Sustainability reporting

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THEME I

SUSANNE ARVIDSSON
KRISTINA JONÄLL
INVITED SPEAKERS:

**SUSANNE ARVIDSSON**, Associate Professor, Lund University School of Economics and Management. Susanne is the initiator of both the SUBREA conference and the SUBREA network. Her research interests are within corporate finance and accounting with a special interest in sustainability accounting and reporting. She will present trends in Swedish sustainability reporting from an international perspective.

**GUNNAR RIMMEL**, is Professor and Chair of Accounting at the Henley Business School, University of Reading, UK. His research and teaching interests include accounting communication, human resource accounting, international financial accounting and social and environmental reporting, especially integrated reporting. His presentation focuses on early-practice development of integrated reporting.

**SOFIA SVINGBY**, Vice President for Corporate Responsibility at Atlas Copco. Over a period of 13 years, Sofia Svingby has held positions at NIR (Näringslivets Internationella Råd), the International Council of Swedish Industry. She is also the Chair of the Swedish HIV and Aids Workplace Program (SWHAP), which has activities in 11 sub-Saharan countries. Her presentation focuses on how Atlas Copco integrates sustainability into their business model.

**MALIN RIPA**, Senior Vice-President, CSR Management at Volvo Group. She is responsible for responsible business behaviour and the Volvo Groups’ societal engagement program globally. Malin’s presentation will show how Volvo maintains a sustainability focus in the entire value chain.

**PER BRATTBERG**, Corporate Sustainability Director Reporting at Essity. Per started at Essity in 2001, when it was still part of SCA. He has since held several different positions in the company, from working with consolidated accounts, as business controller, and now, as part of developing a sustainable business strategy. Per will discuss how materiality assessment is an essential part of developing a sustainable business strategy.

**ERIK LINDROTH**, Environment Director at Tetra Pak, has since the mid-1990s worked in a variety of functions and positions in the same company. As a part-time PhD student at Lund University, Erik’s research focuses on how companies can create value from environmental sustainability improvements in the business-to-business sales process. His research, focusing primarily on Swedish companies, highlights how sustainability makes companies competitive.
SUSANNE STORMER, Vice President of Corporate Sustainability at Novo Nordisk Reporting, has worked with reporting for almost two decades. With a background as communication consultant, she will present her views on relevant reporting and how businesses can become more sustainable.

INVITED MODERATOR:
CLAES NORBERG, Professor, Director of Accountancy, Confederation of Swedish Enterprise
Summary of the presentations

SUSANNE ARVIDSSON: (Keynote address) Trends in Swedish sustainability reporting: An international perspective

Arvidsson took her point of departure in the Brundtland Report, entitled ‘Our Common Future’, published thirty years ago. The report set out the major objective of pursuing sustainable development. Arvidsson then highlighted the gradually increased focus on sustainable development in general and the transformation towards sustainable businesses. She noted that the change toward more sustainability was rather modest during the first two decades after the Brundtland Report. In recent years, however there has been a positive momentum in the business community, both at national and international levels. Sustainability is now high up on the formal agendas of most major firms. Until now, the push to sustainability has relied largely on voluntary initiatives. According to Arvidsson, this landscape is changing, and today we see increased use of regulatory measures, both in Sweden and abroad, in areas such as human rights, anti-corruption, disclosure rules, reporting, green lending, sustainable finance and ethics taxation. These regulatory initiatives pose great challenges for organisations.

Although sustainability reports are now common, much sustainability information can still be found in firms’ annual reports. Hence, some of the largest Swedish companies issue an integrated report instead of an annual report. This trend is still quite modest, and Arvidsson’s research shows that it has become common to pursue an integrative reporting approach rather than a complete integrated report. A sign that sustainability has climbed higher up in the organisation’s list of priorities is that 75 per cent of the ‘CEO letters’ today address sustainability issues. Many do so under a specific heading. Another clear trend is that sustainability is communicated online. Arvidsson argues that we are seeing an intense innovation and learning process as to when, how and where to communicate and report on sustainability performance. In this process, it is critical to learn from each other and to identify best practices.

