sustainability operations.

When it comes to assessing sustainable activities, respondent H opines that Volvo Cars will need to find colleagues that can internally assess if the impact will be positive or negative and what needs to be changed, if anything. Respondent G agrees that there is a need for recruiting suitable skills, both with regard to the general sustainability performance and development, as well as specified knowledge concerning the EU taxonomy. Respondents H and I explain that their work includes helping and supporting colleagues internally to try to understand, in the best way possible, what is expected of Volvo Cars as an enterprise. Furthermore, it is emphasised that pure implementation is not the focus of respondents H and I. According to respondent C, the Global Sustainability Team is centrally operating within Volvo Cars, to ensure implementations when it comes to sustainable activities. Respondent E describes that the division of Finance provides different operations with financial data, which is an important component concerning assessment and implementation.

Concerning the topic of sustainability reporting, respondent K believes that the processes for how to determine the numbers that will be reported eventually will have to change because of the EU-taxonomy criteria. It is still uncertain what the future will hold for the reporting process. Respondent J states a similar opinion when arguing that the EU taxonomy eventually will



increase the reporting responsibility. Another aspect discussed by respondent J refers to ensuring that Volvo Cars could provide the data that the market demands access to, for example when reporting to the authorities. In due course, more manual work is required, to be given the level of data. The respondent is convinced that if new challenges come, Volvo Cars will find a solution. In the opinion of respondent G, Volvo Cars has got decent processes on how to report with regard to the taxonomy. There is still some uncertainty and a lot left to do, but it has worked well so far. The respondent continues to explain that this year the Finance department was given the responsibility for the EU taxonomy reporting. Usually, the Finance department takes care of the financial reporting and the Global Sustainability Team conducts the sustainability reporting, but this year the Finance department is reporting on both. Moreover, the respondent has good communication with finance colleagues concerning the financial reports and that a template is accessible to comply with. Respondent G does not believe that the reporting requires a lot of change, besides possibly a few more columns to report on. Furthermore, it is argued that the reporting might get more complicated when reporting on the next four objectives, which conceivably causes effects on the current KPIs.

Respondent D states that there is a need to enhance data in certain areas when it comes to the financial data and the criteria, as a lot of it relates to the EU taxonomy. It is about organising and accessing data, as well as finding the definitions of turnover, CapEx, and OpEx since they might not have the same definition that the taxonomy provides. Furthermore, how much of turnover, CapEx, and OpEx is 'green'. The respondent believes it is important to be in the lead of the reporting of sustainable activities. In the opinion of respondent D, the reporting and the target setting have improved, and the company is better at showing it to stakeholders, in order to be more transparent. In the opinion of respondent E, the complexity lies in how to report and what is needed to support. It is stated that the data collection will be a tough challenge, as well as what the measure of the sustainability journey will look like. In addition, the EU taxonomy framework is important to be comparable with other industries.

Respondent C argues that sustainability will improve the external view of the enterprise and gives an example, *“If another company within the automotive industry pushes safety on the TV, Volvo Cars increases sales because we are associated with safety. Hopefully, the same effect will apply to all of our stakeholders when it comes to sustainability”* (Respondent C, Interview 12

April 2022). Respondent D believes that people see Volvo Cars as a brand trying to take action with regard to sustainability. Respondent K argues that with the advantage of being a premium enterprise, it is easier to be a sustainable company as, for example, they can choose based on more premises when it comes to material.

Respondent H states that prior to the taxonomy, Volvo Cars had commitments that align with the taxonomy, which implies that a movement toward sustainable activities was not due to the taxonomy. Respondent C conforms with this opinion when arguing that the taxonomy is still fairly anonymous and that phases of change are henceforth not due to the taxonomy. It is argued that the classification system functions as a support in showing the path the enterprise was already on, comforting the company's strategy as well as helping prove to investors that Volvo Cars is serious about their strategies and in the transition towards a sustainable enterprise, according to respondent H. Respondent G states a similar contention, when implicating that the taxonomy could function as a support in showing investors that the enterprise is satisfying requirements in the pace that is claimed by the company. Respondent G argues that this brings clarity, as well as operating as a receipt of implementation, and as long as Volvo Cars delivers what is stated, is the taxonomy salutary. Furthermore, respondent G states that the taxonomy is solely a requirement of reporting, and no demand is set for fulfilment. Volvo Cars have internally communicated strategic goals where the enterprise wants to be in a future point of time with regard to sustainability and if it is shown that competitors are performing more suitable, is that a case of evaluation.

According to respondent G, a consulting company made an invention in 2020, and an update in 2021 concerning the taxonomy's effect on the Swedish business world, where they stated that investors see the taxonomy as a good tool, but declare that the taxonomy is one tool of many that are used in investments. An investment that is believed to gain profit is prioritised superior to an investment that aligns with the taxonomy requirements. However, respondent G states that Volvo Cars division of Treasury opines that it is of importance that investors and banks are interested in the taxonomy.

