Sustainability reporting and the related challenges of the United Nations Global Compact signatories

A qualitative study in the Nordic region

Tatenda Mugwira, Donata Nissim
Abstract
Sustainability has been one of the most discussed topics among the business world and society for the last decade. The globally growing concern about sustainability related issues has led to businesses and non-businesses meet the demand of their stakeholders by producing a sustainability report to demonstrate their work and development in sustainability and how they have measured it. There has been a fast-growing trend of sustainability reporting in few years and there are a number of different initiatives and requirements that define what kind of sustainability reports are produced. From the different sustainability initiatives, the largest principle-based initiative is the United Nations Global Compact (UNGC) with almost 13 000 signatories and the largest reporting-based initiative is the Global reporting initiative (GRI). These two initiatives entered in to a partnership in 2010 with the aim of the GRI providing guidance for the signatories on how to disclose information from different areas in sustainability in their sustainability reports. There has been previous research that criticized the UNGC to be too broad and the principles difficult to translate in to sustainability reporting despite the existing partnership with the GRI. These previous studies expressed the lack of qualitative studies about the subject especially from the signatories’ perspective and the importance of approaching the topic from a practical point of view. The purpose of our research study was to create an understanding of the practicalities in UNGC signatories’ sustainability reporting, the challenges they face in the progress and how are they approaching those challenges. The thesis focuses on the Nordic region and the two research questions are:

*How are the UNGC signatories practically translating the 10 principles into their sustainability reporting? What challenges do UNGC signatories find in sustainability reporting in general and how have they approached these challenges?*

To answer these research questions the authors conducted a qualitative study by semi-structured interviews with company representatives from different Nordic UNGC signatories. The research study identified how do they practically identify what to report about the principles which is determined by materiality assessment provided by the GRI framework. This determines what is material for the company and its industry and focus on those areas in their sustainability report. Legal requirements, internal regulations and other commitments were also identified guiding sustainability reporting. The main challenges related to the sustainability reporting were mainly about data related issues, satisfying the stakeholders and the high number of different frameworks and regulations that are not necessarily interrelated. Majority of the participants approached these challenges by carrying out the materiality assessment as accurate and clear as possible in order to avoid data related difficulties. Some participants offer their different stakeholders with sustainability related information by different forms in order to make the sustainability reporting easier to read and understand. For the high number of frameworks and regulations, the participants have expectations for alignment among them in the future in order to make the reporting easier for everyone involved with sustainability reporting. The results of our findings were supported by theories and concepts such as the stakeholder’s theory, signalling theory and the CSR concept. Previous studies about sustainability reporting and UNGC were also compared to our findings in the analysis.

**Keywords:** Sustainability, Corporate Social Responsibility, GRI, UNGC, SDGs, Sustainability reporting, Nordic region, Challenges, Non-Financial disclosure, Sustainability accounting, Materiality assessment.
Acknowledgements
Firstly, we would like to express our gratitude to our supervisor Jögren Hellström for his valuable guidance throughout the thesis process and helping us with his knowledge and inputs in this research study. We would also like to express our gratitude to our colleagues from the work in progress seminars that provided us with constructive criticism and suggestions. Moreover, we would like to express our deepest gratitude for the UNGC signatories and company representatives that voluntarily participated to the interviews and shared their valuable insights and experiences from the topic. Without these participants and the empirical findings from the in-depth interviews, this research study and its theoretical and practical contributions would not have been possible. The authors would also like to thank each other for a semester of successful collaboration, support, encouragement and companionship. Finally, we would like to thank our family and friends for their support throughout our studies.

Umeå, May 28th, 2018

Tatenda Mugwira

Donata Nissim
#### Table of Contents

1 Introduction .................................................................................................................. 1
  1.1 Subject Background ............................................................................................... 1
  1.2 Problem Discussion ............................................................................................... 3
  1.3 Research Problem ................................................................................................ 6
  1.4 Research Gap ......................................................................................................... 7
  1.5 Research Questions ............................................................................................... 9
  1.6 Thesis Purpose ...................................................................................................... 9
  1.7 Delimitations ........................................................................................................ 10
  1.8 Theoretical and Practical Contributions ............................................................... 11

2 Scientific Methodology ............................................................................................... 12
  2.1 Pre-understanding and Preconception ................................................................. 12
  2.2 Research Philosophy ......................................................................................... 12
    2.2.1 Ontology ........................................................................................................ 13
    2.2.2 Epistemology ................................................................................................. 13
  2.3 Research Approach ............................................................................................. 14
  2.4 Research Method ................................................................................................. 15
  2.5 Research Design .................................................................................................. 16
  2.6 Research Strategy ............................................................................................... 17
  2.7 Choice of Literature ............................................................................................ 18
  2.8 Summary of The Methodological Choices ......................................................... 19
  2.9 Ethical and Social Considerations ....................................................................... 20

3 Theoretical Point of Departure .................................................................................. 22
  3.1 Corporate and Social Responsibility ................................................................. 22
  3.2 CSR Related Theories ...................................................................................... 24
    3.2.1 Stakeholder Theory ...................................................................................... 25
    3.2.2 Signalling Theory ....................................................................................... 27
  3.3 Sustainability ....................................................................................................... 27
    3.3.1 Frameworks in Sustainability Reporting ..................................................... 29
  3.4 GRI Framework .................................................................................................. 32
    3.4.1 The Economic Indicators .......................................................................... 33
    3.4.2 The Environment Indicators ..................................................................... 33
    3.4.3 The Social Indicators ................................................................................ 33
    3.4.4 Principles Defining GRI Reporting Quality .............................................. 34
    3.4.5 Materiality .................................................................................................... 35
  3.5 The UNGC and GRI Partnership ......................................................................... 36
  3.6 Sustainability Reporting Related Challenges ...................................................... 38
3.7 Conceptual Framework for Sustainability Reporting in UNGC Context .......... 38
4. Practical Method ................................................................. 40
4.1 Data Collection ....................................................................... 40
   4.1.1 Sampling Criteria .......................................................... 40
   4.1.2 Sampling Method ........................................................... 41
   4.1.3 Participants .................................................................. 42
4.2 Interview Structure .................................................................. 44
4.3 Interview Process ................................................................... 45
   4.3.1 Conducting the Interviews .............................................. 47
   4.3.2 Transcription of the Interviews ....................................... 49
   4.3.3 Data Coding .................................................................. 50
5 Empirical Findings ................................................................... 51
5.1 Interview A ........................................................................... 51
5.2 Interview B ........................................................................... 54
5.3 Interview C ........................................................................... 57
5.4 Interview D ........................................................................... 60
5.5 Interview E ........................................................................... 63
5.6 Interview F ........................................................................... 66
5.7 Interview G ........................................................................... 69
5.8 Interview H ........................................................................... 72
5.9 Interview I ........................................................................... 75
5.10 Interview J ........................................................................... 78
6. Analysis ................................................................................... 81
   6.1 The UNGC in General ........................................................ 81
   6.2 The Translation of the 10 Principles in to the Sustainability Report .......... 82
   6.3 The Challenges of Sustainability Reporting in General ......................... 84
   6.4 The Challenges in the Frameworks ............................................. 86
   6.5 The Perspectives of the Future ................................................ 87
   6.6 Models of the Analysis Results ................................................ 88
7. Conclusions ............................................................................ 89
   7.1 General Conclusions .......................................................... 89
   7.2 Implications ........................................................................ 90
      7.2.1 Theoretical Implications .............................................. 91
      7.2.2 Practical Implications ................................................. 91
      7.2.3 Social Implications ..................................................... 91
   7.3 Limitations ......................................................................... 92
   7.4 Ethical Considerations ......................................................... 92
7.5 Future Research .......................................................... 93

8. Quality Criteria .................................................................. 94
  8.1 Trustworthiness .............................................................. 94
  8.2 Authenticity .................................................................. 95
  8.3 Generalizability .............................................................. 96

Reference List ........................................................................... 97

Appendices ................................................................................ 109
  Appendix 1. The 10 Principles of the UNGC ............................. 109
  Appendix 2. The 17 Sustainable Development Goals of the UNGC ........................................... 110
  Appendix 3. E-mail Sent to the UNGC Participants .................. 110
  Appendix 4. The Interview Guide ........................................... 111

List of Figures
  Figure 1: The four main categories of the UNGC 10 principles. .......... 9
  Figure 2: The Illustrations of the scientific choices. ......................... 20
  Figure 3: The CSR pyramid ....................................................... 23
  Figure 4: Illustration of primary and secondary stakeholders. ............ 26
  Figure 5: The three approaches to sustainability reporting. ................. 29
  Figure 6: The triple bottom line (People, Planet & Profit) .................... 30
  Figure 7: The GRI and its reporting indicators ................................ 32
  Figure 8: Principles defining quality in GRI. ................................ 35
  Figure 9: The materiality identification process .............................. 36
  Figure 10: Sustainability reporting in the UNGC context .................. 39
  Figure 11: Model of the main findings for research question 1 ............ 88
  Figure 12: Model of the main findings for research question 2 ............ 88

List of Tables
  Table 1: The Eleven ethical principles. ..................................... 20
  Table 2: An overview of common reporting frameworks .................. 31
  Table 3: The UNGC & GRI commitments ................................. 36
  Table 4: The UNGC & GRI values. ........................................... 37
  Table 5: Timeline of the UNGC & GRI ..................................... 37
  Table 6: Table of the interviewees. ............................................ 47
LIST OF ABBREVIATIONS
CDP = Carbon Disclosure Project
COP = Communication On Progress
CR = Corporate Responsibility
CSP = Corporate Social Performance
CSR = Corporate Social Responsibility
CSV = Creating Shared Value
ESG = Environmental, Social and Corporate governance
EU = European Union
GRI = Global Reporting Initiative
IIRC = International Integrated Reporting Council
ILO = International Labour Organization (ILO) Tripartite Declaration.
ISO = International Organization for Standardization.
KPI = Key Performance Indicators
NGO = Non-Governmental Organisation
OECD = Organisation for Economic Cooperation and Development
SASB = Sustainability Accounting Standards Board
SDG = Sustainable Development Goals
SME = Small and Medium Sized Enterprises
TBL = Triple Bottom Line
UN = United Nations
UNGC = United Nations Global Compact
USBE = Umeå School of Business Economics and Statistics.
WBCSD = World Business Council for Sustainable Development
WCED = World Commission on Environment and Development
1 Introduction
In this chapter we start with presenting the subject background and then we proceed to determine the problem discussion of our study. Then we proceed to clarify the research problem and point out the existing research gaps of our research study. Lastly, the research questions are determined and then we proceed to disclose our research purpose, limitations, contributions and the thesis display.

1.1 Subject Background
The world has changed in a fast pace during last decades for reasons such as technology and digitalization. The flow of information offered to people globally has led to rise in awareness and higher expectations in corporate responsibility. When the awareness, discussion and concerns about the ethical issues and impacts of businesses started to increase, many companies started to put more emphasis to their corporate social responsibility (CSR) activities. Carroll (2008, p. 39) highlighted that the CSR movement has become a global phenomenon for the previous years and in the last few decades the interest and growth towards CSR has been most rapid in Europe. The author further added that by the 2000s the emphasis from CSR started to divide into related topics as for example stakeholder theory, business ethics and sustainability. The term sustainability or sustainable development has been defined and used in various ways and forms (Godemann & Michelsen, 2011 p. 5) and probably the terms have lost their meaning (Ott et al., 2011, p. 13) to some extent. However, the Brundtland Report definition of sustainable development is the generally accepted one: “A development that meets the needs of the present generation, without compromising the ability of future generations to meet their own needs” (WCED, 1987, p. 43). The general understanding is that sustainability is a lifestyle that do not endanger our future. The demand for companies to practically show their role in CSR and related activities led to different sustainability reporting initiatives that gives them the needed guidelines. Voluntary initiatives in CSR has become a major trend globally and some of those initiatives are more optional than others since some companies are under legal and regulatory pressure to adopt some of them for example in their sustainability reporting (Carroll, 2008, p. 39, 41-42).

Sustainability reporting refers to the communication of the company’s initiatives that include environmental, social and governance (ESG) concerns in the operations of the business and its stakeholders (Perez, 2014, p. 11). Sustainability reporting has gained attention from various government institutions, research institutions, consulting firms and other stakeholders who are interested in the corporate responsibility reporting of companies (Herzig & Schaltegger, 2011, p. 152). These reports act as a mode of communication between the company and its stakeholders (Perez, 2014, p. 11). Companies are becoming more interested in reporting additional information to the traditional financial accounting (Guthrie & Farneti, 2008, p. 361) as they have identified the need for an extended information (Ball et al., 2006, p. 266). Under the traditional financial accounting approach, ESG factors were viewed as being of less importance in reporting objectives because they do not have a notable financial impact (Moneva et al., 2006, p. 126). Sustainability reports can be used as a channel through which organisations reach out to its diversified stakeholders (Hahn & Kühnen, 2013, p. 5) providing them with information relating to accountability, responsibility and sustainability. There are several reasons why companies establish an accounting system that creates information about their sustainability related issues (Schaltegger & Burritt, 2010. p 375). These reasons include having a communicative tool to signal concerns and present data about
sustainability, industry pressure, stakeholder and legislative pressure, self-regulation, ethical reasons and possible added value to their business through sustainable activities (Schaltegger & Burritt, 2010, p. 375, 378, 383). As a result, most companies are now part of various sustainability related initiatives which provide them with some guidelines on sustainability related issues.

There are several sustainability initiatives which have been developed and put forward by research organisations to provide some guidelines on sustainability related issues. These guidelines can be for example, how to report on material sustainability indicators, but it is very difficult to draw a distinct line among them. However, Rasche et al. (2013, p. 5) come up with four ways which might be used to distinguish these initiatives. These four categories are principle-based initiatives, certification initiatives, reporting based initiatives and process-based initiatives. Principle based initiatives provides some norms for corporate behaviour without strict monitoring (Bernstein & Cashore, 2007, p. 350). Initiatives such as United Nations Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises, fall under the principle-based initiatives. Reporting based initiatives provides some guidelines on reporting material environmental, social and governance indicators in a company (Moneva et al., 2006, p. 126). Initiatives such as the Global Reporting Initiative (GRI), Carbon Disclosure Project (CDP), International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB) falls under reporting initiatives. Process based initiatives provide some standards modes of operations which management might adopt in their sustainability related issues (Goebbels & Jonker, 2003, p. 55) and standard issued under AccountAbility falls under process-based initiatives (Rasche et al., 2013, p. 5). Lastly, certification initiatives provide some “verification and auditing mechanisms” (Bernstein & Cashore, 2007, p. 350). Initiatives such as ISO 14001 which substantiates environmental management processes in an organisation falls under certification initiatives. For the purposes of this thesis we are going to focus on two types of initiatives, the principle based (UNGC) and the reporting-based initiatives since they are most commonly used by companies globally. In addition to being more used among companies, there is also a wide range of previous literature discussing about the strengths and weaknesses of these initiatives. Many of the other initiatives are considerably smaller and less discussed in the previous literature.

The largest corporate sustainability principle-based initiative is the Global Compact by United Nations (UNGC) (Rasche et al., 2013, p. 2). The UNGC was first introduced by Kofi Annan, the former UN Secretary General in January 1999 at the World Economic Forum in Switzerland and it was officially launched in July 2000 (Lau et al., 2017, p. 50) Currently the UNGC has approximately 13 000 participants from which 9000 are companies and 4000 are non-businesses (UNGC, 2018a). The initiative endeavours to promote sustainable development in organisations through its ten principles (Appendix 1) focused on human rights, labour, environment and anti-corruption. The principles can be adopted by any business regardless of its size, complexity or location and they are expected to implement these principles into their operations. Apart from producing annual sustainability reports intended for their stakeholders, these companies will also produce a communication on progress (COP) report which will be sent to UNGC. This COP report communicates to the UNGC the progress the company have made in implementing the ten principles and as an additional commitment the UNGC Sustainable Development Goals (Appendix 2) in their business and operations. However, some companies send their annual sustainability reports intended for their stakeholders as their COPs to UNGC and do not prepare a separate report for the COP since their sustainability report is already
covering the requirements of the COP. Failing to issue a COP will first result in the change of the UNGC status from active to non-communicating. If the company fails to issue a COP after a year of becoming non-communicating, it can lead to the expelling of the member. There are approximately around 7800 expelled members from the UNGC (UNGC, 2018b). For a successful COP report, the participant needs to make a self-assessment on their progress regarding the 10 principles and submit a report, as for example a sustainability report, that confirms the information (United Nations, 2018). Therefore, sustainability reporting in the context of UNGC varies a lot among its signatories. There are companies that are using reporting frameworks and are producing comprehensive sustainability reports as part of their annual reports or as a separate sustainability report. These companies then forward these sustainability reports to UNGC as their COP. On the other hand, there are also companies that are producing sustainability reports annually only to UNGC as an attachment to their COP and those are usually quite brief in content and focus only on the principles and sustainable development goals (SDGs). These differences are mainly due to the differences in companies’ size, industry, demands and other various factors. However, for the purpose of this thesis, we are going to focus on the annual sustainability reports produced by UNGC signatories which are intended for their stakeholders.

Since the UNGC has no reporting framework of its own for sustainability reporting, it entered into a partnership with GRI in 2010. GRI is a non-governmental organisation that was formed in 1997. It’s sustainability reporting framework has been the most prominent and widely used worldwide for sustainability reporting (Dumay et al., 2010, p. 532). Under this partnership, UNGC encouraged its members to implement the GRI reporting framework in their sustainability reporting. The guidelines of the GRI can be applied by all companies and organisations irrespective of size, type, sector or geographical location. They are meant to assist organisations in understanding, communicating and accounting for their impact on important sustainability criteria such as human rights, governance, climate change and social well-being (Moneva et al., 2006, p. 126). The purpose of these guidelines is: “to help reporters prepare sustainability reports that contain valuable information about the organization’s most critical sustainability-related issues, and make such sustainability reporting a standard practice” (GRI, 2015, p. 3).

1.2 Problem Discussion
Despite the UNGC being the largest principle-based sustainability initiative, sustainability reporting in its context and especially the 10 principles have received much criticism from scholars. Some scholars have argued that the 10 principles themselves are vague and not clear (Bigge, 2004; Deva, 2006; Nolan, 2005). They are generally explained in one-line sentences to keep them simple and attractive to both large and small organisations coming from diversified sectors and regions (Deva, 2006, p. 126). Critics have argued that they barely give enough enlightenment about the conduct expected from the UNGC participants (Orzes et al., 2018, p. 640) and they do not offer enough information pertaining to the principles span and horizon (Garsten & Jacobsson, 2011, p. 453) and lacked a course of action which an organisation must take (Deva, 2006, p. 129). This was supported by Bigge (2004, p. 11) who argued that these principles lacked exactness about what the companies are supposed to do. In simple words, the UNGC principles lack clarity and specificity (Deva, 2006, p. 126). This view is similar to Seith (2003, p. 2), who described the UNGC as “another exercise in futility” and added that it provided an opportunity for organisations to extravagantly issue statements about sustainability without worrying to account for their actions. This poses a challenge for the
reporting companies since the principles are not clear and specific of what they are supposed to do and report in their sustainability reports. Rasche (2009) argues that the criticism towards UNGC is neglecting the importance of its supplementary role and that it leads to underestimation of UNGC true potential. The article looks at specific ways of improving the UNGC and the challenges it is facing during its rapid growth.

Additionally, the UNGC has been criticised for claiming success on the total number of companies who are committed to the principles (signatories) instead of its previous mandate of making sure that the ten principles are adopted in companies’ operations and sustainability reports. It has provided little concrete evidence to indicate the manner in which the principles have impacted the signatories’ sustainability related conduct including its reporting (Sethi & Schepers, 2014, p. 203). They argued that the language in the principles is so unclear that a company might just abide by them without taking any course of action. The Joint Inspection Unit, which is an independent external oversight body of the United Nations (UN) and works for ensuring management and administrative efficiency of UN agencies, has also noted that the UNGC could not ensure compliance by participating companies on its principles (Fall & Zahran, 2010, p. 9). The UNGC has been criticized as having a small staff compliment and it’s difficult to supervise the actions of thousands of signatories thus it falls to the civil society organisations such as Transparent International and Counterpart International to monitor the sustainability reporting of corporations (Sethi & Schepers, 2014, p. 206). Furthermore, the COP reports have been criticized for its lack of adequate information with regards to the adoption of the UNGC 10 principles into company operations, supply chain and even subsidiaries in the case of holding companies and multinational companies (Fall and Zahran, 2010, p. 9). Some Non-Governmental Organisations such as Amnesty International have raised concerns about this lack of accountability within the UNGC and advocated for a more thorough evaluation of whether signatories are really abiding by the principles (Rasche, 2009, p. 3). This loophole in sustainability progress reporting has made some scholars to question the relevance of UNGC. Seith (2003, p. 2) said,” I doubt anything significant would happen to corporate conduct because a company has signed the global compact or declined to do so”.