Arvidsson’s research shows that companies still are quite vague when they discuss why they engage in sustainability activities. An example of a vague objective are statement such as ‘We want to minimize our environmental impact”. These kinds of vague objectives lack a specific link to the company’s activities and how the management team seeks to integrate sustainability concerns into its operations, routines and processes. Arvidsson is optimistic and highlights that over time there has been a gradual evolution toward more elaborated objectives. This is crucial for helping
stakeholders to understand precisely why companies need to invest resources in sustainability endeavours.

What is also clear from studying sustainability disclosure is that companies today place an increased focus on stakeholder relations. Arvidsson argues that this trend is reinforced by guidelines, such as the Global Reporting Initiative (GRI), which highlight the importance of stakeholder engagement and dialogue. Although the structures of these sections in the reports are improving, Arvidsson stresses that this kind of information remains both cursory and all too general. A challenge for the future is to explain how the company works with stakeholders and how stakeholder relations are integrated in the materiality analysis.

Arvidsson stressed the difficulties paired with operationalizing sustainability performance. The implication here is that those sections of corporate reports describing how a company perform in the sustainability arenas need major improvement. Often the reports show inadequate presentations of goals, status, progress and deadlines, as well as failing to explain just how the sustainability activities relate to the value-creation process. Arvidsson was careful to stress that value does not have to be expressed in monetary terms. Quite other types of values could be generated in engaging in sustainability activities.

In concluding her presentation, Arvidsson highlighted two areas that organisations need to develop in the years to come: Sustainability governance and Sustainability risk management. She argued that there is a need for continued development towards working systematically with sustainability. It is vital that priority be given to integrating sustainability into organisational routines and processes. Sustainability governance plays an important role in this integration. Arvidsson stressed that organisations need to establish a clear division of responsibility, as well as strategic management, monitoring and accountability when it comes to their sustainability activities.

Sustainability risk management is also an area that businesses need to develop further. This approach entails setting up routines for identifying, assessing and managing sustainability risks. Arvidsson believes that in discussions with companies and in their corporate reports, there are indications that some companies are already becoming influenced by the focus on risks in the new EU directive (2014/95/EU). Arvidsson has found a gradual shift towards working with sustainability as an extension of enterprise risk management.

Arvidsson closed her presentation by highlighting the challenges with enhancing credibility and comparability of sustainability information regardless of whether this information is presented in ratios, KPIs or narratives. She suggested that standards, further regulation and assurance can be helpful in this process.
**GUNNAR RIMMEL: Integrated reporting: Early-practice development**

In his presentation, Rimmel focused on research related to early-practice development of integrated reporting and what kind of problems and challenges lay ahead. With a background in the financial-reporting side, he began with a discussion of traditional annual reports and then moved on to integrated reporting.

Rimmel argued that financial reporting has only had one pillar on which stakeholders could build their perception of the company. The single pillar, he argued, gives an unstable index of analysis because it lacks context. Integrated reporting offers a more balanced view of accounting, as it has various elements and contains a broader corporate context. Although more companies have begun to adopt integrated reporting, Rimmel stressed that it has a potential drawback, since integrated reporting is more complex than financial reporting.

Nevertheless, Rimmel made clear that he considers integrated reporting to be a preferable reporting approach. He brought to our attention the problem that the current version of the <IR> framework is rather broad and not very specific on what companies should report on. This means that companies receive very little guidance as to how to adopt integrated reporting. Therefore, companies tend to develop their own integrated reporting practice, which unfortunately means that the information presented is not comparable from one firm to another. GRI has developed its fourth version of reporting guidelines. Maybe tick-boxing is not so bad? Rimmel argues that tick-boxing provides considerable guidance, making it easier for external stakeholders to study these reports.

Rimmel sees several challenges ahead. He argued that existing reporting procedures, knowledge management and data-collection systems must improve so that companies can 1) identify linkages between financial and non-financial performance and 2) understand how they contribute to the value-creation process. Assurance is another area that Rimmel highlighted as important for improving the quality of information in integrated reports.