Respondent H and I agree with each other when discussing the credibility of the taxonomy. The respondents mean that the taxonomy has to be creditable, *“As a dictionary of what is*

*sustainable*” (Respondent H, Interview 21 April 2022), and continue by arguing that the investors using the tool are the actors that can give credibility to the taxonomy since Volvo Cars has to follow the requirements and the enterprise were reporting before the classification system was implemented. The taxonomy has to be proven to be a useful tool, and this is shown when evaluating how market actors are using, or not using, the tool when doing investments. If investors and those who tend to represent what is represented as a common interest align with the taxonomy in investments and see the classification system as valid, respondent H would consent that it is a good proposal and a good tool.

Respondent I means that there is a risk with regard to the huge appetite investors are showing to access green assets on the market. The pressure from the investing community to expand their green asset base could result in a taxonomy that is too weak, and too inclusive, with investments that in reality are not green, which leads to a softer taxonomy that harms the overall intention. Furthermore, respondent I brings up another perspective in the discussion about the credibility of the taxonomy, which refers to the auditing. It is argued that if the tool should be perceived as credible, the supervision from authorities regarding the audits needs to be done independently and scientifically. If this demand is not fulfilled, there is a risk of greenwashing, or collusion, states respondent I. Respondent H is conforming to these opinions when arguing that the reporting needs to be robust to decrease the risk of greenwashing. Furthermore, does respondent H deem that the risk of greenwashing could be the reason why the NGOs were more critical of the commissions’ decision, compared with companies and investors.

### **5.3.4 Opportunities with the EU Taxonomy**

Respondent I argues that a possibility with the taxonomy is that the enterprise can use the classification system to strengthen the image as a creditable, green company for investors. The respondent continues by arguing that since Volvo Cars went public this year, there is a need to give credibility to the enterprise’s investment strategies and if the taxonomy can support these claims, that is something positive the company can benefit from. Respondent H states that there is a need to move in the direction Volvo Cars does and that the direction is not decided depending on the objectives of the taxonomy. The taxonomy will function to prove that they are serious with their environmentally sustainable activities, strategy, and transition, and to encourage the enterprise to keep the path that has been decided before the taxonomy. Moreover,

respondent K argues that the taxonomy can help to create a little more priority for the projects that have been less prioritised before. The respondent gives an example that could be if Volvo Cars is ahead of other competitors, the enterprise wants to make this evident and attract investors and eventually get a competitive advantage. There could be an opportunity when companies follow the same regulation and definition since comparability will be easier. If the company is evaluated as being better than its competitors, it will be easier to presume a competitive advantage.

According to respondent C, there is an opportunity for Volvo Cars to influence the taxonomy to set stricter requirements since the enterprise is right positioned within the taxonomy. The respondent opines that steering towards a stricter direction can help Volvo Cars in effectively distributing Volvo Car's electric cars to the market. However, does the respondent emphasise that this needs to be viewed in the right manner, so as not to create a disadvantage for the enterprise. Respondent G refers to a similar opinion when stating that Volvo Cars would benefit from high requirements. Respondent G opines that the industry is not characterised by being honest and transparent and that the taxonomy is a way of communicating and proving, both internally and externally, that the organisation is doing what it should. In the opinion of respondent J, they are one of the companies in the automotive industry that has the most to gain from this regulation, as the respondent thinks that they are already far in the transition to being more sustainable. It is easier to maintain their strategy and even increase market share. Respondent C states that the company benefits financially by being clear and transparent with its sustainability performance.

In the opinion of respondent D, the industry will move forward with the taxonomy as a supportive tool. The respondent argues that the taxonomy is a way of steering, and believes that the taxonomy refers to a psychological effect of transparency. A customer or an individual can create behaviours as well as a company by being transparent. If a sustainability claim is stated by certain companies, there is a way for the individual to compare these enterprises to be able to make a considered decision. In the same way, respondent E describes that the taxonomy hopefully can drive future environmentally sustainable behaviour in other markets in addition to the European one. The respondent argues that Volvo Cars potentially could require similar demands on companies related to Volvo Cars outside of Europe. Furthermore, is it argued that

investors eventually can turn to, for example, American companies, and require transparency regarding their economic activities.