However, it is important to note that Global Compact is a global initiative which is meant to cater for all organisational sizes, sectors and regions. Therefore, some researchers believe that specified principles could limit their scope and general applicability on a global scale and rather generalised principles will be easier to work with. The UNGC has also received some criticism about lack of monitoring on the activities of its participants. It is a voluntary initiative and hence it is in the category of soft law, with no legally binding obligations (Abbott & Snidal, 2000, p. 422-423). It calls for organisations to pledge to implement human rights, labour, environmental and anti-corruption practices in their business processes. More so as explained before, UNGC falls under the principled based category hence they mainly concentrate on broadly defined principles without monitoring as compared to certification initiatives who have monitoring and auditing structures. Rasche & Waddock (2014) defended the criticism towards UNGC in their research study by stating that even though highlighting that UNGC is far from perfect, the nature of UNGC as an initiative was misunderstood in the previous research since it is not a tool for high enforcement or monitoring, but rather an initiative that is aiming to include a wide range of different participants with a possibility to succeed in their CSR (Rasche & Waddock, 2014, p. 17). The authors did state that one of the main concerns of the UNCG right now is that the UNGC should aim to become more integrated
and aligned with its sustainability goals. They also addressed that the COP reports should be improved in terms of quality, transparency and comprehensiveness and most importantly in terms of guidance and framework (Rasche & Waddock, 2014, p. 18). Orzes et al. (2017 p. 633, 635-636, 649) conducted a literature review and theory-based research agenda after 15 years of research on the UNGC where majority of the previously presented literature were included. They viewed and summarized the main topics and identified the lack of empirical studies about the subject being a major research gap.

Just as the UNGC, sustainability reports in general have also been subjected to criticism. Herzig & Schaltegger, (2011, p. 157) argued that sustainability reports are not specific since they target a wide audience of potential readers thus subjecting the reports to the risk of information overload. Some companies are investing a lot of time and resources in sustainability reports with some going up to 100 pages (Isaksson & Steimle, 2008, p. 62). Thus, some companies will provide their readers with extensive sustainability reports which are, in practice mostly read by only a few. The environmental and social information published in these reports is often difficult to compare and procedures and practices of data collection and information management can vary over time or between companies (Herzig & Schaltegger, 2011, p. 157). Additionally, Puritt (2012) describes some of the main challenges for companies in sustainability reporting and to being sustainable in general. He stated that there are several common barriers that businesses face and includes lack of supportiveness by the senior team and a lack of employee engagement in sustainability related issues. Cost may also be a barrier as in terms of the costs of introducing sustainability initiatives. Measure can also be seen as a barrier within the lack of determination of what to measure, which is one of the main challenges in many sustainability initiatives.

Smith & Sharicz (2011 p. 80-81) conducted a research action about how companies have begun the shift needed for sustainability and what challenges might have arisen during that process. The authors addressed the lack of precise definition of sustainability being the core of the challenge that leads to unclear guidelines and difficulties in adopting sustainability to business that finally results to difficulties in producing sustainability reports. The other challenge was seen in the imbalance between different areas of sustainability whereas for example social concerns are largely ignored and reported mostly for maintaining brand image. The authors created two illustrations from their findings as negative reinforcing cycle and positive reinforcing cycle. The negative cycle starts from lack of clear definition for sustainability from the corporate level to lack of clear guidelines for successful implementations finally to lack of cohesive measurement system. The positive cycle starts with governance level of sustainability definition leading to balanced focus on all the areas in sustainability, clear strategic perspective of corporate sustainability and management finally leading to coherent measurement system.

Hahn et al. (2010 p. 226) concluded that the existing literature about sustainability in companies is overly positive and focuses on the win-win situations about the added value of sustainability for businesses. They would like future researchers to study further the challenges and difficulties faced in integrating sustainability to business as in means to provide companies and managers tools and practical knowledge about the difficulties related to sustainability and reporting. However, there is some previous literature about specific challenges in different areas of sustainability such as Szegedi & Kerekes (2012 p. 70, 74) that provided a comprehensive review in their research study about CSR literature and addressed some challenges about the supply chains. The authors concluded
that companies face many challenges when they are managing their social and environmental issues in the supply chain for reasons such as lack of traceability of raw materials in the supply chain, the lack of legislation in some countries and the large number of supply chains. The authors finally addressed that integrating supply chains to the business is seen as a major challenge in terms of sustainability reporting. Christofi & Christofi (2012 p. 169) concluded in their research study that sustainability reporting practices need to be standardized and enforced in order to avoid corporate mismanagement that could lead to negative consequences regarding sustainability not serving its original purpose anymore. The current situation with the lack of standardization and enforcement in sustainability reporting was seen as a challenge not only to reporting companies but for all the stakeholders that are interested about their sustainability issues.

Dyllick & Muff (2015 p. 12, 15) addressed two questions about sustainability: How can businesses contribute effectively to the sustainability challenges and when can business be seen as truly sustainable. The authors expressed the sustainability challenges to be industry specific and therefore companies should focus on what is material to them in order to be sustainable and reporting easier to manage. Banks for example should focus on sustainability challenges in their own context and then decide what challenges they can and choose to contribute on. The authors concluded that in order for companies to become truly sustainable they need to implement sustainability thinking to their business, but the challenge is to measure that since there is a lack of common initiatives and frameworks, sustainability reporting assurance and any form of reliable performance measurement. Eccles et al. (2017 p. 13-14) argued that materiality should be defined sector-specifically since material issues differ largely in different sectors. For each materiality section as in a way of measuring and reporting, a key performance indicator (KPI) should be determined. The authors further pointed out that there is a need to develop sector specific guidelines when it comes to material issues in the specific industry and also improve ways of determining the KPIs as a way to significantly improve companies’ sustainability reporting. The authors lastly pointed out that even though the sustainability information has increased considerably in the last decade, companies still fail to disclose their sustainability related information in a comparable format.

1.3 Research Problem
The UNGC principles lacked clarity and proper guidance to companies about what is really expected of them especially in reporting perspective. Therefore, the UNGC and GRI entered into a partnership in 2010 when the UNGC adopted the GRI guideline as the recommended reporting framework for its signatories. This partnership is meant to provide some guidance on sustainability reporting thus improving the quality of sustainability reports produced by UNGC signatories (GRI, 2018c). However, these GRI guidelines have some shortcomings. Isaksson & Steimle (2008, p. 62), conducted a study on GRI guidelines in the cement industry and they found that the GRI guidelines were not sufficient to make sustainability reporting relevant and clear. They added that the guidelines were not sufficient in answering the questions of how sustainable the company is. One might argue and say in 2008 when the study was carried out, the GRI guidelines, which were in use at that time, were the G3 framework. GRI upgraded its guidelines to G4 in 2013 and they were described by KPMG (2015, p. 42) as being more complex than the previous GRI framework thus still posing a challenge to the reporting companies. Additionally, the GRI has continued to upgrade and evolve itself and in 1 July 2018, G4 will be replaced by the new GRI standards. GRI has also been widely criticized of being
more accessible for big companies since managing the sustainability report requires more resources than what smaller companies might have. Additionally, Barkemeyer et al. (2015, p. 32) concluded that information provided by GRI reports has not “enabled internal and external stakeholders to meaningfully interact with the respective companies”. Thus, it lacks some effectiveness in providing sustainable information (Fonseca et al., 2012, p. 1) and it can cover up for unsustainable practices since the framework focuses on specific issues through its indicators (Moneva et al., 2006, p. 135). Furthermore, the GRI has been criticized for its lack of geographical approach to its indicators (Fonseca et al., 2012, p. 5) thus it fails to address the geographical challenge especially to those companies with operations in several countries. The shortcomings of the GRI as described above, can affect majority of the UNGC signatories since it is the recommended reporting framework by the UNGC.

Klettner et al. (2014 p. 8-9) pointed out in their research article that the meaning of corporate responsibility varies a lot in practical sense depending on the company's size, industry and location. The authors proceeded to discuss the UNGC and GRI as initiatives which future research is needed in terms of more effective implementation of sustainability. The main challenge in sustainability work and reporting was addressed in the large number of sustainability standards and initiatives themselves. There are too many private initiatives that have often own code or set of standards and principles that guide their users and since the existing ones change frequently and new ones are always emerging, it is almost impossible to have a comprehensive and comparable sustainability report. Islam et al. (2013) studied the development of CSR and the authors finally stated that sustainability reporting is a challenge because the guidelines are mostly voluntary and there is a lack of understanding of these guidelines within sustainability reporting companies (Islam et al., 2013, p. 170, 177). Additionally, sustainability reporting is too broad and can be a complicated and unstructured challenge to many reporting organisations (Grossman, 2014, p. 11). Grossman further added that sustainability reporting consumes resources which cannot be underestimated. More so, the author went on and criticised the sustainability reporting frameworks as documents which lacks some flexibility required to deal with situations and circumstances which individual reporting organisations face in their operations. Thus, the reporting organisations are left in a precarious position with the identification of relevant data to report on (Fonseca et al., 2012, p. 6) especially for those companies who are operating in different countries and industries.

1.4 Research Gap
Ayuso et al. (2014) conducted a research study that aimed to improve understanding about different factors that affect the implementation of the UNGC principles in Spanish companies. The results of the questionnaire revealed that the level of firm-specific resources had a positive effect on the implementation of the principles and against their expectations the internationalization of firms does not affect the implementation. In concluding their study, the authors suggested that to better understand these results and UNGC in general, there should be research about analysing what UNGC members have reported in their sustainability reports and what has helped them to implement the principles (Ayuso et al., 2014, p. 553, 563). Furthermore, Orzes et al. (2017) conducted a literature review of UNGC studies and found out that majority were quantitative in nature that is testing a theory through statistical means and very few were qualitative. The authors then raised a concern for the need to have more empirical qualitative based studies about the UNGC to address this discrepancy. The authors identified as a research gap the
high imbalance of research methodologies in the UNGC related studies and argued that there should be more research studies using strong empirical frameworks and also focus more to the firm's perspective of the discussed UNGC topics.

As discussed previously sustainability reporting can be a challenge to many reporting organisations due to its broadness in nature and frameworks which are too rigid and might not fit the organisational needs at times among other reasons. Schaltegger & Burritt (2010 p. 383) studied the relationship between accounting and sustainability. The authors concluded that there is a need for applied research and development when it comes to the limited accounting information and the need of creating specific guidance for managers in sustainability reporting related issues. Finally, the authors expressed the need for research about conceptualizing sustainability challenges since that has not been clearly stated in previous literature and demonstrate ways of approaching them. Hahn et al. (2010 p. 226) further suggested in their study about the existing literature about sustainability in companies being too focused on the win-win prospects of the topic that future research should be more focused on providing guidance for managers to deal with trade-offs and challenges in sustainability related work. Further, the authors suggest that future studies should focus on developing tools and contribute with knowledge to difficult situations in sustainability to identify for example strategies that can lead to better sustainability strategy. Additionally, Munoz et al. (2017, p. 1) studied issues in sustainability accounting in the US. They come up with aspects which they referred to as issues such as measurements, disclosures and standardization in sustainability reporting. However, their study was limited to sustainability reporting within the Dow 30 companies and included only public companies in the US region and they suggested that similar research should be conducted on various geographical regions (Munoz et al., 2017, p. 14).

Based on the presented literature, the authors of this thesis concluded that it would be interesting to get a deeper understanding of how companies are practically translating the UNGC principles to their sustainability reports since they have been criticised to be too broad and lack clarity to some extent. The authors would like to study this subject from the companies’ perspective since there is a clear research gap with UNGC related research studies with qualitative methods and having the signatories’ in-depth perspective to these issues. More so, as mentioned in the previously presented articles of the sustainability challenges, there has been identified numerous challenges and difficulties in sustainability reporting and reporting frameworks in the previous academic literature, but they have been mainly focusing on specific issues such as supply chains, integrated reporting, frameworks and stakeholder pressure. There is a clear research gap about defining the challenges faced by companies in general throughout the whole sustainability reporting process. Therefore, the authors would like to also study sustainability reporting related challenges in the UNGC context, where we aim to gain an understanding of how the signatories are managing to conduct their sustainability reports successfully and what challenges they are facing in general and how are they approaching these challenges. The authors believe that the best way to find the answers to the above questions is to ask those people who have experience of the sustainability reporting process in order to gain understanding and analyse the results. The authors chose to conduct the study in the Nordic countries since they are generally known to be forerunners in sustainability, they have lot of similarities in their sustainability reporting and the authors are also more familiar with the Nordic region. For our knowledge, there is neither any studies about the practicalities and challenges of sustainability reporting conducted in the Nordic countries previously. Even though there might be differences in the practicalities and challenges in
sustainability reporting depending on the companies’ size, location and industry, the authors chose to approach the subject from general aspect. The UNGC is an initiative that is supposed to cater all kinds of businesses and therefore a more holistic study is needed from this topic in addition for the lack of studies about the general challenges and practicalities of sustainability reporting.

1.5 Research Questions
Based on the previous problem discussion and research gaps the authors came up with two research questions. Our first research question is focusing on how the Nordic signatories of the UNGC are implementing and including the principles in their sustainability reports and gaining an understanding of the companies’ perspective about the four broad categories of UNGC 10 principles (Figure 1).

*How are the UNGC signatories practically translating the 10 principles into their sustainability reporting?*

There is also a need to gain more knowledge about the challenges faced by companies in sustainability reporting which leads to our second research question as follows:

*What challenges do UNGC signatories find in sustainability reporting in general and how have they approached these challenges?*

![Figure 1: The four main categories of the UNGC 10 principles.](image)

1.6 Thesis Purpose
The main purpose of our thesis is to create an understanding of the practicalities with Nordic signatories’ sustainability reporting in the UNGC context and the related challenges. The aim is also to seek common themes within the study participants in order
to create understanding of how to deal with different challenges in sustainability reporting. In addition to answering our research questions, the goal is to create knowledge and tools for improving sustainability reporting. The Nordic countries have a reputation of being quite advanced in their sustainability work. Studying their sustainability reporting, can provide knowledge and tools for all businesses and non-businesses about the subject and help them with sustainability reporting related issues. Also, the perspective to our research study is coming from signatories’ perspective, which could make the study results easier to identify with the audience and more practical to implement and reflect in their sustainability reporting. The study also includes general questions about UNGC and GRI, which creates insight to the signatories’ own perspective of the initiatives and what it means for them. Our study also explores and evaluates the initiatives and creates discussion about possible ways of improving them and making them more accessible and satisfying for everyone. The thesis is very useful to UNGC as an initiative since the insights to this study come from UNGC signatories where also ways of improving the initiative itself is discussed.

There is a strong criticism of the lack of guidelines considering the reporting practices of the principles. Therefore, our study could help coming up with strategies to prevent companies getting delisted from the UNGC in the future and also lower barriers of joining the UNGC successfully. In a more holistic view, our study aims to raise awareness regarding to sustainability reporting practices and create knowledge and tools about successful reporting practices. Most importantly, sustainability has been a popular topic in the recent years and there is a lot of discussion about the problems and difficulties within the initiatives and reporting practices. The purpose of this study is also to provide improvements based on the practical issues of sustainability reporting, which is why the study is conducted from the companies’ perspective. Our thesis also aims to provide the researchers topics for future studies and raise awareness towards sustainability related issues.

1.7 Delimitations
As mentioned earlier in the introduction, sustainability reporting is a broad concept. There is a range of different initiatives that can be divided based on what the initiative is based on, but the aim is still the same: to make companies become more sustainable by including different areas from sustainability issues to their business. In this thesis the authors have chosen to focus on the UNGC initiative that has a partnership with the GRI regarding the sustainability reporting framework. The UNGC is the world’s largest principle-based initiative and there is a very large number of signatories from different countries, sizes, industries and so on. Whereas, there is a limitation of time and resources to use for our study, we had to narrow our study in order to keep it coherent and reliable. Geographically we chose to limit our research to the Nordic region because in addition for both authors being located and familiar with the region, the Nordic countries also have very similar culture, regulations, laws and ways of doing business, so the sustainability reports are also similar to some extent. From the Nordic signatories we wanted to include participants that have been reporting to the UNGC at least for two years to gain a deeper understanding of the subject. When it comes to other attributes of the participants, we included companies from different industries and size in order to get a holistic view of the subject, but we also required that the signatories need to be producing sustainability reports for their stakeholders for us to get some proper answers for our research questions.
1.8 Theoretical and Practical Contributions

The theoretical contribution we wish to obtain is to contribute to the already existing literature with our qualitative research study in order to gain theoretical knowledge about the UNGC and the translation of their 10 principles to the participants sustainability report. The study explores how the signatories are producing their sustainability reports and how are they including the principles in the process since that area has not been covered extensively the previous literature. The other theoretical contribution is to fulfil the existing gap of studying the challenges in the actual sustainability reporting process from the signatories’ perspective and if they have managed to overcome those challenges. The thesis is studying the topics from signatories’ perspective and therefore providing theoretical knowledge about the subject within the company. The theoretical contribution of our study can also be served as a base for further studies in the UNGC context and sustainability topic in general and also in the development of theories to explain the challenges faced in sustainability reporting.

The practical contribution of the thesis is to provide guidance for the translation of the UNGC principles and assistance in identifying the sustainability reporting related challenges and ways of overcoming them. Since the research study is done from the signatories’ perspective it also gives a practical contribution in a sense of the study being about the signatories itself and their perception of the studied subject. The aim of the study is also to give a practical contribution in a form of informative tool to every businesses and non-businesses that are either facing challenges with their sustainability reporting and UNGC membership and also those that are considering to joining the UNGC or starting to produce sustainability reports in the future. Regardless, that the study has been narrowed down to certain geographical location, the results are still helpful for businesses and non-businesses in every geographical area, size and industries. The findings of our study give them all a concrete example of how these signatories are structuring the report, translating these principles, what challenges they face and how can those be overcome. Our research study provides evidence of the signatories’ own perspective and perception of the topic and also how are they practically working with the studied subject. The practical contribution to basically anyone and especially companies that are working with these issues or considering working with them in the future, is quite high importance. For the UNGC to achieve their full potential, the importance of getting the new members to commit to the principles in long-term, is quite essential and in that sense our research study contributes to this practical matter also since it is telling the possible new members how to do that commitment from the signatories’ perspective.
2. Scientific Methodology

In this chapter we are discussing our scientific research methodology starting with the preconception we have about the research problem followed detailed description of the identified paradigm and philosophical position of our study. Then we are moving on to our research approach and justification of our methodological choices and methods used. Finally, ethical and social considerations of our study will conclude the chapter.

2.1 Pre-understanding and Preconception

Preconception is the knowledge, opinions and experiences that the researchers have in their minds about the subject problem (Bryman & Bell, 2011, p. 30, 414). This previous knowledge can act as a guide in carrying out the research such as connecting what is already known and what is not known or guide the researcher on the methodology and area to focus on (Remenyi et al., 1998, p. 46). This view was supported by Bickman & Rog (1998, p. 78) who said preconceptions should not be ignored but be used as a source of inspiration. The authors of this thesis are two master’s students in Accounting at Umeå School of Business, Economics and Statistics who are both in their final semester on a two-year programme. Since the business school has an ISO 14001 environmental certification, sustainability has always been a concept that has been very central in the majority of our courses. We amassed vital knowhow in areas related to our research focus from these classes, among them Corporate Governance, Advanced Management Accounting and Advanced Financial Reporting. This has contributed to our interest in sustainability related issues. Of particular note, it was during Advanced Financial Reporting course in spring 2016 when we were asked to prepare a presentation about GRI reporting for certain chosen companies where we were first introduced to GRI and sustainability reporting. It was during this assignment when the authors started to develop keen interest in sustainability reporting involving GRI, especially the challenges faced in compiling these reports. Additionally, it was during an Advanced Management Accounting course when we first discussed about sustainability initiatives such as Principles for Responsible Investments and Eurosif. Further research by the authors about these initiatives then lead to the discovery of the biggest principle-based initiative, the UNGC, in whose context this research is going to be based on. Therefore, the background and interest of this thesis is mainly rooted on these two Accounting related courses taken during our study. Additionally, this study is going to be focusing on the company perspective of sustainability reporting and to be more specific to the UNGC signatories’ experiences with sustainability reporting. Neither of the authors have worked for a UNGC signatory before so neither does not have any extensive knowledge of the companies we are studying thus we approached the study with a fairly open mind.

2.2 Research Philosophy

There are many philosophical considerations which researchers are exposed to when carrying out a research. This section describes the assumptions and perceptions about the way of viewing the world which consists of a set of beliefs and values (Morgan, 2007, p. 49). However, Morgan (2007, p. 52) further argued that it is vital to clearly point out what is contained in one’s paradigm’s view of the world since viewing paradigms as including everything about one’s beliefs and thoughts might be of little good. Therefore, in this section we are going to clearly state our research philosophy and the perceptions and beliefs that are going to affect the study. This philosophy consists of ontology and epistemology which we are going to discuss in the next section.
2.2.1 Ontology
The term ontology is more concerned with the underlying nature of reality (Saunders et al., 2009, p. 110) and how we understand human behaviour (Peile & McCouat, 1997, p. 344). Raadschelders, (2011, p. 918) argues that ontologically, researchers will ask themselves questions such as, “What is the nature of the reality that we study?” among other questions. Therefore, ontology is concerned with whether the researchers believe in objective reality which is external to the individual and that really exists or subjective reality which is created in our minds or which is constructed individually (Chipangura et al., 2016, p. 261; Long et al., 2000, p. 190). In this research study, we are trying to get an understanding of how UNGC signatories are translating the 10 principles into their sustainability reports and the challenges they are facing in sustainability reporting in general. Sustainability reporting differs from one company to the other as explained in the first chapter. Thus, from this study we are going to analyse the actors’ views, beliefs and thoughts, which is aligned to the subjective ontology stance. This view is similar to Collis & Hussey, (2014, p. 47) and Saunders et al. (2009, p. 110) who state that objective reality is external to social actors while subjective reality is influenced by social actors. Thus, if the researchers have an objective view of the nature of reality, they will assume that there are no influences from the actors’ experiences or their own judgement thus it deals with a social phenomenon with meanings that are independent of social actors (Bryman & Bell, 2011, p. 22). This is not applicable to this research study since our research phenomena is dependent on social actors.