Rimmel argued that investors’ interest in non-financial matters remains quite low. Therefore, integrated reporting must demonstrate that a holistic view of company performance is value relevant. Integrated reporting is still not for all types of companies. Rimmel highlights that a problem for SMEs is that they usually do not have the manpower and other resources to use the <IR> framework. Rimmel ended his presentation by raising the question of whether the <IR> framework should continue to be voluntary or whether it should be made mandatory.
SOFIA SVINGBY: How we integrate sustainability into our business model

In her presentation, Svingby cited some key factors for achieving a successful integration of sustainability in the business model. First, there is a need for strong support from top management. A tone from the top must show support for this integration effort. A robust reporting process together with long-term work with the values in business culture are other key factors. Even though these aspects are deeply embedded and interconnected in the company, the company must nevertheless try attend to them one by one.

Svingby argued that business has to come first. If sustainability is not linked to business opportunities and risks, it will remain a marginal area for the company's operations. Sustainability must be closely linked to product development. By applying a sustainability lens in the research process, Atlas Copco is fulfilling not only their own sustainability ambitions, but also those of their customers. As a result, Atlas Copco today develops more energy efficient, lighter and more ergonomic products.

Svingby continued her presentation by emphasizing that sustainability needs to be integrated into all parts of business operations - from research and development to production, sales and services. Svingby emphasized that adopting an integrated-sustainability approach in innovation processes is one way of meeting the customers’ need for productivity and support customers’ sustainability ambitions. One example of how sustainability is bringing a competitive edge is that of improving the lifecycle cost.

Working in a sustainable way is all about meeting stakeholder demands. Many of Atlas Copco’s products are more than 50 per cent more energy efficient than the previous generation, and this energy efficiency has had a great effect on the customer’s energy use. Nevertheless, it is important to constantly innovate and increase energy efficiency. Svingby emphasized that you also need to reduce the use of materials in the production process and in the product’s use phase. Here Svingby highlighted the fact that most companies depend a great deal on their suppliers. A large proportion of products are assembled out of purchased components. This is why purchasing is also a particularly important element of Atlas Copco’s sustainability objectives. Working conditions and anti-corruption are two additional important factors in their supplier-selection process.

Svingby argued that the tone at the top is essential for the path any organisation chooses. At Atlas Copco, sustainability is part of the business mission and as such, must be anchored in both strategy and communication. The business mission makes a direct connection with the triple-bottom line principle. Atlas Copco’s five priorities for sustainable profitable growth (ethical standards, safety and wellbeing, innovate for sustainable productivity, competent teams and efficient use of resources) are all
identified in a thorough materiality analysis. Svingby explained that these priorities must be implemented in the entire organisation, right on down to individual plans and individual targets. By distributing the responsibilities to the operations, Svingby stressed that the company ensures that the strategy is truly integrated and that targets are relevant for the business.

Svingby acknowledged that integrating sustainability takes time. It requires both perseverance and passion. Some of the major milestones from their journey towards integrating sustainability in all operations is that the company started on a good foundation. They already had a value-based business. Svingby argued that the business culture is perhaps more important than anything else. Step by step, the company is moving from a top-down to a more bottom-up approach. Sustainability and responsibility are important for everyone in the organisation. She is certain that a decentralized business model is helping in this process.

Svingby concluded her presentation by noting that we might never reach the final destination of the sustainability journey, since the goalposts are constantly receding. Today, sustainability is linked so much to competitiveness that companies need to ensure that they are at the forefront. A challenge for the future is to be able to identify and report on the footprint of the whole value chain of the company.

MALIN RIPA: Upholding a sustainable focus in the whole value chain
Ripa stated that sustainability is an integrated part of their business and, therefore, it is natural to issue an integrated report. Volvo has learned that it is important to connect sustainability issues to the core business and to the firm’s strategic framework. The benefits of an integrated report are that it is both more resource efficient to develop a single report and more cost efficient. A lot of pages have been removed, since sustainability is so much a part of the core business. Previously, there was much duplication between the two reports.