### **5.3.5 Challenges with the EU Taxonomy**

When discussing the challenges concerning the taxonomy with the respondents, some challenges are distinguishable among the respondents. Respondent H argues that internally managing the transition and the reporting in quite a short time is a challenge for Volvo Cars, as well as understanding whether the company was on the right track in its interpretation, and did not misunderstand the commission's way of interpreting the legislation. Respondent H means that in some criteria of the classification system, the annexes were not particularly clear to understand and that it required a few internal meetings to go through the taxonomy over again to be able to understand whether any gaps needed to be fulfilled in order to align with the classification system. *"Interpretation is always a risk"*, says respondent H (Interview, 21 April 2022) and argues that there is a lot of interpretation in connection to the taxonomy which constitutes a risk. If manufacturers in 27 member states of the European Union interpret the legislation in different ways, this leads to different types of reporting, gaps and thus a weaker tool. In respondents H and I roles at Volvo Cars, an important aspect was to gain clarifications with regard to the taxonomy that then was communicated internally. The need for clarification was both discussed with the commission and with ACEA (European Automobile Manufacturers' Association) in order to comprehend the taxonomy.

One major challenge within the industry related to the six objectives and the DNSH criteria is to see where their environmental impact is substantial. In the opinion of respondents C and D does the use of the car contribute to the most significant negative impact, which implies that the customer's use of the car and the fuel consumption account for most of the emissions. There is a challenge in getting customers to purchase electric cars, since the electric cars do not attract some customers, and on top of that, more charging stations are needed. According to respondent D, there is still some uncertainty concerning the DNSH criteria and the objectives, which constitute a risk for misinterpretations. Moreover, the respondent determines the challenge with globalisation and how the taxonomy will proceed due to DNSH definitions. The framework is not set, and one of the most difficult questions according to respondent D is *"How do we measure our sustainability journey?"* (Interview, 12 April 2022). The respondent believes that

the EU taxonomy is about what is measurable in the company. When discussing DNSH, respondent G argues that if one of the DNSH criteria turns out to be expensive, there will be dialogue and compromise, since the enterprise has to set profitability and sustainability against each other.

Respondent G distinguishes another challenge that has to be managed internally at Volvo Cars, which refers to the complexity of being a multinational automotive enterprise with activities in Europe, Asia, and America. This means that Volvo Cars needs to adapt to different legislation, which includes adapting to the taxonomy in Europe but also managing that the classification system does not cover the operations in America or Asia. Respondent G continues by defining that Volvo Cars have internal requirements that all parts in the enterprise have to follow, but these are not stronger than the legislation of the continents. Respondent C agrees that the taxonomy must strive globally. Finding people with expertise in all legislations that cover Volvo Cars is difficult, and Volvo Cars needs to determine whether the expertise is to be found in employees that understand every legislation that comprises Volvo Cars, or if the enterprise finds these skills separately. Likewise, does respondent H discuss difficulties with significant expertise among co-workers. The respondent argues that there is a need to find colleagues internally who can assess the outcome of the taxonomy with regard to Volvo Cars, and comprehend whether the impact will be positive or negative.

In the opinion of respondent G, some requirements in the EU taxonomy are both difficult to control and to fulfil. Respondent G refers to the Candidate List (SVHC) and describes that in the taxonomy, it is prohibited to in the manufacturing include the potential substances that are composed within the Candidate List. This is perceived as difficult, since no substitute products are to be found, and as a consequence gets the whole business a denial in the taxonomy evaluation.

## 6 ANALYSIS

### 6.1 Stakeholders

Freeman & McVea (2001) state that for a firm to be able to survive in a volatile environment, the management needs to focus on other values than solely the highest output of the day. Thus, the management needs to direct the enterprise to have a sustainable future path, which is made by interpretation of stakeholder relationships. The stakeholder relationships of Volvo Cars is evaluated as being important for the enterprise since respondents discuss stakeholders to a great extent. It is perceived that Volvo Cars will use the EU taxonomy to be able to prove to investors that the enterprise is serious about its strategies and in the transition toward a sustainable organisation. The general anticipation is that the EU taxonomy will bring clarity, and operate as a receipt of implementation, which is interpreted as salutary as long as Volvo Cars fulfils what the enterprise has stated internally and communicated externally. Furthermore, it is perceived that employees at Volvo Cars believe that the enterprise, *hopefully*, will be evaluated as well-prepared for the transition compared to competitors, which potentially can benefit the organisation.

Concerning the stakeholder perspective, do the politicians need to be taken into consideration. Politicians are discussed both by the authorities and representatives of Volvo Cars. The EU taxonomy is stated, as with any legislative, to be a political product, which infers that the tool will have political aspects integrated. A respondent states that enterprises should not be naive when it comes to the taxonomy, and argues that the legislation is based on scientific evidence but even though a political result. Consequently, the entailment is that the taxonomy could be influenced by market actors, such as the organisation Volvo Cars, which is also stated by the lobbying work of the division of Public Affairs at Volvo Cars.