Additionally, Parker (1999, p. 27) argued that an objective stance does not take into consideration the “interpretive gap” which exists between the social world and the behaviour and feelings of the social actors. Thus, the use of subjectivism fills this gap in the use of the researchers’ interpretations of the social world. Additionally, the researchers who subscribe to the subjectivism stance believes that the social entities cannot be perceived to be separate from social actors (Bryman & Bell, 2011, p. 22). This therefore implies that for us to gain an understanding of the social entities we must take into consideration the perspectives of those who are already in it. In this instance, we are going to take the perspectives of sustainability reporters with regards to how are they practically including the 10 principles into their reports and the challenges they are facing. However, the subjective stance has also received some criticism. Nightingale & Cromby (1999, p. 210) argued that the subjective stance has the assumption that there is no way of coming up with credible information from the social world since there are only perceptions and assumptions as data available. Long et al. (2000, p. 190) further stated that objectivism is more aligned with quantitative studies whilst subjectivism is more aligned with qualitative studies.

2.2.2 Epistemology
The term epistemology is more concerned with what is acceptable knowledge (Saunders et al., 2009, p. 110), how we gained that knowledge (Peile & McCouat, 1997, p. 344), how to ensure that its sufficient and valid (Maynard, 1994, p.10) and in what way that knowledge will be passed on to others (Long et al., 2000, p. 190). Raadschelders, (2011, p. 918) offers a shorter description of epistemology as what we can know. Saunders et al. (2012, p. 134-137) stated that there are four epistemological paradigms namely positivism, realism, interpretivism and pragmatism. Interpretivists researchers believe in meanings which are subjective to people’s situations and contexts they are in (Peile & McCouat, 1997, p. 345) and are less concerned with objective facts. The purpose of this thesis is to gain an understanding how companies are translating the UNGC ten principles
into their operations. This means that the companies will share with us how they are practically doing it in their own contexts which is in line with Peile & McCouat (1997, p. 345) definition of interpretivists research as discussed above. Furthermore, the research will try to understand the challenges they are facing in sustainability reporting in general in their various situations. In this instance the companies will share with us their experiences and challenges they are facing with sustainability reporting and this will enhance our understanding of sustainability reporting in the UNGC context. Therefore, an interpretivism stance will be adopted which is in contrast with positivism (Bryman & Bell, 2011, p. 16.; Peile & McCouat, 1997, p. 345). Positivism is closer to the work of natural science where researcher mainly work with social reality which is observable, can be experimented and can be measured (Peile & McCouat, 1997, p. 344). It is often linked with testing of theories (Ticehurst & Veal, 1999, p. 19-20). Critics of positivism have argued that this approach can only be used to study what can be quantified (Peile & McCouat, 1997, p. 345). Relativism was described by Peile & McCouat, (1997, p. 347) as a difficult term to define since there are various forms of relativism but it can be placed between positivism and interpretivism. Realism claims that observable items provide credible data while pragmatism claims that both observable and subjective meanings can provide acceptable knowledge depending on the research question (Saunders et al., 2009, p. 110). However, Peile & McCouat (1997, p. 344) ended up arguing that there are two main epistemological paradigms, positivism and interpretivism. Conclusively, Bryman & Bell (2011, p. 16) argued that positivism tries to explain human behaviour, while interpretivism strives to understand it. After taking into consideration our research purpose as highlighted above, the researchers will adopt an interpretivist epistemological standpoint.

2.3 Research Approach

There are basically three research approaches namely deductive, inductive, and abductive (Ghauri & Grønhaug, 2010, p. 15; Saunders et al., 2012, p. 144.) which researchers can adopt in their study to gain an understanding of their research problem. The research approach acts as a link between theory and research. Several researchers have researched about the concept of sustainability and its related theories but very few have focused on the sustainability reporting and its related challenges especially in the UNGC context. Therefore, our study is going to be based on these previous research and theories as well as empirical data to be gathered through interviews from companies in the Nordic region. Thus, our approach cannot be explicitly categorised under deductive approach because we are not going to test any of the sustainability related hypothesis and theories. In a deductive approach, researchers will base their theoretical considerations on what is already known about a phenomenon and then they construct a hypothesis which will then be thoroughly examined empirically (Bryman & Bell, 2011, p. 11). Additionally, deductive approach is mainly influenced by the use of logic in drawing its conclusions (Ghauri & Grønhaug, 2010, p. 15). Basically, theory forms the base of the research and influences on its subsequent processes. Saunders et al. (2009, p.125), further explained that a deductive approach endeavours to understand the relations between variables and to achieve this one needs to gain enough control for hypothesis testing.

Secondly our approach cannot be categorised as a purely inductive approach. Inductive approach is mainly used to come up with conclusions using empirical observations at hand (Ghauri & Grønhaug, 2010, p. 15). It makes less use of existing theories but focuses more on coming up with new ones or improving and extending the existing ones based on the generalisation of available data. In our approach we are not intending on
formulating new theories or extending existing ones. Ghauri & Grønhaug (2010, p. 15), tries to come up with a structure for inductive approach and they structured it from the observations to the findings then finally the creation and extension of theory. This is similar to Ticehurst & Veal (1999, p. 22) who said that inductive approach normally commences with the collection of data which will then be analysed and utilised to explain the research problem usually resulting in theory building. Induction approach’s one main advantages to the social science is its ability to explain the cause-effect relationship (Saunders et al., 2009, p. 126). On the other hand, the conclusions which are derived from induction approach can be trusted to a certain extent since the conclusions drawn are mainly based on the available empirical information (Ghauri & Grønhaug, 2010, p. 15).

Rather an abductive approach is going to be embraced where we move back and forth between theory and empirical findings from the study. An abductive approach is when the researchers use both deductive and inductive approach in their studies (Morgan, 2007, p. 71). Ticehurst & Veal (1999, p. 22) concluded that most studies done on a deductive approach contains some elements of inductive reasoning whilst also most inductive studies contains some elements of deductive reasoning. The deductive approach has been criticised for its unclear nature of choosing a theory which is then hypothesised and subjected to empirical testing while on the other hand the inductive approach has been criticised for creating theories at times, based on insufficient data. Since the abductive approach is a combination of these two approaches, it was seen as a way of overcoming these weaknesses. Saunders et al. (2012, p. 145) stated that when a researcher is using an abductive approach, the data collected can be used for various reasons such as exploring an occurrence, theme identification and description of patterns. Additionally, an abductive approach is used when the data available cannot be interpreted with available theory (Bryman & Bell, 2015, p. 27). However, Morgan (2007, p. 71) offers an extension of this use when he said that when using abductive approach, it means “first converting observations into theories and then assessing those theories through action”. Morgan further explained that one will be moving “back and forth” between theory and empirical findings, thus a researcher is unlikely to use strictly one scientific approach in a research project. In this approach, we are going to use the already existing theory related to sustainability reporting to guide us in the discussion and analysis of the data gathered from the study. Therefore, the thesis approach will follow Morgan’s (2007), interpretation of abduction approach as discussed above.

2.4 Research Method
Research method refers to an organised and structured technique of collecting data with the aim of extracting information to answer research problems and questions (Ghauri & Grønhaug, 2010, p. 104). There are three research strategies which can be applied in business research namely quantitative, qualitative and mixed research strategy. There is little prior research about sustainability reporting in the UNGC context. In this case, our study is going to be characterised with discovery and exploration rather than testing and quantifying of results. A quantitative method is mainly about using statistical tools to collect data, test hypothesis and analyse the results (Collis & Hussey 2014, p. 52; Saunders et. al., 2009, p. 151.). This research method typically answers questions such as “How many” and “How often” (Malina et al., 2011, p. 61). Its main aim is to test the hypothesis formulated and verify or falsify the hypothesis (Ticehurst & Veal, 1999, p. 47). It can also adopt a critical and logical approach where inferences will be made based on the facts and underlying variables and connections. Therefore, a quantitative study normally adopts a deductive approach and embraces the norms of natural science
Furthermore, quantitative data is objective (Long et al., 2000, p. 190), with an ontological position that only one truth exist about a phenomenon (Sale et al., 2002, p. 44), and it is easy to generalise the relationship between the variables (Collis & Hussey, 2014, p. 226.; Ghauri & Grønhaug, 2010, p. 105.). For these reasons a quantitative research is not going to be used in this research.

Secondly, the researchers are not going to embrace a mixed research method. A mixed method approach is when both the qualitative and quantitative methods are used. Greene et al. (1989, p. 256) defined it as a method that include at least one quantitative method designed to collect statistical data and one qualitative method designed to collect words. These methods can be used either sequentially or parallel to each other (Saunders et al., 2009, p. 152). The goal of mixed research is not to replace either of the two paradigms but rather to draw strengths from both methods and minimize their weaknesses in a single research study (Johnson & Unwuegbuzie, 2004, p. 16). However, there is no need for a mixed method approach since quantitative study is not needed to answer our research questions. Additionally, as mentioned in the introduction, there is a lack of qualitative studies about the topic that could further contribute to the practical side of the subject. Rather a qualitative approach is to be embraced. Since there is little prior research about sustainability reporting in the UNGC context and our study is going to be characterised with discovery and exploration which best fits in the qualitative method (Johnson & Unwuegbuzie, 2004, p. 18). Additionally, Edmondson & McManus, (2007, p. 1160) supports this view when they argued that qualitative research is more appropriate where little is known in a field as it will facilitate foundations for future research. A qualitative approach seeks to find answers about a research problem using non-numerical and non-statistical information. This method seeks to create an understanding of certain events or situations with their research problems typically addressing the “how” and “why” questions (Malina et al., 2011, p. 61). This research method is associated with some subjective interpretations of the data collected and the objective is to understand the underlying reasons of a phenomena. Usually, the method results in some deeper understandings of the problem and identification of trends, and motivations from the actors’ opinions. More so, the method tries to look at the holistic problem of a phenomena and fits on an explanatory research (Ghauri & Grønhaug, 2010, p. 105). Thus, from an ontological point of view, qualitative method believes in multiple truths which are built on an individual’s construction of reality (Sale et al., 2002, p. 44).

Another aim of the study is to gain an understanding of how UNGC companies are translating the 10 principles into their sustainability reports. Myers (2008, p. 5) argue that in a study where the researcher wants to understand how things are happening in certain context a qualitative method is more appropriate. Qualitative method allows the use of open ended questions which gives a wider understanding and exploratory explanations for the phenomena under study. Additionally, the researchers believe that in order for us to gain an in-depth understanding of a research problem, analysing text would provide more information rather than statistical methods. Based on the above arguments, the study is not going to take the quantitative or mixed research methodology, rather a qualitative research methodology is going to be embraced.

2.5 Research Design
Research can be classified into three types which are exploratory, descriptive and explanatory (Blaikie, 2009, p. 70.; Ghauri & Grønhaug, 2010, p. 56-57). Descriptive
study is mostly used when the researchers have a clear picture of the problem and often tests hypothesis and confirms on the research problem (Hair et al., 2007, p. 156). It usually depicts an accurate outline about the research problem and is often governed by clear cut rules, procedures (Ghauri & Grønhaug, 2010, p. 57) and they are precise (Babbie, 2004, p. 89). Explanatory research is more concerned with establishing relationships between variables (Hair et al., 2007, p. 160.) Therefore, the researchers will try to separate the causes and the effects and then try to gain an understanding of how the causes influences the effects (Ghauri & Grønhaug, 2010, p. 57). Additionally, it tries to answer the questions of “why” with the available data (Babbie, 2004, p. 89). Exploratory study is when you seek new understandings of what’s happening in a phenomenon (Saunders et al., 2009, p. 139). It seeks to find new themes and is most appropriate when there are insufficient theories to develop hypothesis (Hair et al., 2007, p. 153-154) Saunders et al. (2009 p. 140) further explained that there are three main ways which an exploratory study can be conducted which are literature search, interviewing of knowledgeable people in the area and focus group interviews. Therefore, our study can be grouped under this category since we are going to interview those companies who are part of UNGC. Additionally, explorative is the most relevant in areas which are not understood properly and results in new information and solutions (Ghauri & Grønhaug, 2010, p. 56) and focuses more on qualitative research (Hair et al., 2007, p. 153-154).

More so, it is vital for researchers to decide on the time horizon with regards to whether the problem they are investigating is going to be answered by data from which time frame. Saunders et al. (2009, p. 155) provided two horizons which are cross sectional and longitudinal. However, Blaikie (2009, p. 201) provided three and added the historical perspective. Longitudinal investigates a change which have occurred over some years and it enables the researchers to depict a development over certain specific periods of time (Blaikie, 2009, p. 202). Whilst historical, as the name suggests, is more concerned with historical events and the researcher will be confined to the past. Lastly a cross sectional study is when the researchers collect and analyse data which is related to a specific point in time, usually the present (Blaikie, 2009, p. 201). Saunders et al. (2009, p. 155) tries to come up with a distinction between cross sectional and longitudinal and described cross sectional as a “snapshot study” whilst longitudinal as various “snapshots”. Our thesis is not going to be focusing on sustainability reporting in the past (historical perspective) or focus on changes on sustainability reporting over some years (longitudinal) rather we are going to investigate the current sustainability reporting in the UNGC context, therefore a cross sectional study is the most appropriate.

2.6 Research Strategy
There are various research strategies which researchers can choose from. Saunders et al. (2012, p. 173) proposed a number of strategies which included experiments, surveys, case studies grounded theory and narrative studies. Saunders et al. (2009, p. 141) concluded that there is no strategy which higher ranking or lower ranking is than the other. They added that the option on which strategy to use is dependent on various factors which includes research questions, the objectives of the study, philosophical considerations and the amount of resources available to researchers. For example, experiments are more suitable when researchers have research questions which are after investigating the causal links between two variables and are most commonly used in natural sciences (Saunders et al., 2009, p. 141). Our research question is not about investigating the causal links therefore this strategy was not chosen for our study. Additionally, case studies strive to gain a deeper understanding of the research problem and they are often applicable on
exploratory and descriptive research studies (Ghauri & Grønhaug, 2010, p. 109-110). Cases are also more applicable when investigating real life occurrence which are specifically related to certain actors involved in that act (Yin, 2009, p. 18). In this research study we are not going to investigate any real-life occurrence specifically related to certain actors. Instead we are investigating sustainability reporting in the context of UNGC in general. Therefore, the case study strategy is not going to be applied in this thesis.

Action research strategy is when both the researcher and the participant work together in order to get a deeper understanding of the research problem and to find solutions on how to solve that problem (Bryman & Bell, 2011, p. 413). Therefore, the researcher can be seen as being part of that organisation rather than the traditional view where we have the researcher and the subjects. Even though action research seemed to be applicable to our study, we did not choose this strategy because it involves quite a number of processes which are not going to add value to our study and assist in the answering of our research questions. Secondly, this thesis was supposed to be done within a limited time frame which we feel was not enough to fully engage into an action research strategy. Another strategy we considered was the use of open ended surveys. This type of strategy is both applicable for descriptive and exploratory studies (Saunders et al., 2012, p. 177). Surveys are resource efficient since they do not consume much in terms of time and costs. However, for this thesis we did not include them because of their limitedness in terms of providing information. In an open-ended survey, a respondent just responds to the questions asked on the survey and the researcher has less chance of coming up with follow up questions which are critical in gaining an in depth understanding.

Lastly there is the narrative inquiry strategy. Narrative inquiry is when the researchers and the participants share information about the research problem and the researchers will try to present that information in a truthful manner about the insights gained from the participants (Lapan et al., 2012, p. 215). These narratives can vary in terms of length that can be either long in-depth interviews or short interviews. However, this type of research has been subjected to some criticism. Firstly, Lapan et al. (2012, p. 219) stated that the findings from this type of strategy are affected by the way which researchers will translate the empirical data as they try to convey the data gained from these interviews on their research papers. This subjective epistemological nature in interpretation of findings results in multiple truths from these kind of studies (Lapan et al., 2012, p. 230). However, in spite of these criticism with this approach, our research is going to adopt the narrative inquiry strategy. This is because this approach allows participants to share with us their experiences with regards to sustainability reporting in the UNGC context and this will enhance our deeper understanding of these issues. Secondly, we will use the in-depth interviews which are in consistence with the narrative inquiry strategy. However, we will always try to control the criticisms raised before about the narrative inquiry through applying the ethics in research which does not encourage bias on the part of researchers and advocate to always tell the truth from research findings.

2.7 Choice of Literature
Reviewing literature pertaining to the intended area of study is an important stage which have to be carried out before and during the study. Reviewing before the commencement of the study helps in identifying unanswered questions, unexplored areas and areas where there is low agreement (Edmondson & McManus, 2007, p. 1160). A search of literature is a process which is carried out in order to discover the available information concerning
a particular problem (Collis & Hussey, 2014, p. 76; Lee & Ling, 2008, p. 80). We carried out this stage at the beginning of our study and we managed to gain a lot of insights into sustainability in the UNGC context. This process helped us to clearly define the research problem, identifying the knowledge gaps, and to make our study more focused (Collis & Hussey, 2014, p. 76). However, it is of paramount importance to critically analyse the literature you will be referring to. Sources of information might be intended for different purposes thus it is vital to choose sources of information carefully during a study (Ghauri & Grønhaug, 2010, p. 90). Therefore, Lee & Ling (2008, p. 84) argued that it is important for researchers to ask themselves the following questions when choosing literature to use: “Is it relevant? Does it come from a reputable source? Does it present a compelling theoretical argument, and or rigorous empirical results (is it good?) What were the motives of the author?” Lee & Ling (2008)’s view on scrutinising the sources of data is similar to that of Smith (2011) who argued that the data sources must be selected using criteria such as whether the data is up to date, the sources are reputable, and the dataset is suitable for its intended purpose (Smith, 2011, p. 143).

Literature sources can be divided into three groups namely primary, secondary and tertiary sources. Primary data is data that has been collected by researchers directly from, for example, interviews and questionnaires as they are carrying out their research. Secondary data is data that is already published while tertiary is data that is already analysed and categorised in a database by other researchers (Saunders et al., 2012 p. 82-83). For the purpose of this thesis, tertiary sources of information were not used instead secondary sources were extensively used. Secondary data was used to gain a deeper understanding of sustainability reporting in the UNGC context and was helpful in explaining our problem which is in accordance with Ghauri & Grønhaug, (2010, p. 90).

In our study, we conducted an extensive literature search so as to find applicable material to refer to such as scientific articles, published books, electronic papers and other authentic sources of information about sustainability reporting in the UNGC context. The scientific articles we used were mainly collected from search engines such as Umeå library, Google scholar and ResearchGate. However, Google scholar and ResearchGate has restricted access to some articles so the identified articles from these search engines were then tried on the Umeå library search engine. Key words which were relevant to our study such as “UNGC”, “sustainability reporting”, “CSR”, “GRI”, were used to unearth the various research articles used. This helps us to find articles which were mainly published in peer review journals and that adds some credibility and reliability to our study. Books, electronic papers and other sources of literature were used to gain an understanding of concepts which we could not find in these peer review articles. Additionally, the articles which were found were further sorted out with first the latest ones given first priority, of course the older ones were useful in understanding the historical perspective of the problem.

2.8 Summary of The Methodological Choices
After the above discussion of the methodological choices, below is a graphical presentation (Figure 2) of the choices which were available to the researchers and the chosen alternatives to be applied in our study.
2.9 Ethical and Social Considerations

Ethical considerations are very important when carrying out research. The researchers must consider good ethical behaviour throughout the research so as to ensure that the research will be of high integrity (Bryman & Bell, 2011, p. 122). This means that research must be carried out within the confinements of good ethical practices rather than carrying it out in whatever manner. Diener & Crandall, (1978, p. 3) defined ethics as “guidelines and principles that help us uphold our values - to decide which goals of research are most important and to reconcile values and goals that are in conflict”. Bell & Bryman (2007, p. 71) studied nine popular academic research ethic codes in the UK and USA and they come up with eleven categories of ethical principles which are presented in Table 1 below:

Table 1: The Eleven ethical principles. (Bell & Bryman, 2007, p. 71).