Ripa argued that the report should be based on those global trends and challenges that are viewed important to the business. Climate change, urbanisation, digitalisation, automation, safety development, as well as changes in regulatory environment and trade barriers are trends that are identified as highly relevant to Volvo. From these trends, Volvo establishes the materiality analysis. Ripa explained that behind the materiality analysis lie a number of dialogues with various stakeholder groups, such as investors, owners, employees and business partners.

Ripa reflected on the fact that Volvo needs to be better at communicating value to different stakeholders. In this respect, it is vital to establish more of a shared value approach that describes how the company actually creates value for society, for social benefits and for environmental benefits. The report is structured mainly around the different elements of the value chain. Ripa put forward Volvo’s value-dis-
Ripa then returned to the importance of stakeholder engagement and dialogue. To know which information to disclose, Volvo conducted interviews with thirteen of their largest stakeholders and asked what kind of information they wanted and what information they thought most relevant. Ripa highlighted that Volvo no longer responds to questionnaires from prominent institutions or indexes such as the Dow Jones Sustainability Index (DJSI) or the Carbon Disclosure Project (CDP). Instead, they disclose in their report more of the information directly requested by investors or owners. She stressed that it is hard to develop indicators for the many kinds of sustainability topics. To compensate for this, investors are dependent on and also interested in trends. This means that historical data has become more important when they communicate about sustainability performance. Ripa brought to our attention that it has become more essential to report scientific data and to put the results into a broader context. With the SDGs, for example, the company needs to explain how it contributes to these goals, both when it comes to negative and positive impacts.

Ripa emphasized that Volvo has found it very helpful to communicate and report CSR and sustainability issues based on the business model. She believes in the future, the focus on value creation will become even more important. She stressed that we must ensure that the investors can see that we use our money in the most efficient way possible. She ended with an appeal to see more about reporting guidance from the EU directive (2014/95/EU), especially in the area of developing joint sustainability indicators.

**PER BRATTBERG:** Materiality assessment as part of developing a sustainable business strategy

Brattberg focused his presentation on describing Essity’s sustainable business strategy. Essity’s approach is to ensure that both stakeholder dialogue and materiality analysis play vital roles. Brattberg began his presentation, however, by citing the forces and trends that drive a sustainable business strategy. On the upside, a changing world offers new opportunities. As a hygiene company, Essity exists in a world where the growing population generates an increased need for hygiene products. An aging population means that incontinence increases. A higher standard of living results in people being able to afford more than just putting food on the table. They can search out hygiene and sanitation products. Brattberg continued by describing the downside, i.e. risks stemming from our changing world. There is the threat to biodiversity and deforestation, Essity is one of the world’s largest purchasers of wood. Climate change, water and other resource scarcities also affect corporate risks.
Brattberg stressed that an active and constructive dialogue with all relevant stakeholders -- customers, consumers, employees and investors -- improves how they formulate and implement business strategy. A company’s success is dependent upon its being relevant to its stakeholders and having the ability to focus on the key issues important to these stakeholders. Therefore, surveys are carried out in order to obtain a full understanding of which issues stakeholders consider to be most important for the business. In their annual survey, Essity describes 20 topics and asks stakeholders to rank the 10 most important. The volume of answers is statistically robust, and the survey results provide vital input for deciding the direction of future strategy.

Brattberg continued by stating that a sustainable business strategy should require a report on what you have done rather than what you are expected to report on. After having seen the results from the stakeholder dialogue, it becomes clear that it is vital to conduct a materiality analysis. The materiality analysis, along with enterprise risk management and traditional SWOT analysis, play important roles in developing a sustainable business strategy. Brattberg concluded that an annual materiality analysis is a useful tool internally to ensure that the company is doing the right things. A materiality analysis is about looking at the company’s long-term value creation. By conducting a materiality analysis, the information in the sustainability report will become more relevant to our stakeholders and their views on sustainability and values.