### 6.2 Transparency

With regard to the transparency theory, the aspect is well documented by the respondents. A representative of an authority evaluates transparency as the management control measure and refers to the lack of a genuine market failure. A lack of data regarding sustainability is distinguished by respondents, which infers that comparison between organisations is difficult

concerning sustainable economic activities. The taxonomy is argued to increase the amount of data and consequently provide a tool for comparativeness. Thus, the taxonomy creates a way to promote a sustainable financial market, with transparency as its main incentive. For the market to be able to price sustainability risks into assets, data concerning sustainable economic activities need to be provided by enterprises. The taxonomy is evaluated as being a tool in the transformation towards a transparent market with regard to sustainability. Transparent data concerning sustainability is evaluated as a requirement for the market to be able to solve the equation between return and sustainability. Maas et al. (2016) emphasise the purpose of transparency, which refers to enabling its shareholders to assess the enterprise's environmental impacts. The taxonomy implements a common evaluation basis regarding enterprises' sustainable economic activities within the EU region, which increases transparency and in extension the comparativeness between organisations operating in the market it concerns. Furthermore, employees representing Volvo Cars argue that the taxonomy is a way of communicating, both internally and externally, that the enterprise is on the right, sustainable path. As stated by a respondent at Volvo Cars, does the taxonomy refers to a psychological effect of transparency. The transparency theory concerns an outside perspective of the organisation, which implies that organisations can evaluate economic activities compared with each other (Maas et al., 2016). It is interpreted that there is a will among respondents to be evaluated as taxonomy-aligned in comparison with competitors. This relates to the external sustainability communication of Volvo Cars and the promoted image of being a green enterprise. Conceivably, it can be comprehended that society sets higher expectations on an enterprise communicative with regard to economic, sustainable activities, compared with an enterprise not claiming any sustainable operations.

A potential prospect for Volvo Cars could include Volvo Cars setting requirements on subsidiaries outside of Europe, not comprised by the taxonomy due to its geographic location. However, these prospects are discussed slightly, and the respondents deny that requirements of this character de facto are about to be implemented in the near future. As stated by a respondent of Volvo Cars, European investors considering the taxonomy in investment decisions potentially could demand, for example, American enterprises to align with the taxonomy objectives and consequently require transparency regarding their economic activities.



### 6.3 Legitimacy

According to Suchman (1995), legitimacy is a generalised perception or assumption of what is correct, desirable, and appropriate, which is defined by social constructions and norms. The legitimacy aspect is evaluated as being important for Volvo Cars, since respondents emphasise that there is a wish for the taxonomy to set high requirements, in order to maintain the credibility of the taxonomy as the belief is that Volvo Cars potentially benefit from that kind of development. Respondents argue that one of the most important aspects of the credibility in relation to the taxonomy refers to investors, concerning whether investors align with the taxonomy in investment decisions or not. As Suchman (1995) signifies, the legitimacy depends on the collective social interpretation, and the credibility of the tool is thus decided by the investors using it. It is stated that Volvo Cars has to follow the requirements of the reporting the EU taxonomy provides and that the taxonomy potentially has the ability to strengthen Volvo Cars' image as creditable to investors. The choice of aligning with the taxonomy in investment decisions is voluntary, which implies that their usage, or non-usage, of the taxonomy will indicate whether the tool is evaluated as valuable and creditable by investors or not. However, the taxonomy is evaluated as one of many tools' investors use in investment decisions, a respondent states that an investment believed to gain profit is superior to an investment aligning with taxonomy requirements. Since the implementation of the taxonomy is not finished, it is of the greatest interest for Volvo Cars to evaluate the tool in relation to investors in the future. Furthermore, it is discussed that there will always be investors that do not consider the taxonomy in investment decisions, and an example with the increment in SAAB's stock share as the war, Russia-Ukraine in 2022 erupted is presented as an example. The SAAB example is presented by a respondent since SAAB's organisation consists of weapon manufacturing. On the contrary, for selected organisations an alignment with the taxonomy objectives could be of value, and Volvo Cars needs to attract these investors.

The sensitivity of Volvo Cars with regard to its environment is shown in the keyword 'sustainable', which is used in both internal and external communication. Sustainability is commonly used together with the keyword 'safety', a word long-time used in the communication of Volvo Cars. Furthermore, is the transit to electric cars emphasised by the respondent, which

infers that a phase of change is in progress that can be deduced to society's requirements on sustainability.

Furthermore, it is argued that it is especially important for Volvo Cars to be perceived as a creditable enterprise now since the enterprise went public last year (2021). The investment strategies of Volvo Cars require credibility and there is a belief that the EU taxonomy could be able to support these claims. Deegan (2014) argues that the legitimacy of a firm can be considered a resource since the enterprise is able to manipulate and affect its environment in directions that can benefit the firm. There is a wish for Volvo Cars to be evaluated as being in the forefront according to the EU taxonomy compared with competitors, to be able to influence the taxonomy to set high requirements on the industry as some respondents believe that Volvo Cars will benefit from a strict taxonomy.