<table>
<thead>
<tr>
<th>Ethical principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harm to participants</td>
<td>Ensure there is no physical and psychological harm to the research participants, the researcher and others throughout the research process</td>
</tr>
<tr>
<td>Dignity</td>
<td>Avoid causing discomfort, anxiety and maintain dignity of research participants, researchers or others</td>
</tr>
<tr>
<td>Informed consent</td>
<td>Ensure research participants have fully informed consent</td>
</tr>
<tr>
<td>Privacy</td>
<td>Avoid invasion of privacy and protect privacy of participants</td>
</tr>
<tr>
<td>Confidentiality</td>
<td>Ensure confidentiality of research data</td>
</tr>
<tr>
<td>Ethical Principle</td>
<td>Description</td>
</tr>
<tr>
<td>--------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Anonymity</td>
<td>The protection of anonymity of individuals or organizations</td>
</tr>
<tr>
<td>Deception</td>
<td>Avoid misleading behaviours or lies which might deceive the respondent throughout the process</td>
</tr>
<tr>
<td>Affiliation</td>
<td>Declare professional and personal affiliation which might affect the research. Eg. funding, scholarships and conflict of interest.</td>
</tr>
<tr>
<td>Honesty and transparency</td>
<td>Honesty and transparency in communicating the information</td>
</tr>
<tr>
<td>Reciprocity</td>
<td>Ensuring collaboration and active participation, mutual benefit to both researcher and participants.</td>
</tr>
<tr>
<td>Misrepresentation</td>
<td>The need to avoid misleading, misunderstanding, misrepresenting or false reporting of research findings</td>
</tr>
</tbody>
</table>

Collis & Hussey, (2014, p. 59), stated that the ethical principles stated above should be observed by all researchers especially those who are to use primary sources of data. Primary sources of data include experiments, surveys interviews and so on as discussed before. The data we are going to use for the thesis is primarily going to be retrieved from interviews. Thus, there is a lot of interaction with the research participants which is linked to a number of principles listed above. Therefore, the researchers are going to observe all the ethical principles listed above since they are all relevant our methodology. Already, in the request letter we send to the participants (Appendix 3), we were already asking them if they wish to be anonymous on the thesis display which is amongst the ethics listed above. Our study is going to be qualitative based where our interpretations of the findings are going to be presented. The researchers are not going to present deceitful information but rather will present the information in a truthful manner. Diener & Crandall (1978, p. 72) explain that deceit has to do with “the deliberate misrepresentation of a scientific study” Furthermore, researchers are also going to take into consideration the social considerations on top of the ethical considerations stated above. By social considerations we are referring to the social implications of our research study. We are studying the area of sustainability reporting in the UNGC context. This study will have implications on the information which companies are going to provide to their stakeholders including the society thus the society is going to benefit from the information from sustainability reports. Therefore, our study is going to have societal impact in it.
3. Theoretical Point of Departure

In this chapter we present a deeper insight in the concept of sustainability reporting in the UNGC context, and the relevant theoretical literature on sustainability related theories. We will start by introducing the concept of CSR which in our case forms the theoretical base for our study. Then we move on to the CSR related theories which are related to our study and argue why we think they are important and relevant in our research problem. Then we proceed to discuss the concept of sustainability reporting outlining the reasons why companies engage in sustainability reporting. The discussion on frameworks which are used in sustainability reporting then follow and the chapter is concluded with conceptual framework of sustainability reporting in the UNGC context.

3.1 Corporate and Social Responsibility

Corporate Social Responsibility (CSR) has been one of the focal points for companies in recent years. There has been pressure for companies to act as good corporate citizens by incorporating CSR initiatives into their business operations. McWilliams & Siegel (2001, p. 117) defined CSR “as actions that appear to further some social good beyond the interests of the firm and that which is required by law [thus] to us, CSR means going beyond obeying the law”. From their definition of CSR, merely following the laws does not necessarily mean that the company is engaged in CSR activities because that is what every good corporate citizen would do including profit maximization corporations (Davis, 1973, p. 313). For example, if a company is not employing underaged people it is not engaging in social responsibility but it’s just following the laws. In other words, CSR begins where the law ends (Davis, 1973, p. 313). This line of argument is also supported by Bénabou & Tirole, (2009, p. 2) who argued that CSR is about foregoing profits for social interests and the company must voluntarily surpass its contractual and legal obligations to meet that objective. They then went on and described the three views of engaging in CSR which are the win-win situation that is “doing well by doing good”, the delegated philanthropy view where the company is viewed as a way of expressing citizen value and the insider-initiated corporate philanthropy, which is not motivated by the outside stakeholders but rather by the inside managements own will (Bénabou & Tirole, 2009, p. 12-15). Another definition of CSR is the various activities that the company embark on to manage environmental, social and governance (ESG) risks and convert them into opportunities within its business strategies and operations (Greyson & Nelson, 2013, p. 12). Therefore, CSR encompasses a wide range of activities and behaviours which extends beyond the company’s immediate sovereignty and extents to other voluntary programmes and partnerships (Bénabou & Tirole, 2009, p. 2). The concept of CSR is not easy to define (Davis, 1973, p. 312), and for the purposes of this study we are going to combine the above discussed definitions for CSR and view it as voluntary ESG activities that a company embark on above their contractual and legal obligations.

The European Union Commission share the same view about CSR that it goes beyond legal compliance and it means going a step further in investments into human capital, the relations with stakeholders and the environment (European Commission, 2001, p. 6). The commission further suggests that doing more in terms of the environment dimension might increases the competitiveness of the company whilst doing more in social dimensions (training, employee relations, working conditions) might have a positive effect on production efficiency. Carroll (1979, p. 499-500) argued that an organisation has four basic obligations (Table 3) to the society for it to be socially responsible which are economic, legal, ethical and discretionary obligations. Under the economic
responsibility, businesses have the responsibility to produce goods and services and sell them at a profit (Carroll, 1979, p. 500). The profits will be a return on the investments to owners at the same time resulting in jobs and fair compensation for the employees, and money to engage in community related activities. Thus, from the view of the society, the business is a basic economic unit. The economic responsibility holds the highest magnitude among the four in Carroll's pyramid (Figure 3). However, the actions of the company might fall outside the economic dimension when they are not meant to maximise profitability when another profitable action was available and when an action was taken without proper deliberations of its economic effects to the company (Schwarz & Carroll, 2003, p. 509). The second responsibility is the legal responsibility. Under this, the society expects the business to fulfil its economic obligations under a certain legal framework and regulation. The third one is the ethical responsibility, and these can be seen as an extension of the legal responsibility since it caters for those responsibilities which are not legal but still the society expects them to be fulfilled by businesses (Carroll, 1979, p. 500). Furthermore, the ethical dimension tries to expand the moral duties as well as the public policy of the company and include concerns such as human rights (Windsor, 2006, p. 96). These expectations can be voluntary in nature but still the society expects the business to fulfil them. The discretionary does not have a clearly laid out message from the society but it's up to the businesses discretion. These are also known as philanthropic activities and companies engage in activities which are not related to its business operations for various reasons such as building a good reputation for itself and enhancing brand value (Matten & Moon, 2008, p. 8). These four dimensions constitutes total CSR and each one of them deserves consideration in social responsibility activities (Carroll, 1991, p. 40).

Figure 3: The CSR pyramid.
24

Marrewijk (2001, p. 102-103) came up with five ambition levels of CSR in companies which are the compliance driven, profit driven, caring, synergistic and holistic. Under the compliance driven, the motivation for embarking in CSR activities will be viewed as a duty or as a way of showing a correct behaviour. Although the company might include some stewardship and charity activities, its main motivation under this ambition level is to be compliant with regulations and be seen as behaving in a correct manner. Under the profit driven motive, the company will integrate ESG factors into their business operations if they will contribute to the profitability of their company. In this case a company will embark on CSR provided that they are profitable for example it attracts customers, or quality employees or they will gain competitive advantage. The caring driven motive goes beyond the profit driven and the compliance driven. Under this motive, companies are involved in CSR because they care for the society, environment and the planet. The synergistic approach is when the company tries to create functional solutions in ESG factors in a win together approach with various stakeholders. Then the holistic ambition is when CSR initiatives are fully integrated in every aspect of the company. The motivation is all beings are interdependent on each other and there is a universal responsibility towards each other.

In an organisation CSR can be split into two dimensions, the internal dimension and the external dimension (European Commission, 2001, p. 7-10). The internal dimension of CSR mainly concerned about employees, and includes health and safety, working conditions, and other investments in human capital. Internal dimension also includes the managing of other resources which can be used in production. The external dimension of CSR goes beyond the internal affairs of the company. The activities include involvement with the local community, company’s involvement with the environment, business partners, suppliers and consumers. Companies contributes to their local communities through activities such as provision of jobs, physical environments such as roads and provision of clean water and air.

Our understanding of CSR is the various social, environmental and governance activities which the company embark on beyond the requirements of laws and regulations. With some of these activities the society expects the company to do them and some are up to the company's discretion. Companies embark in CSR for various reasons and with various ambitions (Marrewijk, 2001, p. 102-103) and they will ultimately report to their various stakeholders about the activities they would have carried out on CSR through reports they publish. Therefore, CSR concept is very important in understanding sustainability reporting in UNGC context especially on the implementation of the 10 principles into the reporting company’s reports. These 10 principles basically cover the various CSR activities they are communicated to their stakeholders through sustainability reports. Thus, the concept of CSR provides a concrete base for understanding the 10 principles and why and how companies include them in their sustainability reports.

3.2 CSR Related Theories
There are a number of CSR related theories which include the stakeholder’s theory, signalling theory, institutional theory, resource-based view of the firm, stewardship theory and legitimacy theory among other theories. However, for the purpose of this thesis, we are going to focus on stakeholder theory and signalling theory since they relate more to our study and research questions. Since the CSR concept explained above is more concerned with why these companies communicate and how do they communicate, these theories will help us to explain the targets groups of sustainability reports for companies
in the UNGC as well as the signals which these companies send to their stakeholders and how the stakeholders will interpret those signals.

### 3.2.1 Stakeholder Theory

Stakeholder theory is a management theory that addresses morals and values in a clear manner as an important attribute of organising business processes (Philips et al., 2003, p. 481). This theory re-focuses management’s attention from primarily focusing on stockholders but also incorporate stakeholders. Stakeholders are any group or individuals who can affect or is affected by the activities of an organisation (Freeman, 1984, p. 46). Therefore, the management of such organisation shift their attention from maximising shareholders value to incorporating the interests of those who can assist or obstruct the attainment of organisational goals (Philips et al., 2003, p. 481) and creating shared values between the company and its surroundings. Additionally, Mitchell et al. (1997, p. 853) identified several types of stakeholders and grouped them “as primary or secondary stakeholders; as owners and non-owners of the firm; as owners of capital or owners of less tangible assets; as actors or those acted upon; as those existing in a voluntary or an involuntary relationship with the firm; as rights-holders, contractors, or moral claimants; as resource providers to or dependents of the firm; as risk-takers or influencers; and as legal principles to whom agent-managers bear a fiduciary duty”. As a result, many people might seem they understand the theory when they might not necessarily be doing so, partly because the theory keeps on changing (Steib, 2009, p. 404). Therefore, there is need for a stakeholder identification theory which will distinguish stakeholders and non-stakeholders (Mitchell et al., 1997, p. 854). However, this is out of the scope for this paper and for the purposes of this thesis we will adopt the Freeman (1984) definition of stakeholder as discussed above.

Stakeholders can be grouped into two groups: Primary stakeholders and secondary stakeholders. Primary stakeholders are those groups of people whose continued association with the company makes it a going concern and they highly depend on each other (Clarkson, 1995. p. 106). This group of people include employees, customers, suppliers, shareholders, investors. The primary stakeholder group also includes another group called the public stakeholders which include the government and communities (with regulations, taxes, provision of markets etc). Thus, if any or part of the primary stakeholders decided to pull out in part or fully, then the survival of the company as a going concern will be put into jeopardy. In such a case, the company’s survival, and its continued existence is heavily dependent on the management's ability to create value, wealth and satisfaction to each group, so that they continue to be part of its stakeholders’ system (Clarkson, 1995. p. 107). The other group of stakeholders is the secondary stakeholders. These group of stakeholders are not directly involved in transactions with the company, but they can influence or be influenced by the actions of the company. (Clarkson, 1995, p. 107). They include the media who can influence the option of the people in favour of or against the company. Sustainability reporting tries to cater for various stakeholders since it is important to provide them with valuable information. These groups are illustrated on Figure 4 below:
Islam et al. (2013, p. 174-175) discussed some problems and benefits which corporations might face when it is involved in stakeholders’ engagement. They argued that the term stakeholders cater for a wide range of groups or individuals, so their demands can vary and it’s quite difficult to meet all their demands. Additionally, there could be conflict of objectives between the company’s objectives and the objectives of the stakeholders (Mcwilliams & Siegel, 2001, p. 117). Since stakeholder’s objectives vary, making decisions which involve them is time consuming, costly and not sustainable when there is need to make urgent decisions. However, there are some benefits which are associated with including stakeholders into your corporate culture and decision making. These benefits include creating loyal customers, less investments in training and development since there will be low labour turnover.

Our understanding of a stakeholder is any group or individual who can affect or be affected by the activities of the company. As a result, the term can refer to a wide range of interested parties whose information needs vary. However, there is need for companies communicate to these stakeholders about their CSR activities through sustainability reports articulating the activities which the company is carrying out to become sustainable. Therefore, stakeholder’s theory is an important theory in trying to explain the various groups which UNGC companies try to communicate to through their sustainability reports. It can also be an important theory in trying to explain the difficulties in sustainability reporting where the company will be trying to strike a balance in information of its highly diversified audiences.
3.2.2 Signalling Theory

The signalling theory can be traced back to Spence (1973). The theory has its origin from the markets’ belief that the company can convey messages about itself through actions. Signalling theory is important when explaining the behaviour of two parties (the sender and the receiver) with access to different information (Connelly et al., 2011, p. 39). In this theory there are two main parties: The sender who is privileged to have access to the information and the receiver who will interpret the signal and the signal itself. The sender will obtain information both positive or negative which the receiver might find useful. The sender will make a choice on whether and how to liaise the information and the second party who is the receiver will choose how to disseminate the information (Connelly et al., 2011, p. 39). Signalling theory’s main focal point is on the intentional communication of positive information to signal a positive image to the receiver. Thus, signalling theory can be a way of trying to minimise this gap in the access of information (information asymmetry) between the sender and the receiver (Spence, 2002, p. 435). When the signalling theory is applied to CSR, companies will send messages to its various stakeholders through the CSR activities, performance and sustainability reports. The receivers of the signal (stakeholders) will interpret the signal (sustainability reports) in different ways and have different perceptions about how sustainable the company is. Albiger & Freeman (2000, p. 243) found a positive relationship between organisational Corporate Social Performance (CSP) and employer attractiveness for jobseekers. Thus, companies who perform better in their CSR activities send a good signal to the job market and they have the ability to attract the most qualified people. Additionally, good CSR reporting signals a good reputation of the company to its stakeholders (Perez, 2014, p. 17). Companies seek to improve public image so that it attracts more customers, better qualified employees and other corporate benefits (Davis, 1973, p. 313).

The company will send a number of signals to its various stakeholders about the extent to which the company is sustainable through sustainability reports. The stakeholders will interpret the signal (sustainability reports) in a way they understand it. Therefore, in this thesis the signal theory will try to explain the difficulty which sustainability reporting companies face in trying to ensure that their reports are not viewed “as a marketing tool”, “a way of greenwashing “or “just another report”. In other words, it will try to explain the difficulties encountered by UNGC companies in ensuring that the sustainability reports are not sending the wrong signal to its various stakeholders.

3.3. Sustainability

Sustainability reporting is mainly concerned with being accountable and transparent to the various stakeholders, both internal and external, on the performance of the company towards sustainable development. As we have discussed before in the introduction chapter, the concept of sustainable development was put on the international political agenda by the Brundtland Report and the basic concern is about meeting the needs of the present without compromising the ability of the future generation to meet their own needs (Elkington, 1999, p. 55). Therefore, it is vital for companies to be transparent and account for their actions to stakeholders who are continuously demanding companies to be more sustainable. This demand for transparency and accountability especially for large organisations has resulted in the publication of sustainability reports (Daub, 2007, p. 77).

A sustainability report “is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities” (GRI, 2018f). The report must encompass both quantitative and qualitative information and
keep the stakeholders on the progress which the company is making on economic, environmental and social activities (Daub, 2007, p. 76). Sustainability reports can be used as a communication tool which organisations use to reach out to its diversified stakeholders (Hahn & Kuhnen, 2013, p. 5) providing them with information relating to accountability, responsibility and sustainability. The purposes for providing this information from a reporting organisations perspective is varied ranging from enhancing organisational reputation, brand value, transparency and gaining a competitive advantage over its competitors (Herzig & Schaltegger, 2006, p. 302) and it results in sound relationship between the stakeholders and the reporting company which is very important for long-term survival and success. Laskar & Maji, (2016, p. 626) argued that the basic purpose is to enhance transparency which can only be attained by providing information in a precise and objective way since subjective information may fail to satisfy the information needs of stakeholders. Some organisations are also using it as a benchmark in assessing their performances in non-financial areas (Fernandez-Feijoo et al., 2013, p. 53). As a result, most companies have adopted sustainability reporting voluntarily after realising these benefits on their performance and strategy (Gilman & Schulschenk, 2013, p. 14). From a stakeholder’s perspective, sustainability reporting provides a point of reference to assess the reporting organisations performance towards sustainable development (Laskar & Maji, 2016, p. 625).

Sustainability reports have been named differently with names such as CSR reports, accountability reports, non-financial report, triple bottom line reports and combined reports used by reporting organisations (Kolk 2010; Owen et al., 2001). It is also part of the integrated reporting which combines the analysis of both financial and nonfinancial reporting. Sustainability reporting has mostly been a voluntary activity although some governments have invigorated its reporting directly or indirectly (Klock, 2008, p. 3). For example, South Africa requires all publicly listed companies on the Johannesburg Stock Exchange (JSE) to produce integrated reports or explain why they are not (Gilman & Schulschenk, 2013, p. 14). Some governments are also starting to introduce more regulations for companies to combine financial and non-financial reporting. The European Union (EU) has also released an EU directive [2014/95/EU] that requires large companies to disclose non-financial information about the way they operate and manage environmental and social issues. The EU refers to UNGC, OECD and ISO in their website about how to report (European commission, 2018). There are also different local regulations in the Nordic region and for example the Swedish government’s legislation on sustainability reporting requires that companies whose number of employees are more than 250, assets over 175 million SEK and net sales over 350 million SEK have to report non-financial information regarding sustainability (Emilsson, 2017).

Herzig & Schaltegger, (2011, p. 155-156) provided different ways in which companies are currently trying to incorporate environmental, social and financial information in distinguished manner. They come up with three sustainability reporting approaches (Figure 5). The first approach is the Distinctive stakeholder- and theme-specific reports. With this approach, companies publish a chain of different reports such as environmental reports, social reports, environmental statements each one addressing different stakeholders and focusing on specific sustainability aspects. The second approach is the Stand- alone sustainability reports. In this approach, companies produce sustainability reports which are separate from the financial reports. These sustainability reports will contain information about the environmental, social, and governance (ESG) sustainability performance. They might be of the same format as the reports on the distinctive
stakeholder and theme specific reports. The third one is the Extended financial reports and integrated (business) reports. In this approach, the reporting company integrate their sustainability reports into their financial reports and publish only one integrated report. Among these approaches, the stand alone and fully integrated approaches have received more attention principally among large companies (Herzig & Schaltegger, 2011, p. 156).

3.3.1 Frameworks in Sustainability Reporting
There are a multitude of sustainability reporting frameworks which have been developed and put forward by research organisations to report on material sustainability indicators. Both national and international organisations have proposed guidelines (which are non-binding) and regulations meant to assist in sustainability reporting and offer some guidance for management in the reporting process (Herzig & Schaltegger, 2011, p. 158). Elkington (1999) proposed the Triple Bottom Line Framework, which is probably the most influential sustainability framework upon which many other frameworks have been developed from (Guo et al., 2015 p. 2). The framework encourages corporations to take into consideration three aspects, which are the profit, people and planet into their activities. The triple bottom line framework has been understood as a framework which tries to assist companies to attain economic value creation while taking into consideration environmental and social aspects. The economic considerations encompass the financial performance and contributions of the company to its various stakeholders (Nikolaou et al., 2013, p. 177). The authors further explained that the social dimensions include employments issues such as health and safety and human rights related aspects whilst environmental aspects include various activities with the both internal and external natural resources. When a company observed all these three aspects then it will become sustainable and enjoy some competitive advantage (Carter & Rogers, 2008, p. 365)
The triple bottom line framework (Figure 6) provides some guidance on the basic sustainability dimensions which are the economic performance, social performance and environmental performance. However, there are other more specific reporting frameworks which provides more specific reporting indicators and guidelines.

Other reporting frameworks include Carbon Disclosure Project (CDP), International Integrated Reporting Council (IIRC), the Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI). The International Integrated Reporting Council (IIRC) developed an International Integrated Reporting Framework (IIRF) which is applicable to organisations all over the world. This framework was released following extensive deliberations with various organisations and businesses from all regions of the world with a purpose to establish guiding principles that regulate the contents of an integrated report (IIRC, 2018a). An integrated report is a communication report that shows how “an organisation’s strategy, governance, performance and prospects in the context of its external environment leads to the creation of value in the short, medium and long term” (IIRF, 2013, p. 2). However, the framework does not provide specific key performance indicators (KPIs), methods of measuring matters or how to disclose them and therefore it is up to those who prepare the integrated reports to exercise some professional judgments on the matters that are material and how to disclose them (IIRF, 2013, p. 7). Another more standardised reporting framework is the SASB, which was officially launched in October 2012. Its mission is to develop accounting standards which are specific for sustainability issues that are material for the purposes of integrated reporting (Gilman & Schulschenk, 2013, p. 14). Although SASB was primarily developed for the US market, they can still be used by any other organisation world-wide (Gilman & Schulschenk, 2013, p. 15).