**ERIK LINDROTH: Sustainability as a source of competitiveness**

Lindroth adopted the practitioner’s perspective and focused his presentation on how Tetra Pak uses the sustainability report in its day-to-day activity. He emphasized the importance of values and that sustainability is all about one important question: ‘What are the values for the society today?”. According to Lindroth, the answer to this question has changed immensely in recent decades. Lindroth argued that we will never be able to create value in the marketplace in a sustainable way without linking it to people’s values, because that is what creates value. Furthermore, Lindroth emphasized the importance to understand values from the stakeholder perspective. In order to get to know their consumers and understand how they perceive value in a sustainability context, Tetra Pak conducts surveys where consumers are divided into six distinct categories based on lifestyle, how they cook their food; how they recycle, etc. Three of these categories focus on sustainability, from the ‘hard-core green’ lifestyle group to the more concerned people who want to do the right thing but still need guidance, to the more eco-chic ‘light green’ group who are sustainable when it suits them. Lindroth argued that these categories can be identified not only among the stakeholder group of ‘consumers’ but in all different stakeholder groups.

An unmistakeable trend is that Nordic consumers have a clear interest in sustainability matters. In the survey from 2011, 45 per cent of the consumers in the Nordic
countries expressed some degree of interest in sustainability issues. Two years later, the survey revealed a significant increase in sustainability engagement. Lindroth stressed that companies need to operate on the basis of this new reality and find a role to play. The way a company works with sustainability ends up in the marketplace, where brand, product and package need to stick together. The package should include both the product and the brand. If our customers have ambitions for sustainability, then the package must also have this ambition. This is also what Tetra Pak’s founder, Dr. Ruben Rausing, discovered in 1962, 55 years ago. He then stated the credo ‘A package should save more than it costs’.

Lindroth stressed that a company’s sustainability report should be a reflection of what the company does. At Tetra Pak, this is protecting food, protecting people and protecting futures. Hence, Tetra Pak not only structures their report according to these principles. Their materiality analysis and link to the SDGs also follow this structure. If you want to drive value from sustainability, you need to explain what you do. To be able to make an impact, you have to plan two years ahead. The sustainability report produced in 2019 should cover the activities that took place in 2018, which were planned already in 2017. The sustainability report is thus a reflection of what the company does. Lindroth concluded his presentation by emphasizing the importance of being prepared, which requires a proactive approach to sustainability.

**SUSANNE STORMER:** Reporting on progress to become a sustainable business

Novo Nordisk has issued integrated reports since 2004, and Stormer claims that once you start doing integrated reporting, there is no way back. Being in the health care sector and providing medicine to people who are sick embeds the company in a useful sustainability context. The nature of Novo Nordisk’s business, being so closely tied to health, drives towards a more sustainable development by emphasizing that people who are healthy contribute to a healthier society. At the same time, Stormer argued that huge challenges about being ethical are deeply embedded in the way Novo Nordisk does business. The fact that the company profits from people who are sick is taken into consideration when they organize how they conduct business.

Stormer emphasized that a sustainable business is about building value for the long term: for customers, for business partners, for employees, for stakeholders and for shareholders. A long-term sustainable business requires that you constantly relate to what is happening in the world because a company is part of a community and because both values and norms change. This is related to corporate social responsibility (CSR). According to Stormer, CSR is the type of activities businesses must engage in to become sustainable. The ‘triple-bottom line’ business principle frames Novo Nordisk’s long-term strategy to be a sustainable business. It forces everyone in the company to always consider how decisions and actions may affect people,
communities and the environment. The aim is to ensure long-term profitability by simultaneously reducing negative impacts and enhancing the positive impacts on society from the company’s global operations. Stormer underscored the nature of the challenge: sustainability is a *moving* target.

Stormer is of the opinion that most companies would like to be held accountable for what they do by all their stakeholders. Novo Nordisk’s strategy model has sustainability built *into* the business processes. This integrated-management approach is naturally reflected in their integrated-reporting approach. According to Stormer, an important future challenge is to find applicable, value relevant and credible key performance indicators (KPIs). In this endeavour, Novo Nordisk takes its inspiration from the reports and, therefore, their communication on sustainability performance looks much like their financial statements. Stormer closed her presentation by explaining that many of Novo Nordisk’s sustainability targets also reflect financial objectives.
Panel discussion and dialogue with the audience

At the end of the presentations, moderator Claes Norberg, as well as the audience, addressed several questions to panel regarding the issues brought up in the presentations. Three issues were especially prominent in the panel discussion: how to deal with the many expectations that a company faces, knowing whether stakeholders actually read and use the sustainability reports, and the issue of value creation, risks and taking a long-term perspective.