The credibility aspect is discussed with regard to the auditing, which relates to the perception of the EU taxonomy by the investors. For the taxonomy to be perceived as a creditable tool, the supervision made by authorities needs to be done independently and scientifically. The greenwashing aspect is concerned with regard to auditing, and it is argued that if auditing is not done properly, there is a risk of greenwashing. Furthermore, it is discussed that there is pressure from the investment community in increasing their green asset base, which could lead to a weak taxonomy. Potentially, politicians register the pressure and include activities in the taxonomy that are not green, which leads to a softer taxonomy that is perceived harmful to the overall intention of the taxonomy.

## **6.4 Sustainability Management**

### **6.4.1 Assessment**

Maas et al. (2016) describe that the process of sustainability assessment is connected to identifying and measuring the goals, plans, and activities that will contribute to supporting the work with the challenges of sustainability work. With regard to the EU taxonomy, the assessment of the potential impacts is uncertain as the EU taxonomy is not yet fully certain or clearly communicated yet, and therefore can be hard to assess whether the impact will be positive or negative and what needs to be changed. Furthermore, from the authorities' point of

view, the delegated acts concerning the four remaining objectives will be delayed with regard to the political decisions, which certainly complicates the assessment. The assessment is presumed to be particularly complicated with regard to the DNSH criteria, technical screening criteria, and the definitions of these. As mentioned by the respondents, one challenge in the industry related to the six objectives is to see where the environmental impact is substantial and according to the DNSH criteria to assess where to see what sustainable activities will need to be prioritised. Furthermore, Volvo Cars require internal meetings to go through the taxonomy over again to be able to understand and assess whether any particular criteria need to be fulfilled in order to align with the classification system.

Lucarelli et al. (2020) point out the connection between assessing and decision-making with regard to the EU taxonomy. When assessing the potential impacts of the EU taxonomy, there could be a complex situation if some criteria turn out to be expensive. This will turn out into a dialogue on how to compromise between different activities since decision-makers have to set profitability and sustainability against each other and assess trade-offs. According to Maas et al. (2016), the assessment is important when new regulations need to be evaluated and Volvo Cars also think it is considerable to understand and analyse the situation when it comes to assessing potential new impacts on economic activities.

Maas et al. (2016) describe the assessment part connected to the reporting needs of the company and take the outside-in approach targeted for communicating with stakeholders and is relevant from transparency and measurement perspectives. As the EU taxonomy is a tool for being transparent, respondents at Volvo Cars believe that the reporting of their sustainable activities with regard to the EU taxonomy objectives will be a way of communicating and proving that the organisation is doing what it should and that the EU taxonomy will be a supportive tool for Volvo Cars. Considering the assessment of the criteria and definitions of EU taxonomy, it will be important for the company to not misunderstand the commission's way of interpreting the legislation. There is a risk with interpretations and the definitions when it comes to reporting the legislation, and it has to be assessed correctly in order for the reporting to be the same for all companies and EU-member states. Currently, the company believes that they have decent processes on how to report on the EU taxonomy. Some respondents argue that they believe that the reporting will be quite uncomplicated as it fits with Volvo Cars' current strategies and goals,

while others discuss that they should be careful with the reporting. There is a risk of being over transparent in the beginning, as it is still in a start-up phase.

As stated by Maas et al. (2016) the reporting part is important with regard to stakeholders and their expectations of the enterprise. For the EU taxonomy itself, the reporting concerns investors the most. As a result of the EU taxonomy, both the financial and sustainability reporting were composed by the Finance department. Moreover, the authorities imply that the EU taxonomy moderates how companies should report with regard to environmentally sustainable investments in the annual report, and these documents shall be declassified according to SFDR's standards. Considering that the EU taxonomy revolves around investors and transparency, it is reliable that the Finance department takes the responsibility for the reporting.

#### **6.4.2 Accounting**

Maas et al. (2016) define sustainability accounting as the part where the company is collecting the data where both monetary and non-monetary data are taken into consideration. When it comes to data collection for sustainability and hence the EU taxonomy, the Finance Department provides different operations with financial data and monetary data to evaluate sustainability consequences together with other calculations such as quality, cost, and lead times. Furthermore, was it argued that the financial data possibly will have to be improved or even have to change in certain areas due to the EU taxonomy, which also refers to the fact that Maas et al. (2016) state that sustainability accounting will help to analyse the sustainability performance in different ways and how to improve it. Furthermore, there is some uncertainty regarding what data they will have to provide to be able to report on the EU taxonomy correctly.