Figure 6: The triple bottom line (People, Planet & Profit).
Lastly, there is a CDP disclosure framework that allows companies from all over the world to measure and manage their environmental impact covering three areas of focus which are climate change, water and forests. CDP is an organisation with international presence, regional offices and local partners in over 50 countries. Additionally, companies from over 90 countries now disclose through CDP. It engages and informs cities, companies, governments, investors, supply chains, states and regions. Disclosing under CDP helps cities to assess the possible opportunities and threats which its inhabitants are exposed to whilst for companies’ environmental disclosure makes business sense (CDP, 2018a). An overview of some reporting frameworks is outlined in (Table 2) below:

Table 2: An overview of common reporting frameworks (BSB report, 2016, p. 9).

<table>
<thead>
<tr>
<th>Reporting Framework</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon Disclosure Project (CDP)</td>
<td>Requests standardized climate change, water, and forest information from some of the world’s largest companies through annual questionnaires sent on behalf of institutional investors.</td>
</tr>
<tr>
<td>Conflict-Free Smelter Program (CFSP)</td>
<td>Establishes a reporting protocol and indicators for whether companies achieve conflict-free status.</td>
</tr>
<tr>
<td>International Integrated Reporting Council Integrated Reporting Framework (IIRC)</td>
<td>Provides Guiding Principles and Content Elements that govern the overall content of a succinct integrated report and explain the fundamental concepts that underpin them.</td>
</tr>
<tr>
<td>Global Reporting Initiative Sustainability Reporting Standards (GRI)</td>
<td>Provides reporting principles, standard disclosures, and an implementation manual to guide the preparation of sustainability reports.</td>
</tr>
<tr>
<td>Open Technology Institute Transparency Reporting Toolkit (OTI)</td>
<td>Provides best practices, a template, and reporting guidelines for preparing “transparency reports” covering privacy and freedom of expression issues.</td>
</tr>
<tr>
<td>Human Rights Reporting and Assurance Frameworks Initiative (RAFI)</td>
<td>Provides companies with comprehensive guidance about how to report on and assure human rights management and performance.</td>
</tr>
<tr>
<td>Sustainability Accounting Standards Board (SASB)</td>
<td>Develops and disseminates sustainability accounting standards that help companies disclose material, decision useful information to investors, such as in the Form 10-K or Form 20-F.</td>
</tr>
</tbody>
</table>

The GRI framework has the largest scope of reporting as compared to the other frameworks with various stakeholders as its primary target audience (Laskar & Maji, 2016, p. 625). The other frameworks have specific target audience such as the SASB is more concerned with information which is material to investors.
3.4 GRI Framework

GRI is a non-governmental organisation that was formed in 1997 in Boston. In 1998, a committee was formed to expand the GRI framework to accommodate all the aspects of sustainability reporting, which are social, economic and governance issues (Laskar & Maji, 2016, p. 627). The first version of GRI was then launched in 2000. Its sustainability reporting framework has been the most prominent and widely used worldwide for sustainability reporting (Dumay et al., 2010, p. 532). More so this framework is widely used by the world’s largest companies, 74% of the G250 companies referring to its guidelines (KPMG, 2015, p. 42). G250 are the world’s 250 largest companies based on the Fortune Global 500 (Bartels, 2011, p. 27). The current guidelines are the fourth generation (G4) guidelines, which were introduced in May 2013, at a conference which was attended by about 1600 delegates from 69 countries (GRI, 2018a). In this G4 framework there are a summation of 91 items, 48 for social, 34 for environment and 9 for economic performance (Laskar & Maji, 2016, p. 627). Bigger companies might find it easier and more relevant to include more GRI standards in their reporting framework while the smaller ones only follow the basic guideline. For example, a company that is reporting for the first time may decide to report at level C and produce a report with fewer material indicators while an experienced company with many resources can report at level A which is comprehensive. Thus, companies can start at a very low level and progress over the years. Additionally, GRI is constantly upgrading its framework and starting from July 2018, the G4 guidelines will be replaced by a new set of guidelines of the GRI Sustainability Standards. The GRI Standards are the first global standards for sustainability reporting (GRI, 2018b). There are three reporting levels, level A, B and C and companies themselves can determine the extent which they follow the guidelines. The Implementation Manual and the Reporting Principles and Standards Disclosures provides some guidance for sustainability reports to be formulated under three main categories (Figure 7) which are the economic dimension, environmental dimension and social factors dimensions. Under these dimensions there are several subcategories and indicators which provide further guidance for reporting.

![Figure 7: The GRI and its reporting indicators.](image-url)
3.4.1 The Economic Indicators
GRI’s economic indicators are used to assess the economic effects the company has on its stakeholders and the economic environment at various operational levels from the local, national and global levels (GRI, 2013, p. 67). It also shows the main effects of the organisation on the society economically and the flow of capital among its stakeholders. Sources of information when compiling these indicators can be audited financial statements or such other financial information which has been compiled using International Financial Reporting Standards or any other standards applicable and recognisable for financial reporting purposes (GRI, 2013, p. 68). The information to be disclosed include the economic value generated which is the revenue and how it has been distributed for example payments to governments, community investments and payments to employee’s wages and benefits (GRI, 2013, p. 68).

3.4.2 The Environment Indicators
The environmental indicators are concerned with the impacts the company have on the natural ecosystem which includes both living and non-living (GRI, 2013, p. 84). The inputs in this indicator include energy such as water and the outputs include carbon emissions and wastes. The inputs disclosure may also include both renewable and non-renewable materials used. The environmental component is made up with 34 indicators and with aspects such as emissions and supplier environmental assessment. Under the environmental aspects, it gives guidelines on how to screen suppliers using the environmental criteria (GRI, 2013, p. 136). The environmental indicators as a whole helps in reporting about principles 7, 8, 9 of the UNGC ten principles (GRI, 2013, p. 84).

3.4.3 The Social Indicators
The social indicators are mainly concerned with reporting the social impact which the organization have on the social systems which it is operating in (GRI, 2013, p. 142). The social indicators are further divided into subcategories which include labour practices and decent work, human rights, society and product responsibility (GRI, 2013, p. 142-235). The sustainability reporting indicators for labour practices and decent work are built upon internationally recognised standards which include International Labour Organization (ILO) Declaration, United Nations Declaration on Human Rights and the United Nations Vienna Declaration on programme of action. This subcategory deals with issues which concerns the general employment conditions such as employee turnover, benefits, diversity and equal opportunity. More so, issues to do with employee’s health and safety are included together with the company's investment in employees training and education. The reporting of some of these indicators can be done using statistical measures such as employee retention rate, injury rates including fatalities experienced during the year and absentee rate. The indicators under this subcategory assist on the reporting of the implementation of principle number 6 on the UNGC ten principles (GRI, 2013, p. 143).

The human rights subcategory indicators provide assistance in reporting the processes and the extent to which stakeholders are enjoying and exercising their human rights (GRI, 2013, p. 173). There is a global harmony in agreement that companies must act responsibly in respecting human rights and these indicators give the companies some guidance on sustainability reporting and how to act responsibly. These indicators cover issues such as child and forced labour, gender equality, freedom of association and collective bargaining. These indicators in this subcategory assist on the reporting of the
implementation of principle number 1 and 2 of the UNGC ten principles (GRI, 2013, p. 174). The society subcategory indicators focus on the impacts the company have on the communities and society. The indicators cater for activities such as involvement in development programmes in the community, impacts assessment, anticorruption and public behaviour. This subcategory assists on the reporting of the implementation of principle number 10 on the UNGC ten principles (GRI, 2013, p. 204). Indicators related to corruption include reporting on the summation of operations assessed for corruption related risks and the notable risks identified, communication and training on anticorruption policy and the record of corruption cases which took place and the subsequent actions which were taken. The product responsibility subcategory focuses on the products and services that have a direct impact particularly on the customers. The aspects under product responsibility includes health and safety of customers, information labelling of products, privacy of the customer and marketing (GRI, 2013, p. 221-234). Some compilation data is recorded quantitatively for example number of incidents of non-compliance with regulation and number of complaints regarding breach of customer privacy.

3.4.4 Principles Defining GRI Reporting Quality

The GRI implementation framework contains some principles which reporting companies can use to provide some quality on the content of information presented in sustainability reports which are illustrated in Figure 8 below (GRI, 2013, p. 13-16). These principles improve the transparency and accountability in sustainable reports. Reporting companies are encouraged to use these quality principles as guidelines to decide the information they present in their reports since quality of information has an effect on the decision making by the stakeholders who read these reports. The first principle is balance. This principle encourages organisations to include both good and bad information about the companies and show an unbiased assessment of the companies’ assessment. The information should be presented in such a way that it does not influence the decision making of the readers. The second principle is comparability. This principle encourages organisations to report sustainability reports in a way that will enable readers to compare the company performance over a certain period of time or compare with other organisations. Therefore, the company is expected to report sustainability information in a consistent manner. More so, organisations should try to report in numerical numbers such as tonnes of wastes or ratios. The other principle is accuracy. The reported information should be accurate, and this will enhance the report to be dependable in decision making. The methods used to gather information has an effect on the accuracy of quantitative information and the accuracy in qualitative information is mainly affected by the clarity of information presented.

Timeliness is another principle which defines quality under GRI. The information availed by the reporting companies to its stakeholders should be done in time for the readers to make informed decisions using the reports. It is important for the information to be released when it’s still useful to be included in decision making by stakeholders. The other principle is clarity. The information conveyed in sustainability reports should be clear and easily understood by the stakeholders who will read the information. At the same time the reporting company must avoid putting unnecessary information and have information overload. Other forms of simplifying information such as use of graphs and tables can be used. The last principle is reliability. The information contained in the reports should be reliable. Readers should have the confidence that the information they are reading is verifiable and it is supported by internal controls and documents.
Information that is not supported should not be on the sustainability report unless it is material. Furthermore, the organisation should be able to verify the calculations presented in the reports (GRI, 2013, p. 13-16)

![Figure 8: Principles defining quality in GRI.](image)

3.4.5 Materiality

The content of the information which can be reported varies from company to company due to various reasons such size and the stakeholders who will read the sustainability reports. More so, reporting companies are faced with a wide range of information to report on. Therefore, companies must report on those matters which have critical impact both positive and negative on the environmental, social and economic dimensions of the company and might have an effect on the decision making of the stakeholders who will use the sustainability reports. The GRI views materiality as the threshold which the companies must use for information to become relevant to be reported (GRI, 2013, p. 11). Therefore, it is important for the reporting company to make a thorough evaluation and analysis of the information content they must relay to their audiences. Additionally, determining materiality level for sustainability reporting also include information of impacts that surpass the condition of the ability to meet the needs of the present without compromising the needs of the future generations. (GRI, 2013, p. 11). The GRI provides 4 steps in materiality assessment process (Figure 9), which are identification, prioritizing, validation and review. The reporting company should first identify which topics and aspects could be relevant and related to all of the organization’s activities. The second step (prioritization) instructs to assess the relevance of each aspect and topic with the significance of the impacts the company is causing. The third step (validation) is more about validating the material aspects which have been chosen and need to be assessed against scope, time and boundaries in order to provide a balanced presentation of reporting company’s performance for stakeholders. The final step (review) is closing the reporting cycle. Materiality is very important in sustainability reporting in the UNGC context since it will help us to analyse how UNGC members are choosing what to report about the 10 principles.
3.5 The UNGC and GRI Partnership

In May 2010, the UNGC and the GRI signed a memorandum of understanding (MoU) at the Amsterdam Global Conference on Sustainability and Transparency (GRI, 2018c) where the two leaders in the sustainability initiatives agreed to work together in promoting corporate responsibility and transparency (The Accountant, 2010). In the agreement, GRI committed itself to ensure that its next generation of sustainability guidelines, the G4, will accommodate the UNGC ten principles. The GRI was going to offer a comprehensive accountability and transparency framework which will assist the companies in reporting their commitment of the UNGC to its stakeholders. On the other hand, the UNGC recommends the adoption of GRI sustainability reporting framework to its signatories. In June 2010 during the UNGC leaders’ Summit in New York, a special event was held and the 5 specific commitments (Table 3) of the alliance were released and these are:

Table 3: The UNGC & GRI commitments (UNGC, 2018c).

<table>
<thead>
<tr>
<th>Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “GRI, subject to due process, will integrate the Global Compact issue areas and principles centrally in the GRI Guidelines, through the current and upcoming revisions of the Guidelines.</td>
</tr>
<tr>
<td>2. The Global Compact will adopt the GRI Guidelines as the recommended reporting language for companies to communicate progress. GRI provides a common language that helps Global Compact participants to communicate their progress in implementing the principles, using widely accepted reporting principles and best practice indicators</td>
</tr>
<tr>
<td>3. The Global Compact will, with the support of GRI, develop guidance on the use of GRI as the recommended reporting language, introducing progressive differentiating levels, and detailing specific expected report content at each level</td>
</tr>
<tr>
<td>4. The Global Compact and GRI will collaborate on local outreach and training to increase the quantity and quality of reporting, with a special focus on less developed markets and medium and smaller companies. Joint efforts will include encouraging and enabling a closer collaboration of Global Compact Local Networks and GRI’s focal points, both at the governance level and through joint training and other activities</td>
</tr>
</tbody>
</table>
5. The Global Compact and GRI will share information on their respective participants, including the level of Global Compact participation and GRI reporting levels”.

In 2013, the UNGC and GRI renewed their MoU during the launch of the fourth generation of the GRI sustainability reporting guidelines. This MoU led to the inclusion of UNGC principles into GRI’s G4 guidelines which resulted in the two frameworks being aligned to each other (GRI, 2018d). This renewed agreement attested these two initiatives’ long-standing agreement and at the same time marking the beginning of other several innovative collaborations. These two initiatives then issued a publication “making the connection” in 2013, which gave more insights on how to use the G4 guidelines to produce sustainability reports which are aligned to the requirements of the UNGC 10 principles (UNGC & GRI, 2013, p. 5). This alignment was meant to provide companies with a clear strategic and practical reporting framework such that any company which intends to report on the implementation of the UNGC principles can do so by making reference to the G4 guidelines. Additionally, that same year the GRI and UNGC joined forces with the World Business Council for Sustainable Development (WBCSD) to come up with some guidance’s for private sector companies to help them enhance their sustainability reporting and management systems. Again, in May 2016, the GRI and UNGC renewed their MoU this time enforcing a collaboration on the United Nations Sustainable Development Goals (SDGs) and help to deliver the SDGs by 2030. Part of the agreement was that the two initiatives were to provide frameworks and guidance to their business networks to communicate the part played by the private sector to the SDGs. Additionally, they renewed a set of values which are presented in Table 4:

<table>
<thead>
<tr>
<th>Table 4: The UNGC &amp; GRI values. (GRI, 2018e).</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “A commitment to advancing responsible business practices</td>
</tr>
<tr>
<td>2. A commitment to promoting and enabling positive private sector’s contributions towards sustainable development, while reducing and addressing negative impacts</td>
</tr>
<tr>
<td>3. An understanding that accountability and transparency are a key means of advancing responsible business practices</td>
</tr>
<tr>
<td>4. The desire to make meaningful disclosure of sustainability information standard practice for all businesses.”</td>
</tr>
</tbody>
</table>

For clarification and clearness, the authors gathered a timeline (Table 5) showing major events between GRI and UNGC based on the information presented above:

<table>
<thead>
<tr>
<th>Table 5: Timeline of the UNGC &amp; GRI.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>2010</td>
</tr>
</tbody>
</table>
| 2013 | • Renewed their MoU during the launch of G4 guidelines.  
• They joined forces with WBCSD to provide guidelines for sustainable management and reporting. |
| 2016 | • Renewed their MoU again this time enforcing the SDGs. |
3.6 Sustainability Reporting Related Challenges

Sustainability reporting has not been an easy task to carry out. Puritt (2012) discussed various challenges which companies encountered in trying to be sustainable and they include costs, employee engagement, engagement of senior management into reporting and the determination of what to report. Smith & Sharicz (2011) also concluded in their study that sustainability reporting related challenges stem from the lack of clear and precise definition of sustainability that lead to unclear guidelines and reporting practices. When it comes to sustainability reporting challenges in a more holistic view, Dyllick & Muff (2015) concluded that there is a lack of common initiatives and frameworks and sustainability reporting assurance, which leads to difficulties in establishing any kind of reliable performance measurement system thus, making the sustainability reports impossible to compare.

Szegedi & Kerekes (2012 p. 70-74) discussed about the issue of sustainability reporting in the supply chain. The authors claimed that sustainability reporting in the supply chain is tricky especially when the supply chain is not country specific but involves a number of countries with different legislative requirements. Grossman (2014, p. 9), pointed out the availability of various reporting frameworks as a challenge to sustainability practitioners. He described this phenomenon as the “emergence” of various frameworks which are similar but different. This was also highlighted in the BSR report (2018, p. 2) which acknowledged the important role played by these sustainability reporting frameworks in improving on the quality and content of information related to the various stakeholders. However, the report went on and pointed out that these frameworks have their own purposes and might at times appear conflicting and confusing. Despite the fact that the GRI is the most used sustainability framework, some scholars have questioned its effectiveness and argued that it can cover up for unsustainable practices since the framework focuses on specific issues and indicators (Fonseca et al., 2012, p. 1; Moneva et al., 2006, p. 135). As a result, sustainability practitioners are faced with a challenge of harmonising the requirements of various frameworks in order to come up with a clear view of the company’s activities. The BSR report then added the challenge of diversified target audiences which the sustainability reports must speak to. The report acknowledges that it is a challenge to provide a sustainability report that provides the adequate disclosures of information which enables proper decision making by the stakeholders who are the users of the reports. Additionally, sustainability practitioners are faced with the difficulty of providing information which covered a wide range of issues about the company which spans from climate change, human rights, labour and covers large geographical areas (BSR, 2018, p. 3). On the geographical aspect, some scholars have also criticized the GRI for its non-geographical approach with its guidelines since it offers little guidance about how to consider geographical variations and scales in reporting (Fonseca et al., 2012, p. 5).

3.7 Conceptual Framework for Sustainability Reporting in UNGC Context

Companies are engaged in CSR related activities for various reasons and in order for them to be accountable and transparent, they need to communicate these activities to their various stakeholders. For companies in the UNGC, they communicate to their stakeholders as well as to UNGC itself on the progress they have made on the 10 principles and the SDGs. This communication is done through sustainability reports. To enhance quality on these reports, the GRI and UNGC entered into a partnership in 2010 where the GRI was adopted as the recommended reporting framework. However, it is
important to note that through this partnership, the GRI was to become the recommended reporting framework not the mandatory framework. There are some various frameworks which the companies can use on their own or as a supplement to GRI. These frameworks include the CDP, IIRC, SASB and other regulatory requirements which the companies might be expected to fulfil within their operating jurisdictions. All these frameworks are there to provide some transparency and accountability to the various stakeholders. Therefore, sustainability reporting under UNGC can be depicted diagrammatically (Figure 10) in four different stages as in why, what, how and to whom. However, there are some challenges which are associated with sustainability which include the availability of too many frameworks and regulatory requirements, lack of proper definition of sustainability and a diversified target audience among other challenges. There are also challenges that can be linked to these different stages based on the presented literature which are also demonstrated in the Figure 10 as follows:

![Figure 10: Sustainability reporting in the UNGC context.](image-url)
4. Practical Method

This chapter starts by briefly introducing our choice of practical method and then proceeds to further explain our data collection method including the sampling criteria, sampling method and participants. Furthermore, this chapter proceeds to discuss about the interview structure and the interview process. We also describe how we conducted the interviews and then lastly, we conclude the chapter with explaining the transcription of interviews and data coding used in our study.

4.1 Data Collection

As mentioned in previous chapters, we have chosen to conduct a qualitative research because of the nature of our study. In order to gain an understanding of our research topic and research questions, we have decided to approach this subject by conducting in-depth interviews with chosen sample units of the population and also going through their sustainability reports in order to verify some of the data from the interviews such as how they are actually translating the principles to their reports. We have decided to use the interviews as our primary data in our research study since they give us a very wide and in-depth data from the studied issue. We also use the companies sustainability reports as a secondary data in a way of confirming that some of the topics discussed in the interviews are really there so this is seen more as assuring the information and also strengthening our knowledge from the studied subject. Before explaining in more details about the interview structure and process, we introduce the factors that led to the chosen sampling criteria and methods which provided a structure to the rest of the study.

4.1.1 Sampling Criteria

Sampling is known to be central in qualitative methods and a four-point approach can be seen in the integrating of theory and process in qualitative interview-based research. The first approach is to define a sample universe by specifying criteria for the potential participants and the second approach after that is to determine the sample size through the previously discussed philosophical assumptions. The third point of the approach is to choose a sampling strategy by determining the way of selecting the sample and then as a fourth point is the sample sourcing which includes various matters dealing with the informed consent. The ways that these four points are met in the research study reflects the trustworthiness and impact of the study (Robinson, 2014, p. 25). Within the terms of sampling criteria, the two most important steps are to first identify the sample universe and then define the sample size. Sampling method the proceeds to discuss further about the sampling strategy and other matters. Identifying the sample universe is needed in order to understand what kind of sample size is needed. For determining the sample universe there is a need to execute an inclusion and exclusion criteria. The inclusion criteria should specify some kind of attributes that the participants must have to be qualified for the study, which in our case would be for example the membership of the UNGC and geographical location in the Nordic region. The exclusion criteria determine attributes that disqualify the participants from the study, which in our case are for example the location of the companies outside the Nordic region and also membership less than two years in order to give us a broader overview of the subject. The more attributes there are within both criteria to define the sample universe, the more specific the criteria are in general and the more homogenous the research study becomes. The homogeneity of the study can be determined with variety of parameters such as geographical, demographic or physical homogeneity (Robinson, 2014, p. 26). The sample universe provides an important theoretical perspective in the analysis and interpretation process. The
importance is related to defining who or what the study is about and the more clearly and specific the sample universe is described, the more transparent the conclusions of the study are going to be (Robinson, 2014, p. 28). Based on the previous chapters about our study, the sample universe in our case is the UNGC and the Nordic participants since we are studying the implementation of the 10 principles and the related general challenges in the Nordic context.