In the summary from the presentations from the companies, we can read about sustainability issues and how they work with sustainability reporting. Norberg started with highlighting that Arvidsson and Rimmel provided an academic reflection about the state of play and where we are today. Having this in mind, 2017 is the first year when firms must draft reports according to the new EU directive (2014/95/EU) on non-financial reporting. After this introduction, Norberg, as moderator, addressed the following question to the panel: ‘What do you think will be the impact of the directive? Specific for your own company, but also from a general view and from the academic side?’

Stormer argued that for companies that already report in a progressive way, it will be a struggle or task to make the report fit into the new format. She sees two strengths with the directive. First, it asks for descriptions of companies’ business models. Not only what they do but also how they create value and possibly destroy value. Second, the Directive emphasizes risk management related to sustainability dimensions, reminding companies that this should be part of the reporting. Svingby highlighted how important it is for all companies to get their board of directors on board and to engage the top management. Although she admitted that it might be a challenge to get the management team and the board of directors to promote sustainability in an organisation, she considered that this will have a major impact on sustainability issues. Lindroth argued that there will be much greater demands placed on sustainability professionals in the future. It will also be a wake-up call for companies that yet have not reported in this way. Arvidsson brought to our attention the fact that research shows that small companies copy how larger companies report. The business model and risk assessment are important aspects in sustainability reporting, and hopefully, all companies will focus more on these aspects in their future reports. Arvidsson also pointed out that the Directive is a first step, such that we will probably see other kind of regulations emerging in the sustainability reporting area. Rimmel argued that many companies already report according to the
Directive, but those who are not will now be forced to incorporate sustainability. This will be a great challenge for them.

After this first round of questions for the panel, moderator Norberg turned to reflecting on whether it would not have been preferable to require a single universal framework, recommendation or standard that combined both sustainability and financial reporting. He argued that there exist so many initiatives today but no generally accepted framework. So, the obvious questions to ask are, ‘In this environment of recommendations, expectations, regulations and standards how do you cope with sustainability reporting on a day-to-day basis? How do you set up a report when there are so many players who want to be part of the game, and they all have different agendas, different purposes and different goals? How do you deal with all these expectations?

Brattberg admitted that it is a bit of a reporting jungle. At Essity, they have GRI, external standards and several different questionnaires. He explained that they are doing a little bit of each in order to identify the most common questions, KPIs and data that stakeholders are looking for. The company also adds other items into the reports in order to help investors or lenders who want the data easily accessible it. He emphasized that it is vital that the company start with those KPIs that they believe are most relevant for explaining their sustainability performance. Brattberg also highlighted that they use qualitative methods to measure sustainability performance and that this improves transparency. Stormer made a distinction between reports and reporting. She highlighted that all companies have multiple types of stakeholders with different interests. They engage with stakeholders through corporate communication. Novo Nordisk’s integrated report is complemented by a range of other reports, such as a specific report on corporate governance. In addition, Novo Nordisk conducts an ongoing conversation with interested stakeholders. Stormer concluded her remarks by noting that they are reporting through several reports and that the focus is often on what is relevant to one specific stakeholder group – the investors. Svingby stressed that it all begins with materiality. Companies must decide on what to do, what is salient, what is material and what type of reports the company's stakeholders need. These decisions depend on how mature the organisation is and if they dare to say "We will not participate in everything". Continuous dialogue with investors and shareholders is important. Lindroth stated that they cope with the reporting jungle by reporting on what is important to their key stakeholders. The process of identifying important KPIs is another essential issue. Rimmel argued that as the importance of CSR becomes better understood by the business community, integrated reporting and sustainability is becoming more important. In addition to financial results, companies also find it important to be rewarded by stakeholders for what they have accomplished on the sustainability front as well.
Continued by reflecting on the idea, popular for decades, that investors have little or no interest in sustainability information. If this is true, ‘Do investors read sustainability and non-financial information that companies produce, or do they use other sources of information e.g. questionnaires?’ On the other hand, Norberg acknowledged the new evidence showing a growing interest among investors in sustainable businesses and sustainability information. ‘If there is a growing interest, what implications does this have for how companies need to report on sustainability in the future?’