Maas et al. (2016) identify a strong link between assessment and accounting, as the data collection is both for internal and external purposes. As mentioned before, there are some challenges with the definitions of the criteria when discussing assessment. From an accounting perspective, it is both about organising and accessing data. In addition, Volvo Cars must disclose an EU-taxonomy-compliant share of turnover and both CapEx and OpEx must be aligned with the EU taxonomy. The problem respondents see with the definitions is that the description of turnover, CapEx, and OpEx might not be the same definition as the taxonomy provides. Moreover, the authorities argue that it is important that the definitions need to be harmonised and

possibly then, the EU taxonomy will create comparability between companies concerning sustainability.

When it comes to measuring and collecting data, it is argued that the EU taxonomy is about what is measurable in the company, and one question brought up was “*How do we measure our sustainability journey?*” and how it will look like. As mentioned above, Maas et al. (2016) state that accounting relates to both monetary and non-monetary data, which can be connected to the challenge that the company sees of what is measurable and what is not measurable. The last four objectives may cause effects on the current KPIs to measure the sustainability performance aligned with the EU taxonomy. As mentioned before, there will be evaluations considering the trade-offs between sustainability and profitability, which are also mentioned by the authorities. To be able to handle the trade-off, data collection is required to be able to price sustainability risks into the decisions.

### **6.4.3 Management Control**

According to Johnstone (2019), sustainability management is every employee's responsibility, which infers that it is in the highest of interest for the enterprise to ensure that the vision and strategy are efficiently communicated to its employees. Volvo Cars is evaluated as having communicated its vision and sustainability strategy effectively to its employees, based on the respondents. It is indicated that the internal knowledge of the EU taxonomy varies between divisions. However, the overall sustainability strategy is well known in the different divisions interviewed. Maas et al. (2016) emphasise the importance of formally and informally ensuring that the decisions of employees are consistent with the organisation's sustainability objectives, something that is evaluated to be accomplished within the organisation of Volvo Cars. The benefit of being consistent with the organisation's sustainability objectives and strategies is argued by the authorities is the possibility to reflect on their sustainability activities and be able to improve.

Employees of Volvo Cars are more than happy to discuss the enterprise's sustainability approach from their point of view, which indicates that the sustainability work is integrated into the daily work, rather than submitted to one separated sustainability department. This claim is supported by employees when emphasising that Volvo Cars break the sustainability work into operations to

be able to involve every employee in the process. Furthermore, it is argued that the internal response of the taxonomy within the organisation has been rather positive and that employees generally put pride in working with sustainability. The positive response to the EU taxonomy can be explained by the sustainable approach Volvo Cars has communicated both internally and externally over a long period, which indicates that sustainability activities are rather uncontroversial within the organisation.

Maas et al. (2016) argue that management control plays a key role in shaping processes of sustainable strategy formulation and implementation. Respondents opine that the sustainability strategy and goals of Volvo Cars align with the objectives of the taxonomy to a great extent, which is, according to the respondents, most distinguishable by the transit to electric cars. It is stated that the sustainable commitments of Volvo Cars were implemented and acknowledged prior to the taxonomy and a respondent states that sustainability, with a focus on climate action, has been more apparent on the agenda over the last three years. However, a respondent argues that some sustainability prioritisations have been changed post of the taxonomy objectives since the taxonomy and Volvo Cars as an organisation had different views on where the most substantial environmental harm was made by the industry. Furthermore, The Global Sustainability Team is centrally operating within the company, which is a guarantee to ensure the implementation of their sustainability strategies in all of their departments and operations.

The internal challenge for Volvo Cars is a matter of management control. Internally, it is stated by respondents to be a challenge for Volvo Cars to manage the transition and reporting in a limited time period. There is a need to find the right competence with regard to the taxonomy, as well as to comprehend the diverse legislations a multinational enterprise such as Volvo Cars has to cope with since operating in several markets. Volvo Cars needs to determine whether these skills concerning legislation are to be found separately or approached in another way. This is a choice of management control and needs to be evaluated further by the enterprise in order to interpret legislative requirements correctly. Furthermore, is the interpretation aspect a challenge with regard to the taxonomy and respondents emphasise Volvo Cars' desire to interpret the taxonomy similarly to its competitors and the Commission, to decrease the risk of misinterpretations.

It is discussed by respondents of Volvo Cars that sustainability has become a fundamental aspect to consider with regard to investments. This implies that sustainability has become, or will become, an equivalent factor to other aspects to consider in investment decisions made by Volvo Cars. Moreover, it is also stated that promoting a green image which in extension can lead to market shares when aligning with the objectives, as well as investments. According to a respondent of Volvo Cars, has the general sustainability approach increased in the last three years, and has distinguished in decision-making as one aspect to consider. The discussion with regard to the transit to a sustainability company refers to the vision of the enterprise “*We want to provide you with the freedom to move in a personal, sustainable and safe way*”, which indicates that sustainability has been included as one keyword of Volvo Cars. Castilla-Polo et al. (2022) argue that image and reputation are connected to sustainability and Volvo Cars aligns with the theory of the importance of being considered a ‘green’ enterprise and communicating their sustainability performance.