For qualitative studies, the sample size is generally smaller than in quantitative studies. Frequencies are not that important in qualitative study as they are in quantitative studies, which means that one occurrence could be potentially as important than many when it comes to understanding a process behind chosen topic. The reason that the sample size does not need to be as large in qualitative study is that it is concerned with understanding a meaning of something and not making hypothesis statements and also qualitative study is very labour intensive, which means that analysing a large sample size could be very time consuming and also not relevant for the study. However, qualitative samples have to be large enough to make conclusions that all the important perceptions of the studied issue are uncovered at the same time acknowledging the concept of saturation which means when the collection of the new data does not bring any further light on the topic (Mason, 2010, p. 1-2). The sample size of our study was determined by the first criteria that the company has to be a member of the UNGC and the second criteria was that it had to be located in the Nordic countries. We also highlighted the fact that the company would have been a member of the UNGC at least for two years to have relevant insights about the subject. We determined that a relevant sample size of our research study would be approximately 10 participants from the chosen geographical location. Conducting an in-depth interview with these participants would give us a broad understanding of these issues and a good base for analysing the data.

4.1.2 Sampling Method

When sampling strategies for research is determined, there is a key distinction to be made between probability and nonprobability samples. Probability sampling is known to be the most strict and precise approach as a sampling method, but for qualitative research it is largely inappropriate, thus the probability samples are usually methods carried out in quantitative studies. In probability sample the units of the research are chosen at random and has a known probability of selection and the aim is to produce statistically a representative sample. The purpose is to gain a smaller scale model of the population and the information generated by that sample can be generalized to the wider population. Probability sample is also essential when the aim is to test hypotheses empirically. There are a number of different types of probability sampling strategies and most known are simple random sampling, systematic random sampling, stratified random sampling and multi-stage sampling (Ritchie et al., 2013, p. 77-78). The methods for selecting a sample that is chosen randomly should be equivalent to a lottery where anyone has the same chance of being chosen. One way to select a simple random sampling is to allocate a number to every sample unit and then select the sample based on the numbers or let the computer do the picking. In systematic sampling the population is divided by the required size of the sample and then the sample is chosen by taking every “nth” of the population. With stratified sampling the purpose is to avoid having some members of the population being over- or underrepresented (Collis & Hussey, 2012, p. 199-200). Since we are doing a qualitative study, none of these methods are suitable for our study.
Non-probability samples are used by qualitative research to select the population of the study. In a non-probability sample the units are deliberately selected to reflect particular attributes of groups within the sample population. The intention of the sample is not to be statistically representative and the changes of selection are unknown, but the characteristics of the population are used as a base of the selection. The characteristics is the feature that makes them well suited for in depth qualitative studies (Ritchie et al., 2013, p. 78). For a non-random sample there are various methods to be used such as snowball sampling, purposive sampling and natural sampling. The snowball sampling that can be also described as networking is used in studies when there is a need for certain type of experience in the phenomenon studied. There is usually an aim to finding the right people by asking the participants whether they know anyone suitable for the study, thus networking. In purposive sampling the participants are also chosen by the researchers by their attributes, but the decision is made prior to contacting the participants. In natural sampling the researcher has little influence on the composition of the sample and are studying only certain units that are available for the study (Collis & Hussey, 2012, p. 132).

The selection of the participants in this approach is criterion based or purposive. The main feature of the purposive samples is that the sample units are chosen because they have attributes that contribute to the research study. The purposive sampling is also most used in the literature when it comes to non-probability sampling. Purposive sampling reflects the “purpose” for sample units to represent for example a location or a relationship to key criteria. There are two main principal aims in purposive sampling. The first is to ensure that all the key criteria and relevance for the topic is covered within the units. The second is to ensure that within the key criteria’s some diversity is included in order to explore the impact of the characteristics (Ritchie et al., 2013, p. 78-79). For our study, the purposive sampling is the most suitable approach since the participants are selected by the authors based on the previously discussed sampling criteria. Also, the combination of the two main principles were used since all the sample criteria had to be fulfilled, but we also wanted to have diversity in the units in a way of getting a broader perspective for example with the challenges in sustainability reporting in general.

4.1.3 Participants
The research questions that were formulated from our research problem and the existing research gaps, are aiming to understand how companies are translating the UNGC principles into their sustainability reports and also to understand what they perceive as challenges in their sustainability reporting in general. We have determined that the information that we are seeking is best acknowledged by companies themselves and the experts that are working within the companies CSR related issues. The UNGC provides a list of all its members in their website and it can be sorted by factors such as country, membership status, industry and size. Since we were aiming to have participants from the Nordic region, the UNGC provided us with a good tool to search for participants in our research study (UNGC, 2018a). Based on our research questions we wanted to reach companies representatives within the Nordic region that had the required knowledge about the subject. The ideal situation we were aiming for was to get individuals from the top management level in the CSR department to answer our questions. Since there were a large number of members, we chose quite randomly companies from these countries. We chose companies from different industries and sizes to get as wide perspective of the UNGC activities and sustainability reporting challenges as possible. We determined that since UNGC is an initiative that aims to cater for companies in different size and
industries, we should keep that in mind when choosing the participants. The main factor from all these companies was that they needed to have been members of the UNGC at least for few years in order to gain deeper understanding about their experiences in a longer time zone.

For the actual participant search, we went through the UNGC participants list from this geographical area and chose companies within these attributes and then we conducted an online search to find relevant contact information of those companies. We sent the invitation emails (Appendix 3) to CSR departments, CSR managers or other relevant addresses depending on what was available in the Internet. The final contact differed sometimes from the one that we had reached out in the beginning since the company or department forwarded our email to the right person. The basic structure of the email was the same in each email but if there was no certainty about the right address we added in the beginning a brief note saying that could this email be forwarded to the right person or department. In addition to introducing us, the purpose of our study was presented in the email and also the planned timing of the interview in March. Since we sent the inquiry emails already in January, quite many individuals asked us to get back to them closer to March and then see will they have time. When we sent the other round of emails to remind them about our research and asked them to suggest possible available times for the interviews, some companies did not reply anymore, but we did have enough participants anyway. However, it turned out in the end of the interview inquiries that we did not have enough participants from Norway and Iceland. From Iceland we would have had one participant and we did not receive any answer anymore from the Norwegian participants, so we chose to include only participants from Finland, Sweden and Denmark. From these companies that we had for the interviews, most have many offices and operations also in Norway and Iceland. We also had relatively large portion of the participants from Finland and the reason behind that could be that the other researcher contacted the participants in Finnish and there might have been a lower barrier for those participants to participate to our study since they felt more comfortable with the communication in the beginning.

Eventually we had 10 participants for the in-depth interviews and after agreeing to participate we further communicated to determine the date and time for the interview. We gave the participants free hands in suggesting the time since they have a busy schedule and they have volunteered to participate in our study, so we thought it is easier and more suitable for us to be flexible and adjust to their time schedule. We did suggest them a 3-week timeframe before the eastern holidays, but it was up to them determine the most suitable time for them. In the first hand we offered to have the interview conducted with Skype, which everyone agreed on. Even though the total population was relatively large, the population of our study was seen as a relevant representation of the topic issue since we catered companies from different sectors and size which means that there should not be limitation to the findings within the context. We firmly believe that the number of participants is sufficient in our study since the participants of our study had a relatively long experience in the CSR field and the companies they represented also covered most of the significant industries in the Nordic countries. We also had a high number of participants using the GRI framework and other frameworks as a guideline for their sustainability reporting, so we received a broad perspective to the subject. When it comes to the current positions and responsibilities of the participants in our study we believe that they had very deep insights of the subject in addition to general sustainability reporting also in the reporting processes in the companies they represented thus, making our research credible.
4.2 Interview Structure

One of the most important qualitative data collection methods is known to be the research interview. It has been very widely used in conducting for example field studies and ethnographic research. The interview method is often used when conducting a sort of a pilot study as a preliminary data before there is a possibility conduct for a wider quantitative study. There is an extensive literature about the interview method focusing on the different types of interviews (Qu & Dumay, 2011, p. 1). Since we have decided to collect our primary data by conducting interviews, the next step in the practical methodology is to determine, which interview methodology would answer our research questions and research purpose in the most suitable way. There are three type of research interviews: structured, semi structured and unstructured. In order to determine which of these three types is the most suitable for the research study, one needs to understand the definitions first. Structured interviews are verbally controlled questionnaires. In structured interviews there is a list of predetermined questions asked and these questions have a very little or no variation and there are also no follow-up questions. The structured interview is relatively quick and easy to conduct, but because of their nature, they are in very little use of in-depth interviews where a deeper understanding of a certain topic is required. Unstructured interviews are the opposite of structured interviews. Unstructured interviews do not study any preconceived theories or ideas and are performed with lack of organisation. Such interviews usually start with really basic and broad questions and then progress based on the response. Unstructured interviews can be very time consuming and difficult to handle since there is no structure. They are primarily used when there is a significant depth required and there is nothing relevant known about the topic (Gill et al., 2008, p. 291). Neither of these two types of interview fits to our research so there is only one interview type left: semi-structured interview.

Semi-structured interviews are structured by several key questions that is going to help finding answers to the explored areas. It also allows both the interviewee and the interviewer to diverge from the questions to for example pursue another idea or discuss some matter in more detail. This format gives the participants a guidance on what to discuss about, which is helpful for both participants in the interview, but also gives flexibility in comparison to the structured interviews. The semi-structured interviews allow for new discovery and elaboration of information mainly because of the allowed follow-up questions and other flexibility related issues (Gill et al., 2008, p. 291). Since we investigate a specific area in our research study, but we need to conduct in depth-interviews and gain deeper understanding of the research questions and answers from the participants, we find semi-structured interview to be the most suitable interview technique for us. Also, when taken into consideration the existing literature and theories about the subject, there are some existing knowledge about the topic but not enough in order to make a structured interview and too much in order to make a unstructured interview, which leads to semi-structured interview being the most suitable one also in terms of the theoretical point of departure. Basically, we study the practical translation of the UNGC principles to the sustainability reports and the challenges in the sustainability reporting in general meaning that we need to understand how and why, which is easier, if we follow a set of questions, but allow the participants with quite broad open-ended answers and also allow us with follow-up and clarifying questions. Our interview questionnaire for this reason follows up a basic structure but leaves us with space to ask further explanations and other follow-up questions from the participants. The semi-structured interview is also necessary for our research since we have a variety of different companies and
representatives and the questions and the emphasis in certain areas may differ between these participants. To summarize the justification of the choice of our interview type, it is very much in line with all the previous methodological choices made. The structured interviews would leave no room for flexibility and that would lead to failing to answer our research questions. The unstructured interviews would not be necessary since we have already identified some main themes in the studied areas and therefore we are not studying completely new topic. The semi-structured interview is a combination of these two types and therefore we find it to be most suitable with giving us the basic structure for our interviews, but also leaving us with flexibility and possibility to adapt in the interviews in a way of interacting more with the participants.

4.3 Interview Process
The aim of qualitative interviews is to investigate varieties of human experience. The goal of the interviews is to understand the world from the participants point of view and as a method, the interviews give voice to common people. There is also a close personal interaction present with researchers and their subjects during the interviews. Interviews as a research tool are seen as a dialogical form of questionnaires (Kvale, 2006, p. 481). Even though, the interviews are the most common methods of data collection used in the qualitative research, the researchers still have to have an understanding of their use and appropriateness. The ability to conduct a sound interview develops in time, but in order to make the development happen, there is a need to consult other researchers by asking for comments and so forth (Doody & Noonan, 2013, p. 1). Before this study, we had a limited experience of conducting interviews. There was a clear progress with the more interviews we conducted the more confident we become and the more we got out from the interviews. The semi-structured interviews gave us a very good base for the interviews since it gives more space for both interviewers and interviewee with the direction of the discussion. For the interview process there are two critical stages to determine before conducting the actual interviews: interview preparations and interview guide.

In the interview preparations, we contacted the participants approximately a week in advance and sent them an email, where we confirmed the time and also sent the interview questions as a PDF form for them to read. We felt that it was really important that the participants would be familiar with the questions beforehand and the aim was to get more insights about the topic, if they would have familiarized themselves with the questions first. The attached document containing the PDF format of the interview questionnaire (Appendix 4) also contained an introduction part that explained in more details, what was our research problem, research gap and purpose and also how we thought that the interviews contribute to our research study. The questions that we included to the questionnaire could be divided into five different sections: Background questions, questions about the UNGC, sustainability reporting challenges, framework related challenges and the closing discussion. The first part was more focused on the UNGC related issues and aiming to find the answer for research question 1, while the second part was revolving more around the sustainability reporting challenges in general and wider perspective, therefore seeking answer for research question 2. We believe that in order to get deeper thoughts about these issues, it was crucial to send the questionnaire to the participants beforehand since if we would have asked these questions out of the blue in the interview, they wouldn't have necessary been able to answer to everything. After sending the questionnaire, we had one company that actually referred us to another person that could better answer to our questions and also some of the participants told in the interview that they had to ask additional information to some questions from their
colleagues. By sending the questionnaires beforehand to the participants we also made sure that they are aware of what kind of questions do they need to answer and how is the interview going to proceed.

The questionnaire we sent to the participants could also be described as an interview guide (Appendix 4). To make the interviews successful, it needs to start with good planning and considering what is the actual research question and what is already known about the subject. Developing a well-made interview guide can help to achieve comfortable interaction with the participants and is going to provide detailed information about the studied topic. The process of planning the interview guide starts with identifying a broad area in which the researchers want to discuss with the participants and then thinking more specifically about the topics that the interview should cover. Following that thought, the topics could be organised to logical sequence. Developing an interview guide usually arises difficulties revolving around the phrasing of questions and discussions of difficult topics. Since it is the interview guide that seeks to answer the research questions, it is important that someone looks through them in order to assure that. Questions in semi-structured interviews are usually open-ended, clear, neutral and sensitive in nature and they can be based on factors such as behaviour and experience, opinion or value, feeling and knowledge. Usually it is best to start with questions that the participant can answer quite easily and then move into more difficult topics. Clear language is necessary in the interviews and leading questions should be avoided. Some participants also might require guidance about the amount of detail wanted from their answers. Probes can be used as a clarification and follow-up questions in these cases. They are usually required for more complex questions (Doody & Noonan, 2013, p. 4). Since the skills of interviewing develop with time, it is usually a good way to listen to the interviews afterwards and transcribe them before the next one as a way of identifying what can be done better or is there something that needs to be changed after identifying questions that are confusing to the participants. The interviews should always be held at a time and place that is convenient to the participant and in a comfortable setting which is free from interruptions (Doody & Noonan, 2013, p. 5).

We planned our interview guide by determining first what is already known, what we want to know in general and then modifying the questions to be more specific. We developed questions based on the theoretical point of departure about the topic and identified themes in the existing literature and also determining ways of exposing issues that are not yet known and what we could discuss in the interviews. Then we started to organize them in a way that they would seem logical in order to both participants and the researchers. Finally, we looked into our interview guide and evaluated that are these questions really helping us to answer our research question in order to make it complete. As mentioned earlier, the development of the interview guide was not an easy task. Phrasing of the questions and making sure that we would get answers for our research questions was the biggest challenge. In order to get some kind of assurance to our questionnaire we send the questions to some of our research colleagues and they further provided us with their improvement suggestions and other comments about the questions. We tried to avoid leading questions as much as possible, but to some questions we needed to provide background information about for example the previous criticism of the subject that has led to this question. We also discussed together after each interview and pointed out what was good and what was bad and what we should do differently in the next interviews. We aimed to have all the interviews done in Skype in the form of a meeting in order to have a comfortable setting free from interruptions to both parties. In the end
we had eight interviews held in Skype, one as a phone call and one was held by google hangout call.

4.3.1 Conducting the Interviews
After preparing to the interviews by planning the interview guide and executing the interview preparations is time to conduct the actual interviews. While conducting the interviews the researchers should first explain about the nature of their research and the general direction that the interview is going to take. It should be stated that the aim is to hear the participants experience. The researchers can also identify their role in the interview to clarify the interview process better. There should be also some kind of indicator to how long the interview is going to take time and provide the information about the questions related to the study. Since there are various ways from recording interviews from taking notes to audio-recording, the researchers should determine which suits their research study the best and then if chosen to record, there is a need to ask permission for the participant to record the interview (Doody & Noonan, 2013, p. 5). We already informed the participants in the confirmation of time for the interviews, that the expected time for the interview is going be between 45 minutes to one hour in addition to sending the interview guide to them in advance. We also asked in the beginning of the interview that would it be okay for the participants if we record the interview, and they all agreed.

It is also said that discussion about the participants possibility to maintain anonymity is going to build trust and during the interview the researcher needs to show awareness by being present and listen actively. It is important to maintain neutral attitude and make the participant feel comfortable. Asking questions about the participants previous situation and current could help the participant engage more in the interview. The questions itself should also be as neutral as possible. The researchers should also encourage the participant with more discussion. The final question should be revolved around the participants desire to add anything to the research and their other feelings about the subject (Doody & Noonan, 2013, p. 6). When we conducted the interview, we started by setting a side few minutes to introduce ourselves and with a brief introduction to our topic to better the atmosphere for each party involved. Since we had 10 participants representing companies from different industries (Table 6), we took the time before each interview to look at their sustainability report to familiarize ourselves with the content and therefore understanding their answers and thoughts better.

Table 6: Table of the interviewees.

<table>
<thead>
<tr>
<th>Participant</th>
<th>Position</th>
<th>Country</th>
<th>Time</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Senior Advisor &amp; Business Line Manager</td>
<td>Sweden</td>
<td>15.3.2018</td>
<td>56 minutes</td>
</tr>
<tr>
<td>B</td>
<td>Senior Manager, CSR</td>
<td>Denmark</td>
<td>19.3.2018</td>
<td>53 minutes</td>
</tr>
<tr>
<td>C</td>
<td>Director, Corporate Affairs and Sustainability</td>
<td>Finland</td>
<td>20.3.2018</td>
<td>59 minutes</td>
</tr>
<tr>
<td>D</td>
<td>Corporate responsibility manager</td>
<td>Finland</td>
<td>21.3.2018</td>
<td>49 minutes</td>
</tr>
</tbody>
</table>
As mentioned previously, we started the interview with a brief introduction of ourselves and the topic. After receiving the permission to record the interviews, we started with the questions. We composed the interview to such that during the interview both researchers are going to have their own sections meaning that we both are asking questions in the interview. While the other one was more passive in the other one’s section, the passive one could still ask additional questions if needed about the topic. We simply asked the questions and explained the background if needed and then remained as listeners to the participants. We had a good interaction with our participants and the interviews were fairly easier to conduct since in each interview there was only one participant present from the company, meaning that we could better interact with this participant in comparison to having a group interview.

The other researcher started with the brief introduction of the subject and how the interview is going to proceed and what are the questions aiming to contribute. After receiving the permission to record the researcher asked would the company wish to be anonymous and then briefly about the background of the interviewee and how they conduct sustainability reporting in general basis. These were background questions and afterwards the same researcher asked background questions about UNGC that was related to the research question 1. These questions revolved around how the UNGC was seen within the company and about possible general challenges within the UNGC context. Then the other researcher proceeded to ask more specific questions about the four categories of the 10 UNGC principles and what is seen to be more or less relevant for the company and how are the companies actually translating these principles to their sustainability report. These questions basically covered our research question one, which was about how are the UNGC signatories practically translating these principles into their sustainability reports. Then the researcher who had begun the interview started the second section by asking questions about sustainability related challenges in general. In this section the researcher asked about the general challenges currently and the development of the sustainability reporting in the past and also about more specific topics such as issues related to time and resources, stakeholders need and assurance services. Next, the other researcher continued with questions about the challenges related to the framework. In case the company would be using a framework, the questions revolved around challenges in understanding the guidelines, measures and basic structure, external consulting, adapting to changing frameworks and challenges related to those frameworks in general.
The researcher goes further by asking the first closing question about the challenges of the sustainability reporting in the future. These questions in the second section covers the research question 2 about what challenges they find in sustainability reporting in general and how do they approach these challenges. The researcher who started the interview, lastly asks the final closing question about, if the participant would like to add anything to the UNGC or sustainability reporting related challenges in general context.

The interviews took approximately 55 minutes, but the actual time varied depending on the participant. The shortest interview took about 40 minutes while the longest one was around 70 minutes. Some of the participants gave much longer answers and we also ended up talking about other related topics. After the open discussion about the last closing question we thanked the participant again for sharing precious time and knowledge with us and we also asked if they would like to receive our thesis after it is published and they all expressed their interest in having the research study after it is done. We then promised to send it to them accordingly to their wishes and finished the interview. From the participants, four out of ten wanted to be anonymous. We further decided to make them all anonymous in the thesis display since it would make the presentation of the findings more coherent.