Lindroth, from Tetra Pak, explained that they differentiate between short- and long-term investors. Sustainability issues and reports are important for long-term investors because sustainability does not run away; it will be there even ten years from now. Stormer continued this line of discussion, stressing that Novo Nordisk has identified different types of stakeholders. The retail investors, who could be you and I, want the story from the company on what the company is about and what it is doing to be a sustainable business. They want information about the past and the future, and for this they need sufficient context in order to understand the numbers. Institutional investors, on the other hand, obviously read the reports, but they also receive other types of information and participate in one-on-one conversations with the management team. Stormer argued that in a perfect world, it would be much easier if both stakeholder groups could have one type of report, Svingby emphasized that at Atlas Copco, they do not report any longer to major indexes such as the Dow Jones Sustainability Index (DJSI). By having a dialogue with investors, the company can fulfil these requirements anyway. In the dialogue, the company and its stakeholders review the report together. These dialogues have resulted in the company having gained even more trust than they would have gained by completing questionnaires sent to them by far-off institutions and indexes. Even if dialogue activities usually take time, Svingby stressed that it is paramount to have a continuous dialogue with the stakeholders. Arvidsson highlighted that sustainability reporting is a moving target, and that sustainability information is complex. She argued that the company’s sustainability story is often explained in narratives, and that these narratives are best understood in the dialogue. Therefore, a dialogue between stakeholders and the management team is required and must focus on the company’s history and story, as well as how the company works with their sustainability challenges and goals. Rimmel stated that the market for frameworks will mature. He argued that this will eventually lead to a single framework being most frequently used by our companies.

Next, moderator Norberg directed the panel discussion toward the issue of differences between financial and sustainability reporting. He argued that when we talk about key information in company reports, financial reporting includes primarily historical and backward-looking information. Sustainability reporting, on the other hand, includes more forward-looking information, the type needed in order to
understand the business and its value creation in a long-term perspective. He asked the panel, ‘Do you find this challenging? Value creation, long term and forward-looking information are both interesting and challenging. Is there a complexity, or can it be easily delivered?’

Brattberg stated that the challenge of measuring is about finding the value where the impacts are. Then you need to make a logical and easy to follow backward connection with what we as a company do and what impact this has. It is also about identifying the stakeholder with whom you want to communicate using the reporting activity as a channel. When you have done this, you must define what you want to talk to this stakeholder about, and then you have to translate this into value.

Lindroth believed that two issues are central here: what we as a company are able to say tomorrow, and what we have to do today to be able to do that. The customer perspective is important. if we can help customers to reach their sustainability targets, we will be seen as a more interesting partner. Stormer stressed that Novo Nordisk includes an outlook for the following years and gives their guidance for the future to the market. She emphasized that information that cannot be monitored would not be reliable, and would therefore be left out of the annual report. She also questioned how one can ensure forward-looking statements and how companies can get assurance if they include forward-looking information related to sustainability. (these challenges are discussed in the next theme of this Conference Report, i.e. Sustainability Assurance; see below).

The audience, asking about today’s many types of corporate reports, was occupied with the issue of whether there should be one or many reports in the future. Brattberg stressed that the challenge lies in the report’s length. Can a single report include everything that is important? Svingby commented that from a communication perspective, having a single report might not be the best strategy. If this is the case, the report needs to be complemented by other types of information. Rimmel argued that if one peruses various company reports, there is a lot of cut-and-paste between reports and between years. Different audiences might want different reports, and he believed that there can be standardised customized reports for different stakeholders in the future. Stormer followed up on this point, proposing that the report could be seen as a menu: you will have the chicken, but you can order it either with sweet and sour or with curry sauce.