## 7 CONCLUSION

### 7.1 Results

The conclusion concerning how the taxonomy affects the sustainability management of Volvo Cars, operating in the automotive industry, is stated to be qualified. The sustainability management of Volvo Cars is evaluated as being in the front, which indicates that phases of change, after the implementation of the taxonomy, have been few. The sustainable goals and vision of the enterprise are communicated effectively both internally and externally, and it is concluded that sustainability was on the agenda prior to the EU taxonomy. The taxonomy is not argued to affect the overall strategy of the enterprise, since the strategy was characterised by a sustainable approach before the implementation of the classification system. Furthermore, it is stated that Volvo Cars have strong sustainable commitments and that sustainability is present in investment decisions. The distinguishable sustainable approach cannot be related to the taxonomy, but rather is an integrated aspect to consider in the further development of the company. The enterprise has clearly stated its environmental approach, internally and externally, and employees are willing to discuss sustainability. Consequently, could the conclusion be drawn that the EU taxonomy has limited effect on the sustainability management within an organisation operating in the automotive industry.

However, it is concluded that the multinational enterprise has faced challenges related to the taxonomy that the company does need to take into consideration. The main challenges concerning the taxonomy refer to limited time frame, interpretation of the taxonomy, as well as specific knowledge required. The taxonomy is stated to be dependent on political decisions, as with any legislation, which implies that there might be delays concerning the delegated acts related to the four remaining objectives. To be able to transform activities, there is a need for the enterprise to comprehend which actions are required to align with the taxonomy. The delays interfere with the enterprise as the company states requiring clarity. Interpretation is evaluated as a risk with regard to the taxonomy since the objectives are not perceived as being easily understandable. There is a need for further clarification, to be able to reduce the risk of different interpretations between countries and enterprises, this concerns both the enterprise and the authorities. The analysis shows that for the authorities to be able to support enterprises



effectively, there is a need to gather competence and comprehension regarding the EU taxonomy.

The opportunities with the EU taxonomy refer to increased transparency in the automotive industry, as well as increased legitimacy related to the enterprise's stakeholders. The taxonomy is evaluated as being a supportive tool in increasing data on environmentally sustainable activities, which is substantial for comparativeness between actors. It is concluded that transparency is the management control measure of the taxonomy, whose aim is to promote a sustainable financial market. The classification system is perceived to support measuring sustainability within Volvo Cars, to be able to evaluate the company's sustainable journey, both in internal and external communication. Moreover, does the taxonomy needs to be creditable, which could constitute both a risk for the company and an opportunity depending on the political outcome. The multinational enterprise operating in the automotive industry is evaluated as being benefited from high taxonomy requirements since the company is stated as being in the front of sustainable development. A weak taxonomy could potentially harm the overall aim of the taxonomy if including activities not based on sustainability, but rather on political decisions. Furthermore, the auditing and supervision need to be scientifically and objectively done, to decrease the risk of greenwashing.

It is concluded that the relationship between stakeholders, the enterprise within the automotive industry, and the EU is a dependent and integrated interchange. The enterprise needs to consider stakeholders in strategy decisions, and follow the legal requirements provided by the European Union. Furthermore, do politicians consider demands from market actors in political regulations, which implies that an organisation is able to practise lobbying work. Investors have an opportunity in affecting the company's sustainable path, by considering the taxonomy in investment decisions. The insights gathered from the thesis are considered to be valuable for both the selected enterprise and for other multinational companies operating within the automotive industry. The knowledge gathered could be used to understand the driving force behind the EU taxonomy, as well as how to comprehend how the taxonomy functions within a car manufacturer company with regard to the enterprise, the EU and the stakeholders.

## **7.2 Theoretical Implications**

The findings of this research align with the theories presented in the theoretical framework. When using the stakeholder theory, the transparency theory, and the theory of legitimacy together with the sustainability management (assessment, accounting, and management control) to comprehend the implementation of a new regulation concerning sustainability, it is proved that Volvo Cars has a clear and distinct sustainability management approach. The clear and distinct sustainability management approach can be a reason why the findings remark that the EU taxonomy is not a distinguished issue for the enterprise to manage. The findings of this research could also imply that a multinational enterprise operating within the automotive industry uses sustainability assessment, accounting, and management control when managing sustainability management, which indicates that using the tools together will improve the sustainability performance. The use of the stakeholder theory, the transparency theory, and the theory of legitimacy in excess of what is presented in the sustainability management theory is needed to develop the theory further since there is a convincing indication that the connection between these theories is strong.