4.3.2 Transcription of the Interviews
The next step after conducting the interviews is to transcribe them. When planning the transcription process there are two key considerations that are how much to transcribe and how much details to include. These are important to determine since it can have a large affect to the schedule of the thesis since time and effort used in transcribing can vary significantly depending on these two key questions. For example, transcribing a one-hour interview in all details can take up to 20 hours, but when broader transcriptions are made highlighting the main points the transcription can be done in 1-2 hours for one-hour interview. Researchers often distinguish the key considerations depending on their research topic. After deciding how to transcribe the interviews the next consideration would be to choose the appropriate transcriptions conventions. There are many different available and depending on the aim of the research those can be used or transcribe them in to another document. Using a high-quality recording reduces the problems with the transcribing process and it is also important that to verify the reliability of the transcripts, the same or another researcher would transcribe at least some parts of the material for the second time (Gass & Mackey, 2005, p. 222-223).

After going through our research topic and research purpose again, we determined that the most suitable way for us to execute the transcripts would be done as accurate as possible. We transcribed the interviews word by word but left out unnecessary repetitions and unmeaningful words. For the transcription conventions, we used a regular word document since we thought it would be easier to use an open document since the content of the interviews and the questions as in addition to additional questions and comments varied to that extent that it would be not suitable to use a transcription convention. We recorded the interviews with the other researcher’s mobile phone voice recorder which was a very high-quality tool in terms of the loudness and clearness that made the transcription process a bit easier. Since we had a relatively large number of participants and long interviews, we decided that we first write everything down and did not focus that much on the structure and cleverness of the sentences. Then we listened to the audios for second time and did the needed corrections and also structured the sentences and display in to a more understandable way. After that the other researcher went through the
others transcription and made corrections if needed. These transcriptions are available under request.

4.3.3 Data Coding
When it comes to data coding techniques, preparing data for example during the transcription of the interviews gives the researchers more familiarity with the data and it is comparable to “warming up” before the final work for the data coding begins. A code is words or phrases used in qualitative inquiry that summarizes the data in the thesis. The data can for example consist of interview transcripts, participant observation or field notes. The portion of the data coding can vary from words and paragraphs to numerous pages of text. The data coding has been described as a critical link between data collection and explaining their meaning. In the qualitative data analysis, the researchers use data coding as a form of symbolizing and transcribing the data and interpreting the meaning of this data for later purposes such as categorization, analytic processes and theory building (Saldaña, 2015, p. 4, 18).

When it comes to data coding there are numerous of different coding techniques themes such as descriptive, topic and analytical. The chosen coding technique is going to be the foundation of the empirical chapter that presents the findings of the research. Topic coding is an often-used technique in qualitative studies since the themes of the findings are many times predetermined to some extent from the interviews and it is also considered to be an analytical activity. When it comes to topic coding the task is to transcribe the material from the interviews and then create themes from the interviews that can be categorized to different topics and then after compared by the different categories (Rowley, 2012, p. 268-269).

For our research, the topic coding is the most efficient way to present our findings to the audience. Since we had an interview guide that had predetermined the topics that we were discussing about, it is logical to use topic coding where we discuss the findings under each theme such as the challenges in the framework being one theme. In the empirical findings chapter, we are presenting each interview separately and the interviews are structured according to the themes. In the analysis chapter, we analyse the findings on these interviews under the themes where we also briefly summarise the main findings from the previous chapter. Since all the interviews were quite long and the discussions varied to some extent, we found it clearer to present the findings as separate interviews and then summarize the main similarities of the answers in the analysis chapter.
5 Empirical Findings

In this chapter we are presenting the findings of our study. We present the findings by having a separate section for each company. For each company we have a brief introduction and the first theme is the display of the background questions with participants work experience and the sustainability reports. The second theme is about the UNGC in general and the third one is about the translation of the 10 principles into the sustainability reports and there we also conclude their sustainability reports to verify the discussions. The fourth theme is about the sustainability reporting challenges in general and the fifth one is about the challenges related to the reporting framework. Lastly, the sixth theme is the closing questions and related discussion.

5.1 Interview A

Company A is a relatively small and privately held Swedish company that operates in software and computer services sector. They have been UNGC signatories for few years.

The Background Questions

The participant A has many years of working experience from the sustainability related issues and has been working previously in a large listed software and computer services company with sustainability related issues and their reporting framework there was the GRI. The participant is currently working as a senior advisor and business line manager and his main responsibilities are in the research and development area. He also works as an advisor to the people in the company that are working with sustainability reporting. Sustainability reporting is a part of the company's annual report. Basically, the sustainability report of company A is a description of the activities that they have done in these areas during the reporting year and it is done in annual basis.

The UNGC in General

The participant clarified that there are no separate people or department working with the UNGC since the sustainability reporting is a part of the reporting structure of the economy department, which produces the annual report and it is usually just few people involved. After asking whether the UNGC 10 principles are communicated to and understood by all employees the participant explained that unfortunately there is not any company that could really claim that.

“We who have some experience in the field, I think we understand it quite thoroughly, but if you take the general employees, they don't really have all that competent for sure.”

The participant explained further that they have introduction programmes and some mandatory e-courses related to sustainability that everyone has to take, but they are quite specific for example to environment since they have the certification of 40001 and 27001. Then we were discussing whether the UNGC 10 principles were clear to them when they joined, the participant explained that for the participant and his colleagues it was clear since they are fully aware and knew the system quite well. The participant also said that there were really not any difficulties in integrating the 10 principles to their sustainability report since the participant had already been working with the GRI previously.

“I think that if you compare to those reports (UNGC to GRI), this was fairly straightforward and simple job, didn't take that much time either.”
The participant then further explained that GRI was not really used as a base for their current UNGC reporting since it is far too big and detailed to be used. The participant thinks that reporting to UNGC is relatively easy compared to the other frameworks since you do not really have to use more than common sense. The participant also acknowledged that his background in GRI was helpful in the current situation and that they did not find any difficulties in integrating the principles to their sustainability report. The participant also addresses that they did not need any external help when joining the UNGC.

“I can just say that when you do get into reporting the first time, I think it is a good idea to take in some external help. When I was heading this reporting system in my former employer I did hire some experts in order to learn myself and I think that is a good idea because if you are new in the area, it's always good to take help from some experts.”

The Translation of the 10 Principles in to the Sustainability Report
The participant thought that all the four areas are important for them in the UNGC but that there are differences for example between countries and their biggest issues. Basically, if there is a problem with corruption in your country then you may put some extra attention in there, but for Sweden, the participant thought that all of the categories are equally important.

“For example, looking at the labour area, if you have a good labour legislation, that helps and makes it easier and you don't need to put that much effort into it. If you have a weak legislation in the labour laws, then of course that area could be more interesting for the company to work with and point out that we are going forward in this area.”

When asked about how they actually determine what to report from each of these categories, the participant explained that the UNGC being “very light” is both good and bad thing.

“It is good in a way that you can write pretty much what you like, and you can choose pretty much anything to write and the bad thing is that you don’t have any strict formulas or request that this you have to take in.”

The participant further explained that they basically make sure that they fulfil the regulatory demands by looking what they have to do and in Sweden there is a new rule now that companies have to include sustainability report in their annual report that also fulfils the legal requirements. Basically, they can then use the required sustainability report and also include something about their business logic to the report and they also analyse that what would be interesting for their stakeholders to read. When looking at the company’s sustainability report submitted to the UNGC from year 2016, it was written in a descriptive manner as the participants explained previously and covered all the four areas of the UNGC to some extent. Unfortunately, their latest sustainability report from 2017 has not been published yet.

The Challenges of Sustainability Reporting in General
In this section we were asking first about what the participant sees as the biggest challenge in sustainability reporting and how has it developed in the past years. The participant acknowledged that for listed companies there is much more work to do in order to fulfil investors requirements when it comes to sustainability. The participant further explains
that for private sector the sustainability reporting is much more easier and not really a challenge as such since it is more like making a summary of all the important steps the company has been doing. The participant added that it is important to take a look at the stakeholders and determine what they want in order to make the sustainability report.

“You should always put yourself on the receiving end and think about what the stakeholders might like to know and what is important for them before you write anything. Then you go back, and you inform what you have done and how you have achieved it.”

When it comes to time and resources the participant highlighted that they do not spend that much time in the report so there is no problem when it comes to time and resources. When it comes to stakeholders, the participant identified their employees, potential new employees and customers to be their most important stakeholders. In addition to wanting to attract new employees they also want their current ones to be proud and happy about their employer when it comes to sustainability issues. Next, we proceeded to talk about how the company ensures that their sustainability reporting is not seen as a way of greenwashing or marketing tool. The participant then explained that when he started working with sustainability reporting, that was more the case since the focus was more on marketing, but the participant learned during the years that the reports are much better if you are transparent and open about the sustainability issues.

“I think the best thing you can ensure, that it is to use the principle of being total transparent and write both good and bad things and that was also an advice I got from an external expert when I started this many years ago.”

Then we also asked if they have any external assurance for their sustainability reports and the participant usually reads it through and checks it, but there is no any formal auditing principle. The participant further explains that since he is quite involved with those areas there in no reason to doubt that the things written in the report would not be true.

The Challenges in the Framework
We discussed about the challenges related in GRI since the participants had been working with the framework in his previous employer. For the guidelines provided in the GRI framework the participant said that it was a bit stressful since there were lots of questions and data to be processed and deadlines to meet. When we asked about an opinion from GRI being suitable to smaller companies the participant stated that he does not think smaller companies use the GRI and if they do it is probably because of a very high ambition, but also stated that in the current situation you have usually limited resources so very few companies do more than what they have to.

Closing Questions and Discussion
The Participant identified as a possible challenge in the future that their reports are going to be easy and fun to read and also attracts different people and target groups in the future. Basically, the fact that the sustainability reports are going to be read in general is a challenge. The participant then proceeded to ask us about our opinions on what kind of role does sustainability play in student’s mind when they apply for jobs and the participant expressed his interest for further studies about this subject. The participant added that it would be important that the legislative authorities in different countries would put pressure on the legislation and the reporting formality country wise since that is how to make a real difference in the participants opinion.
5.2 Interview B

*Company B is a relatively large and privately held Danish company that operates in food producers sector. They have been signatories to UNGC for several years.*

**The Background Questions**

The participant B has been in the company for several years and started working in 2002 as an environmental manager, but the sustainability area has broadened during the years step by step and the sustainability reporting moved to corporate level sustainability reporting since 2007 when his position changed to senior manager. The sustainability reporting for the company includes a small working team from 3-4 persons. They usually write the sustainability report during November and finalize the corporate responsibility report in February. They also have included a brief section about their corporate responsibility in their annual report.

**The UNGC in General**

The participant explained that within the company they think that sustainability is part of their daily business, so they do not have any specific department handling this. There are few experts in different sustainability areas and they form a small group supporting the sustainability reporting and they work together while producing the sustainability report, but there is much information coming also from different departments. Next, we asked how is the UNGC 10 principles communicated to the rest of the employees.

“The ten principles are incorporated into the company’s code of conduct which is the value base we have as a foundation of our business, which we communicate continuously to our employees.”

They also have eLearning modules and different activities to maintain knowledge about sustainability to their employees and the 10 principles are basically part of their business. The participant thought that the ten principles were clear to them when they joined the UNGC and they had already the code of conduct as their base for sustainability work. The UNGC 10 principles were more like a way for them to develop their sustainability work. The participant had not really faced any difficulties in integrating the 10 principles in to their sustainability report. The participant then told us that they did not need any external help, but with their first version of the code of conduct, they did use external help in order not to miss any substantial area and also to help initiating dialogue internally. He then proceeded with a thought that external help is always needed if you have to learn to think in a special way or in a new way in the company.

**The Translation of the 10 Principles in to the Sustainability Report**

We then proceeded to discuss about the four categories and the participant thought that there are no huge differences in the relevancy between the areas.

“We do have a materiality point of view of course and an analysis and based from that materiality analysis we take out what to focus on and that is not always on the ten principles, they are of course always there, but maybe some of them are mentioned very shortly and some have several pages.”

The participant then further explained how they had their own stand-alone section on human rights in their latest sustainability report. The participant explained that human rights are very relevant now as for 4-5 years ago, when they evaluated themselves as a
part of their self-assessment, they saw that they had not been active enough with the human rights area. As for how they practically determine what to report for example in human rights category the participant explained that they have developed a process called human rights assessment meaning that when they enter to new country, in addition to external support, they also have dialogue with the local NGOs and interest’s groups of different kinds and there is also the business perspective included in there. In each of these parts of the human rights assessment they would see what their main negative and positive impact is.

“Based on this assessment we will make a mitigation action list and that is of course also guidance to see what we need to report around, what are the issues and what can we do and what can be done. This has been part of choosing which area to focus in our reporting connected to principle one and two.”

The assessment was said to be almost the same also when it comes to the labour category. Since they are a Northern European company they saw their position more as spreading the basic attitude and the participant also provided us with an example of their housing standards that are at the level they think is alright since they went through and made an audit on their workers housing and they visited them, took photos of them etc.. That is an example of how an assessment is done and it can also show, what is not good enough and what needs to be done and how far have they come so far. Then we proceeded to discuss about the practical side of the environmental area and the participant thought that this was the easiest and most talked category from the four.

“Most of the responsibility work started within the environmental area.”

The environment had been the basics of their sustainability work in the beginning and therefore already more familiar as an area compared to the others, the participant also explained that their environmental assessment is done by material analysis, which they would also follow up and they have included environment very strongly also to their strategy. Then we proceeded to discuss about the anti-corruption category. The participant explained that they report their actions to minimise the risk of corruption, bribery and so on. The participant then further described their process of evaluation about where is the company today, what are their strengths and weaknesses, what kind of impact can they have and where should they be focusing on in the coming years. The results of this evaluation process are then presented to the top management that will make the decision on the improvements they should initiate in the coming years.

When looking at the company's consolidated sustainability report it can be seen that they have a separate chapter about their corporate responsibility in brief and in their latest sustainability report they have included their materiality analysis which shows the identified material topics to their sustainability work. They also have, as the participant highlighted in the previous discussion, a large emphasis in the report on the human rights. The UNGC 10 principles and the SDGs are also strongly present in the report and easily to connect to the presented data in the sustainability report.

The Challenges of Sustainability Reporting in General
The participant pointed out that what they have been struggling with is that since the company has during the last five years doubled its size and expanded their business to many new countries, it has been a huge task just to handle the information and to be able
to collect and validate the information such as for example how many training hours is there per individual and so on. The participant highlighted that the biggest development in their sustainability reporting was the moment they started to report on corporate level, but there were also challenges involved.

“When we started reporting it took a few years before we raised awareness with the top management. The middle management is always the most difficult.”

The participant then continued to state that for the last three years there has been improvement with this internal awareness, but they are not fully there yet and that they are still working in getting this awareness to the middle management. When it comes to time and resources, the participant thought that they have reasonable resources and time to do throughout sustainability reports. When it comes to balancing between the different stakeholders, the participant explained that it is important to be open about everything and not hide anything so then there is not any possibility to dissatisfy any stakeholder group. He also highlights that it is important to write the report in such a way that it is understandable to all stakeholders.

“We try avoid using an expert language because if we do that then we would lose lots of our readers, so we try to explain things in a way that could be understood by a lot of people.”

When it comes to external assurance for the sustainability reports the company does not have external assurance so far, but they have been discussing about it for several years and the participant sees it as one of the possible next steps that the company is going to take.

The Challenges in the Framework
The company follows the GRI framework and they determine what to report based on the materiality analysis. They are not fulfilling it to the core level since there are some parts of information that they are not able to collect or does not really have that much to do with their business. We also asked an opinion about the GRI being suitable for smaller companies. The participant stated that he thinks they are better now than what they were and that it has developed. He acknowledged that it is more challenging for smaller companies since the standard is made for listed companies but concluded that it is a good guidance also for smaller companies.

Closing Questions and Discussion
For the biggest challenges in the future the participant highlighted that the sustainability reports have to be more and more connected to global challenges and also identify that what impact different companies have in their business, local sustainability challenges and how companies can improve these issues. The participant also highlighted that especially the social challenges and issues are not as known as the other areas and that companies need to acknowledge the social challenges first and then learn how to improve these issues with their actions. The other challenge was also to present the sustainability reports so that it can be also understood by normal reader. The participant also stated that the UNGC is good initiative as it is, and it should not develop any new reporting standard since there are so many already and they would end up losing members.
5.3 Interview C

Company C is a relatively small and privately held Finnish company that operates in support services sector. They have been signatories to UNGC for several years.

The Background Questions
The participant C explains in the beginning of the interview that their sustainability reporting is done mainly in their parent company level so in that sense they do not produce a proper sustainability report of their own. The company is consulting many customers with their sustainability reports and majority of them are also UNGC signatories. The participant was thinking that he can tell us how their customers are utilizing GC and what kind of challenges they have in sustainability reporting since they are consulting them. The participant also clarified that majority of their customers are listed companies. For the work experience and main responsibilities regarding sustainability reporting the participant explains that they offer corporate responsibility services for companies and they look things mainly from communications perspective.

The UNGC in General
The company has people that are specialized with sustainability related matters so only few employees offer consulting in that area. We asked that has their customers faced any difficulties with these 10 principles and the participant had not heard about any specific difficulties.

“I need to say it frankly that very few companies have taken it (UNGC) as a core to their sustainability approach, it is more a hygiene factor to be honest.”

About the external help needed to work with the UNGC, the participant referred to big companies, who consider any initiatives very carefully before they sign. These companies have most likely used some sort of external opinion when considering it, but the participant highlighted that the UNGC is not the dominating sort of reporting framework to their customers in any way as it just comes along.

The Translation of the 10 Principles in to the Sustainability Report
Next, we proceeded to discuss about their customers and whether they put the same importance to each of the four categories of the UNGC.

“No, and the reason for that is that sustainability reporting is based on materiality thinking which comes from GRI and each company is different in that sense.”

However, the participant stated that companies who have committed to UNGC understand that they need to be able to report something from each of these four areas, but the importance and materiality for companies in these 10 principles varies. Then we further proceeded to discuss about how their customers practically determine what to report for example from the human rights area.

“Human rights are probably one of the most trickiest topic among these areas and my perspective is on Nordic companies, and maybe in Nordic mentality human rights have been something a bit like an self-evident thing.”

The participant then continued to explain that for those companies that have operations globally, have understood that the situation is very different in other markets and
countries. The situation is then very different for those who do not have operations globally.

“Majority of those companies are at the moment merely trying to sort of understand what UNGC guidance and principles really would mean for them and analyse and trying to identify human rights in a more holistic way for example in their supply chain, but they cannot answer specifically to principles 1-2.”

When it comes to labour area of the UNGC, the participant said he assumes that this is also a tricky issue in addition to human rights and many companies have a sort of a comprehensive approach they use for that. We continued to ask about the environmental principles and the participant expressed that this is probably a lot easier for the companies than the two previous areas.

“Environment usually is much easier than human rights and for example these 3 principles, nearly every company can say something about these.”

For the anti-corruption the participant thought that it is easier since that usually is included in code of conduct and there is usually a statement that companies are against it in all circumstances.

The Challenges of Sustainability Reporting in General

Next, we discussed about the challenges of sustainability reporting in general. The participants perspective is that there are basically the same challenges for all companies.

“First of all, if there is a company who is considering to starting to report or is starting the reporting process, that takes quite a lot effort to be honest, it is not light task.”

The participant also explained that companies follow the GRI and the GRI requires quite exact reporting approach which means that the sustainability reporting requires putting quite much effort, time and money in it. The other question that arises within companies is that does the report really serve those audiences that the company is thinking of and all the other related data collection and validation can be quite challenging to companies. The participant concludes that the bigger the company is the more platforms, systems and sources there are and the harder it usually is. When asked that is GRI challenging for smaller companies, the participant stated that GRI could be a framework to start from in that sense that they could pick and choose something from there. When it comes to the development of sustainability reporting in the past years he found various positive factors.

“Number of GRI reports are growing and on the other hand the EU legislation on sustainability reporting, that legislation came into force so that companies of certain number of employees, listed companies and certain turnover, they need to by law in EU countries report about their responsibility.”

The participant saw this as a very positive development since it came from the legislators. The second factor the participant identified as a positive change were the SDGs of the UN and on the communications perspective many companies also produce certain types of sustainability related information to their customers. All in all, the participant concluded that sustainability reporting has become more professional now since there are more years behind of doing that. When it comes to balancing between different
stakeholders the participant saw this as a challenge when it comes to their customer and sustainability reporting in general. The participant highlighted the trend of quite massive reports from GRI.

“The current massive sustainability reports do not serve basically anyone well because they are too expert orientated for the majority of audiences, but they are not clear, and number and goal orientated enough for experts and especially for financial people.”

The participant further explained that their customers are trying to solve this problem by producing the more expertise GRI and then separate fliers or something similar to that for the customers as a way to tell their sustainability work in a more storyline way. For ensuring that their customers sustainability reports are not seen only as greenwashing or market tool the participant replied that clear goals, measurable targets, credible data and external verification are the tools for that.

The Challenges in the Framework
When it comes to their customers being able to understand the guidelines provided in the GRI framework the participant says that basically those who use it also understand it, but when they start using it, it requires a lot of work.

“Structure is clear but then GRI cannot respond or reflect perfectly all companies and their very specific materiality, so it is one size fits all kind of thing.”