Another issue raised from the audience concerned the kind of data and standards in sustainability reports compared to that used in financial reports. Lindroth argued that a sustainability report or an integrated report both need a similar but still elaborated set of reporting routines. Some of these routines can be copied into the new report, but new ones will also have to be developed. It is important to create a system with reporting routines that support the integrative approach of the new report. Stormer emphasized that some metrics in the sustainability report can be used in
the integrated report, while others are simply not robust enough and will have to be replaced with new ones.

The audience continued by asking about how values are being monitored. Here the panel highlighted different examples. The company representatives argued that by defining those activities that impact the environment with a measuring of sales, you can get one type of measure. A change in measure over time is another way to understand where you have an impact. To say how customers can contribute to save the environment by switching from one product to another is also a kind of measure. Efficiency and lifecycle costs are also ways to measure value.

The audience was curious about how, from whom and what kind of feedback companies receive on the information they provide in the reports. With a keen eye to Arvidsson and Rimmel, Stormer called attention to the fact that academics are those who most carefully read and dissect their reports. She continued by stating that Novo Nordisk actually gets feedback from all their readers. A lot of feedback is received from various stakeholders, and they also have an expert panel that provides them with qualitative feedback. Lindroth believes the most valuable feedback comes from customers or from NGOs, who tend to be deeply engaged in various issues.

The audience expressed some concern that there might be a risk of lower transparency when the sustainability report is replaced by integrated reports. Brattberg responded that regardless of the type of report, they will always ensure that important information will be taken into consideration. ‘We have to make sure that the focus is on relevant information,’ he said. Stormer stated that she has never met a stakeholder who asked for information that is no longer in their integrated report.
Summing up: Challenges and future knowledge needs

The key challenges and future knowledge-needs covered in this session included:

• The scattered reporting landscape, where organisations have a much too complex bundle of voluntary frameworks, guidelines and standards based on which they can structure their reports;
• Severe comparability difficulties when organisations, in the absence of mandatory regulation, formulate their individual interpretations of what and how sustainability information should be communicated;
• Operationalization of sustainability into value-relevant measures of sustainability performance;
• Adoption of an efficient SDG approach that includes identification, assessment and communication of negative and positive impacts on relevant SDGs;
• A (too) softly formulated EU directive (2014/95/EU) neglecting to give required guidance;
• Establishing routines and processes for integrating sustainability in business models, governance systems and risk-management programs;
• Enhancing the value relevance and credibility of sustainability information;
• Establishing linkages between financial and non-financial information;
• Developing efficient processes for stakeholder dialogue & engagement, as well as for materiality analysis;
• Determining the cost and value of sustainability reporting.
Suggestions for interdisciplinary projects

It is evident from the presentations and discussions in this theme that the absence of a generally accepted reporting framework is a major challenge. The conceptual ambiguity related to sustainability adds complexity to understanding, assessing and communicating sustainability information. These challenges exist for both management teams and external stakeholders. This challenge calls for a continued focus in accounting studies to elaborate on how non-financial information in general, and sustainability information in particular, can be incorporated into traditional accounting and reporting. Several of the speakers called for future studies to determine the effects of the EU directive (2014/95/EU). A further challenge for future research is to direct attention towards examining how the value-relevance and credibility of sustainability information can be enhanced. Considering that there are both internal and external parties involved in the process of understanding, assessing and communicating sustainability information, it is vital that future research include a comprehensive stakeholder perspective. These studies should also include perspectives on sense-making and sense-giving. This is vital not the least for reducing information asymmetry and safeguarding an efficient allocation of resources on the financial markets.

From this theme, it is clear that considerable focus and resources have been directed towards integrating sustainability perspectives into corporate operations. Thus, there is a vital need for research to assist in this process by establishing how sustainability can be efficiently integrated in business models, routines and processes. Obviously, this research attention must also include both SDG mapping and impact analysis. This calls for in-depth studies aimed at identifying best-practices. Firm- and industry-specific factors also need to be included in these studies. Given the multi-dimensional nature of sustainability, this challenge would benefit immensely from interdisciplinary approaches.