## **7.3 Limitations**

The thesis considered the EU taxonomy with regard to sustainable economic activities within the organisation Volvo Cars. This indicates that it would be difficult to draw generalisable conclusions about the automotive industry since the comprehension of the internal management at Volvo Cars has been evaluated based on the respondents' interpretation. Volvo Cars is comprehended as an enterprise with good knowledge concerning sustainable activities and possesses the resources needed to be able to transition to a sustainable enterprise, with the potential to align with the EU taxonomy's objectives. Another enterprise operating in the automotive industry could comprehend the possibilities and challenges with the taxonomy differently, which implies that there is a need to conceive other apprehensions in order to generalise the outcome to the automotive industry. The perceived possibilities and challenges of the EU taxonomy are evaluated to depend on how far the organisation has come regarding its sustainability work, and an enterprise not as prepared in their transit to a sustainable company may see difficulties concerning the taxonomy that Volvo Cars does not.

## 7.4 Future research

Based on our findings and our limitations, there are many opportunities for further research as the EU taxonomy is a new regulation that will evolve in the future. Primarily, it would be interesting to study several enterprises within the automotive industry to be able to comprehend different approaches and effects on the companies. This implies that it would be possible to draw generalisable conclusions. As mentioned in the limitations, it is difficult to draw generalisable conclusions when performing a case study within one enterprise, and therefore would it be of significance to study the approach of the EU taxonomy of other enterprises to complement the research performed. Second, for future research, it may be of interest to research the effects of the EU taxonomy, for example, if transparency has increased and if greenwashing has been prevented. In addition, if sustainable investments have increased and if the EU taxonomy is a classification system used by investors or not in investment decisions. Further studies concerning the effects of the EU taxonomy could be used to assess if the regulation is evaluated as a valuable tool and if it contributes to the European Green Deal. By 13 July 2022 and every three years, the Commission shall publish a report about the application of the regulation. Therefore, future research on how the taxonomy has been applied and what result it has given is of significance. Since the EU taxonomy still evolves, there will be additional aspects to consider when studying the topic.

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## APPENDIX

<b>Interview guide Authorities</b>
How do you perceive the purpose of the EU Taxonomy and how does the classification system affect the Authorities?
What patterns do you see when it comes to sustainable investments in the current situation? Is it important for the investor that the companies have sustainable economic activities that contribute to environmental sustainability?
The EU taxonomy is a new regulation, how have you perceived that it has been received by the companies concerned in Sweden? - Do you perceive any concern among Swedish companies and if so, how do the authorities help to reduce it?
What opportunities do you see with the EU taxonomy for the automotive industry and in general?
What challenges do you see with the EU taxonomy for the automotive industry and in general?
What tools are/will there be for companies to be able to handle the EU taxonomy in the best way?
Can/will fiscal policy in any way be able to influence sustainable investments in Swedish companies? If so, in what way?
How do you perceive that Sweden's financial system should contribute to sustainable development? Connected to both the EU taxonomy and other tools?
How do you cooperate with other member states regarding the EU taxonomy and sustainable investments?
What does the future hold for the Authorities linked to sustainable investments? What are the main focus areas?



**Interview guide Volvo Cars**

What is your role at Volvo Cars?

How does Volvo Cars work with the UN's sustainable development goals (Agenda 2030) and how do you connect these goals with Volvo Cars' sustainability goals?

How do you perceive that the response and the attitude towards the EU taxonomy have been at Volvo Cars?

The two first objectives concerning the EU taxonomy (mitigation and adaptation) were implemented this year, 2022. How would you say that your daily work at Volvo Cars relates to these objectives? Moreover, describe how Volvo Cars work with mitigation and adaptation and its phases of change within the company.

Next year, in 2023, the other four objectives will take effect. What stages of change do you believe Volvo Cars will need to go through to meet the four remaining objectives? Are you involved in any of these ongoing processes? What economic activities do Volvo Cars have now that contribute to these four objectives?

With regard to your communicated transition to a more sustainable company, how do you perceive what the response from your stakeholders has been? Do you experience a growing interest and are the stakeholders aligned with your vision to become a more sustainable company?

Do you acknowledge any possibilities considering the EU taxonomy for Volvo Cars? If so, in what way?

Do you perceive any challenges with the EU taxonomy in general, and especially with regard to Volvo Cars? If so, in what way?

How do you acknowledge, as a part of Volvo Cars, the sustainability management of the company?

Volvo Cars is operating in an industry traditionally characterised by high CO2 emissions, what do you believe that the future is going to hold for Volvo Cars with regard to sustainable investments? What focus areas do you believe that Volvo Cars are going to focus on?