When it comes to having external help, the participant replied that those companies who have comprehensive in-house sustainability teams are capable of doing it themselves, but many do use external help also. Their customers are coping with the changes of the framework by studying the new ones, benchmarking what are the changes and what they need to do. For the biggest challenges of the framework, the participant identified the collecting, processing and validating the data to be the hardest one among the challenges.

“I would say that human rights and supply chain issues are maybe the most tricky ones, simply because, sort of collecting comprehensive data on those is quite a big task.”

The ways for their customers to sort out this challenge is to consider quite carefully, when they start GRI reporting, which kind of data they can and can’t get realistically. Then finding a way of improving during years the ways of collecting the data and the quality of the data and then considering carefully all the new indicators to include in their sustainability reporting.

Closing Questions and Related Discussion
The main issue in the sustainability reporting in the future according to the participant is, that whom does this reporting really serve and in what way should the reporting be organized in the future that it would serve all the different stakeholders. In the end we were discussing about other related issues to sustainability reporting and the UNGC.

“Those companies who do a decent level GRI reporting can easily fulfil also UNGC requirements, because they have plenty of information that they can use.”

The participant sees the UNGC more as a commitment from the company to show they want to be sustainable and their (UNGC) local networks as very valuable for the members.
5.4 Interview D

Company D is a relatively small and privately held Finnish company that operates in communications sector. They have been UN signatories for several years.

The Background Questions
The participant D is working as a corporate responsibility manager in the company and she is the only one that works full time in their CSR related issues. The participant does work on a day to day basis with many other people from the company from different departments. The participant worked previously in the communications department and CSR is a part of their communications department. The company's sustainability report is part of their annual report and then they also report under the CDP, so they publish two major reports annually.

The UNGC in General
The participant explained that she is mainly in charge of the CSR alone, but works in collaboration with other departments. The participant is the person who basically gathers data and writes the sustainability section to the annual report and all the other things related to their sustainability. Then we proceeded to ask are the 10 principles clear to them.

“The principles are not that clear I mean, we think that the situation in human rights is for example in Finland and our operating countries, well it is quite good. It is not something where we as a company put lot of effort in our corporate responsibility work so in that way some of these principles are more relevant to us than the others.”

The participant then also clarifies that they do in some level incorporate all of those as a part of their non-financial reporting. The participant sees the 10 principles more as general statements and since it is the UNGC and there is a great variety of different kind of members, states and companies, the principles have to be quite vague. The participant sees the GRI framework as their main reporting framework.

“They (GRI) are much more precise, so UNGC comes as a second for us and it is something we automatically end up filling when we report with the GRI.”

The Translation of the 10 Principles in to the Sustainability Report
Next, we proceeded to discuss about the practical translation of these 10 principles and is there any area that is more or less relevant for the company.

“Well I suppose I could say that the principles that come with environment, they are the kinds of principles that most companies in western world at least are taking very seriously these days.”

The participant thinks that all the most important corporate responsibilities are covered by these four UNGC areas and for example they have zero tolerance to anti-corruption. Then we proceeded to ask how they are actually determining what to report from these four areas and the participant referred to the new EU legislation with the non-financial reporting.
“This year I had to compile certain information for the non-financial report, so I used the same information when I was reporting for UNGC, because they are quite similar things that they want us to report.”

Then the participant proceeded to explain that for example with the human rights they do have key performance indicators (KPIs) that say they should not have any serious incidents of human rights violation and the idea is that their employees can anonymously report if there are some incidents happening somewhere and they will then follow this and also report it. We then asked that how did they actually determine their KPIs.

“We started 2016, we had started quite a big project where we determined the most material corporate responsibility areas for us and then after we had determined those, we started looking for the past year, but it was early 2017 I started conducting internal discussions with different groups of people about the KPIs from each chosen area and that took maybe 6-7 months.”

The participant further explained that once they had those figured out after the internal discussions, she took them to the board and now they have published them and also set fair targets that they will be following from year basis from now on. When looking at their sustainability reporting it can be seen that they are using the GRI as their main reporting framework and they have also concluded the 10 principles in their code of conduct quite thoroughly. Their annual report also includes a materiality analysis that determines the most material topic for them and looking through the sustainability report it can be seen that the environmental aspect is has quite high emphasis as the participant mentioned in the discussion.

The Challenges of Sustainability Reporting in General

Next, we started to discuss about the challenges in sustainability reporting in general. The participant thought that despite the reporting being very time consuming, it is really important to report about these things and the only way to develop the work is by developing KPIs with clear goals. When it comes to the development of the sustainability reporting their company have taken huge leaps when they did the materiality emphasis and determined their KPI’s. The participant saw the resources and time as being a bit of an issue in their company.

“It is not only the writing part that is time consuming is actually collecting the data that is much more difficult. It is different with financial reporting because there you get all the data from one place since it is the people in all the division that does all the financial figures that develops all the data, but when it comes to CSR data it is totally different because you don't have one place where you get all the data, it is much more complicated.”

The participant then gave us an example with a KPI that says they should not have any incidents where an add does not follow these international guidelines of ethical advertisement. Basically, there should not be any such ads published on any of their websites within a year and it can seem pretty easy since the answer is either yes or no. However, the reality is that they have numerous websites in many different countries, so it is not actually that easy to start collecting that data. Then when there are actually many more KPIs that they also need to collect data from and ask it from numerous different
When it comes to ensuring that the sustainability reports are not seen as marketing tool or greenwashing, the participant replied that it is better now with the KPIs since they have set clear goals and also follow up on them. However, the company does not have external assurance going through their sustainability report.

**The Challenges in the Framework**

The first time the participant did the sustainability report according to the GRI, they had an external agency and the participant thinks it is very important to have external help especially when you get started with the sustainability reporting since it takes a whole lot of time and effort to try and reading through all the information there is and figure out what is relevant aspects and what are not.

When it comes to GRI guideline in general, the participant thinks that the most essential thing is to first develop professional understanding of the company you are working with and then it is easier to implement the framework. To summarize, the participant said that it is important that you take the lead instead of the framework by determining what is actually material for your company to work on and report. When asked is there any other challenges with the frameworks they are using, the discussion turned to the Carbon Disclosure Project (CDP).

“I personally find CDP reporting much more difficult and much more time consuming when you make the comparison between CDP and GRI.”

With the CDP, they need external help almost annually since they change their framework quite frequently and it requires a lot of expertise in addition to time and resources that are annually required for the CDP.

**Closing Questions and Related Discussion**

With the biggest challenges in the future the participant mentioned that the sustainability reporting is going to increase because companies need to take actions when it comes to sustainability, but there is still a need to find a balance between reporting and the actual doing of the corporate responsibility since the time used solely for the reporting could be used more wisely and effectively. There was also discussion about the high number of different initiatives and reporting frameworks when it comes to sustainability reporting.

“Then another thing is that there are all these different frameworks I mentioned CDP, GC, GRI etc. That is another thing that is not very easy when you had to find your way as a company in this jungle.”
5.5 Interview E

Company E is a relatively large and publicly held Finnish company that operates in natural resources producers sector. They have been signatories to UNGC for few years.

The Background Questions
The participant E is a sustainability specialist and has graduated from the University few years ago. The participants first responsibility in the company was to publish the UNGC COP report and she is also responsible for the material assessment, sustainability report and other related tasks at the company. When it comes to their sustainability reporting, they have a sustainability section in their annual report.

The UNGC in General
According to the participant it was previously a communications person that was in charge of the reporting and now the reporting is done within the sustainability team. When it comes to communicating the UNGC 10 principles and other sustainability commitments to the rest of the employees, they are aware of them to some extent.

“Of course UNGC is quite high level, but I mean is kind of a specific thing, but what I hope at least and think that our employees know is about the human rights commitment, human rights principles, code of conduct, sustainability policies, anti-corruption policies, so all these kinds of policies already embed this kind of principles that UNGC has, so in a way they know the importance of these issues and what it means to our company and what it means for them when they work at the company.”

When it comes to the UNGC being clear, the participant thinks that the UNGC creates a general frame for ethical business and thinks that everyone agrees with the importance of all these principles and understand what they mean. They are very broad, but at the same time gives companies a possibility to implement those principles in a way that is most material for them. The participant further explained that SDGs are also an example of these very broad things that can be implemented in a way that every company feels comfortable with. When it comes to difficulties with the UNGC 10 principles and the sustainability reporting, the participant did not see any difficulties in there.

“We only looked at the principles in a way that is there some areas where we could develop or work more.”

The participant then further clarified that for example the human rights issues was that kind of topic that could be improved and that they are still developing it.

The Translation of the 10 Principles in to the Sustainability Report
Thy do have some differences in the emphasis of the four areas of the UNGC, but their sustainability reports do cover all of them.

“Actually, if you look at our annual report, you can see that we have categories called climate and the environment and then we have people.”

The participant clarified that these are the two big themes that come more from their own material topics rather than from the UNGC. Then we discussed that how are they practically determining what to report from these areas. The participant saw it more as how to determine where they should be focusing in their sustainability work and then
linking it with reporting. They report what they are actually doing such as achievements, current work in sustainability, managing risks, decreasing the negative footprint and maximizing the positive handprint which all comes from materiality assessment.

“I think that materiality assessment is one of the key things that needs to be done in the sustainability reporting, sustainability work and management itself. Asking internally and externally where we should focus in, looking at our strategy and risks and so on, so what is the impact of our business and what is the impacts towards the society.”

The participant mentioned the new EU legislation that came into force this year that very much combines the UNGC requirements. They have been also able to link the GRI index with the UNGC principles that can be seen in their sustainability report, where they have linked all the UNGC principles with the GRI indicators. Also, after looking into their sustainability report it can be seen that they have the materiality assessment presented in there with the material topics and own sections for each of these areas, but more emphasis on the climate and environment and people section as the participant mentioned.

The Challenges of Sustainability Reporting in General

When it comes to challenges in sustainability reporting in general the main challenges the participant identified were changing frameworks and keeping the reports as short as possible. The changing frameworks and new requirements also take a considerable amount of time and effort and the participant linked this with material topics since one of the major challenges is also to find that what are these material topics to report about and that can also change a lot.

“For example, the non-financial disclosure and all these different kind of requirements, there are new requirements and the old requirements that change so kind of to keep up with these and then try to keep the report as short as possible without losing any valuable information that I would say is quite a challenge.”

When we discussed about the development of the sustainability reporting in the past years in general the one thing the participant brought up that how companies see sustainability and how they link it with their strategy. Previously the sustainability reports were mainly about environmental issues and now is more about the companies doing business which is based on creating sustainable value and at the same time managing sustainability. The development is also linked with challenges as the target setting, indicators and a way of measuring and monitoring sustainability has been a challenge probably for everyone.

“Especially when we started discussing more and more about social impacts, it is a very challenging to kind of set targets and measure what is the impact for the society, but I think it is going forward all the time.”

When we discussed again about the resources and time, the participant thinks that they are always tight for companies and it feels like you always want more time to make the report even better, but in reality, that is not a huge issue. The annual report is very important for them and they will find resources to do it. When it comes to the balancing between the different stakeholders as a way of satisfying them all with the sustainability report, the participant saw this as a very typical problem within companies.
“That is always a challenge and in many reporting seminar, I think, it is one of the questions like do we actually know who reads our sustainability reports, do we know who the target audience is, so I guess everyone is kind of thinking this question.”

The participant then further explained that it is not a challenge to identify their key stakeholders or the target audience and in order to avoid a report that does not serve anyone, at the same time that they produce their annual report, they get the information from their stakeholders that what are their expectations and requirements and that is how they know that what they need to cater for in their sustainability reports. The company has assurance for their sustainability reports by independent practitioner’s assurance.

The Challenges in the Framework
When it comes to the framework being clear for the company, the participant thinks that GRI is very clear and especially moving from this G4 to GRI standards this year, made it even more clear. When it comes to external help with the framework and sustainability reporting the company does use it time to time.

“Yes, we as many other companies I guess, when the resources are tight we utilize consultants.”

The participant then further explained that they use these consultants for example if they want to get clarification to something about the framework but also to the times when there is lack of resources and time. The participant sees the non-financial reporting as a good example of how the reporting has developed and as a very positive sign that there is more legislation in regards of sustainability reporting. The participant then clarified that the GRI is the main framework they are using, but they also use other relevant frameworks such as UNGC, non-financial disclosure, CDP and the SDGs. Then we asked whether she could distinguish what is the most challenging one of them.

“CDP, the questionnaire is quite long, and it requires a lot of different information from different people in the company so, I think it is time consuming, but I guess it is quite alright still.”

Then we discussed that whether the GRI framework is usable also for smaller and medium sized companies. The participant thought that all the companies can use the GRI and of course bigger companies have more resources, but the smaller companies do not need to go all the way and they can report according to the GRI when applicable so utilizing the topics that are there and the use of materiality assessment and just do it in a smaller scale.

Closing Questions and Related Discussion
One of the challenges in the future the participant mentioned was about the monitoring and evaluating the sustainability of the company.

“I think it seems to be a trend of monitoring, but as we have seen there is no global methodologies available, or there are some, but I mean some investors also say that they have difficult task when they evaluate the company’s sustainability.”
5.6 Interview F

Company F is a relatively large and publicly held Finnish company that operates in general retailer’s sector. They have been signatories to UNGC for several years.

The Background Questions
The participant F is the CSR manager at the company and has been working there for almost five years. The participant has worked previously 5 years in another CSR related tasks. In the participant's current position, the responsibilities are CSR reporting and everything that it consists of and also the CSR development and defining and working with the CSR strategies and action points. When it comes to sustainability reporting in general they produce a full CSR report and they publish it together with the annual report.

The UNGC in General
The participant described that they have one department working with sustainability and they are also currently communicating their CSR targets both internally and externally.

“When we joined, we obviously communicated about it both internally to our employees and also publicly, and of course there is information about our commitment to GC on our internet available to our employees and all our other stakeholders.”

The participant highlighted that the UNGC principles are also included in the training of their new employees when they undergo the same introduction program. Next, we proceed to ask about the UNGC 10 principles being clear for the company when they joined the initiative.

“I think that the reason for joining was that UNGC covers the different areas of corporate sustainability so that's why it was such a good basis for our sustainability work, so I think we consider it as a basis.”

The participant then proceeded to explain that they have listed their key commitments in their latest sustainability report and these additional commitments go actually further than the UNGC. They do attend the UNGC local network meetings regularly to meet up with the other UNGC members in Finland.

The Translation of the 10 Principles in to the Sustainability Report
When it comes to the relevance of all the four areas, the participant pointed out that even though they do put emphasis on all of them, the environmental work is not something they need to put that much effort on. They have been working with it for the longest within these areas and it is a part of their daily business.

“The human-rights and labour in our supply chain is something much more newer, where we are focusing on now so in a way we are focusing on that more.”

The participant also identified anti-corruption to be a vital part of their business and they also have their own anti-corruption principles. Next, we proceeded to discuss about how the company practically determines what to report from these four areas.

“It is definitely difficult to choose what to report for example from human rights.”
For further explaining this statement the participant explained that they have been working with how they use their code of conduct and also managing some operations in their supply chain with for example reporting the number of audits and the results of those audits in their supply chains and this has increased a lot during the last few years. When it comes to anti-corruption, the company has e-learning tools and anti-corruption principles to report on and in addition they would also report the number of identified confirmed cases of corruption which was zero. When looking into the company's annual report they have their own section for materiality assessment where the most material topics are pointed out. All the four areas are catered in their sustainability report and they have a very strong emphasis on their employees when it comes to human rights and labour issues. The reporting framework used is the GRI as the participant mentioned and they have the used indicators mentioned in the end of the sustainability section and also the UNGC commitment.

The Challenges of Sustainability Reporting in General

When we asked about the challenges and development of the sustainability reporting in general, the discussion was more revolved around the development. The participant pointed out that it has developed based on materiality since now they really think that what are the most important challenges in their industry and for their company. The participant also identified that it is also very much guided now by what the stakeholders are asking and for example the NGOs and the customers, what kind of things are they bringing up in addition to investors. The other improvements the participant identified was that they are now publishing their targets before they are met and that is way of saying that we are not there yet, but we want to achieve it while before it was more about telling only about the success points. When it comes to resources and time the participant thinks that it is a huge effort to produce the report and it is a point that there will never be enough time since they always want to improve. On the other hand, the participant sees the sustainability report as a very important tool to communicate to their employees internally and show how important these sustainability issues really are and that there are targets which they need to reach. Next, we started to discuss about the challenge of balancing between the different stakeholders.

“Yes, that is definitely a challenge. If you look at our CSR report, there we have listed the stakeholders that we consider the most important so customers, personnel, shareholders, investors, suppliers and service providers and authorities and organizations such as NGOs and yes, it very hard to balance between them.”

The participant then pointed out that the challenge for them is that they are trying to do the report for everyone, but then when you are trying to do it for everyone then it could end up being for no-one and that is where they are trying to balance. The participant feels that their CSR report is too heavy information for their customers and that they should also provide their customers some kind of shorter information about the sustainability related work and preferably when they are actually doing the shopping and not having to read about it at home. The participant also pointed out that shareholders and investors have become more interested about sustainability and started to ask more questions and especially now when the EU-directive about the non-financial information came to force. The participant also highlighted the NGOs as a very powerful stakeholder group.
“The NGOs have a very loud voice in our ears, so we very much want to provide them information on the questions they are asking because they are big influencers for the customers. So, the customers would shortly after ask the same questions too.”

When it comes to external assurance of the companies’ sustainability reports, the participant explained that unfortunately they do not have external assurance going through their report. The participant then further points out that it is definitely something that the very big companies do, and they are not yet doing so that is a point of improvement. The participant also clarifies that to ensure their reports are not marketing tools the language is very different from marketing language and fact based. That is also something that their external consultants pointed out when they started to do the reporting.

**The Challenges in the Framework**

When it comes to the reporting framework, the participant pointed out that the reporting framework is better now with the new GRI standards which is much clearer than the G4 guidelines. The guideline distinguishes now clearer what is mandatory and what is additional while before that was more difficult to understand. The participant also pointed out that if they would report everything in the reporting framework, the report would be hundreds of pages and that would not serve anyone anymore. They have tried to keep their sustainability report relatively short. The participant also pointed out that each company needs to have common sense with the GRI guidelines since they are made for all companies and industries around the world and it is difficult just to look at them and do what they say. Instead, it is better to look at them with materiality aspect and not report areas that are not really related to the business. The participant also identified as challenge the different indicators of the framework some of them are more intended for professional readers and there is a challenge to combine the report with the indicators in a way that it would be easy to read. The participant also addressed that the CDP has many challenges with collecting the data to coping with the annually changing framework. For smaller companies the participant thought that GRI would definitely be harder, but that there would be a possibility for them to just choose fewer areas to report. For external help, the participant expressed that she did attend several CSR and GRI related seminars that had different consulting companies educating and consulting the seminar guests.

**Closing Questions and Related Discussion**

The participant pointed out that the challenges in the future are going to be related to the supply chain and also keeping the sustainability report interesting to all stakeholders.

“I think that it is very much related to the supply chain that companies are required to know their supply chain like deeper down.”

The participant then further explained that it has developed during the years since many companies did not even know their suppliers or at least where their products really come from. Now they have come to the point where they have published a list of all their suppliers and they are now telling for example where the shirt has been manufactured, but there are many stages before that when going further to the supply chain as for example where is the factory, where does the buttons and wool come from and how are those sheep’s treated in that farm etc. That is where the participant believes the true challenge lies in addition to determining how far does the responsibility of the company goes to. The participant also stated that these many other industries are also struggling with these challenges.
5.7 Interview G

Company G is a relatively large and publicly held Finnish company operating in travel and leisure services sector. They have been signatories to UNGC for several years.

The Background Questions

The participant G has worked in the company for several years and was pointed out to her current position as director of corporate responsibility in 2009. The participant is responsible for defining the challenges for sustainability reporting and other sustainability related issues. When it comes to sustainability reporting, they used to have separate CSR report in addition to annual report and now they have combined them. The company has also sustainability section embedded in their interim reports where they tell what has been happening lately and has there been any development regarding sustainability issues.

The UNGC in General

The participant is leading the sustainability reporting but works closely at the time of the annual report with the financial team, communications team and they also use outside resources to help with their reporting. When it comes to communicating their sustainability goals to the rest of the employees, the participant identifies that to be a bit of a challenge since they have so many employees and in different locations and departments.

“We have this questionnaire for our whole operations and all our staff about sustainability, that what kind of initiatives do they find important and what do they know about our commitments and so on. After getting those results we hope to enhance our communications so that everybody who works for the company knows what we are committed to and what are the goals, but that has been a hard task over the years.”

When it comes to the clearness of the UNGC 10 principles and the difficulties with integrating these principles into their reporting the participant stated that many of those areas are already covered in the local legislation and they have also been reporting according to the GRI framework so in that sense they have been already doing quite much when it comes to sustainability.

The Translation of the 10 Principles into the Sustainability Report

The participant referred the company concentrating quite much in the environmental side in the beginning and therefore also it is relatively easier to report from these four areas. The participant then expressed that she has been pushing the company and the industry that they need to start evolving and concentrate more on the human rights and the supply chain of their sector is huge and there might be lots of difficult situation in there related to human rights and labour standards for instance.

“The kind of Nordic type of doing things is quite evident and same with the human rights, but when we start looking at our supply chain I think we have to really concentrate on that and also now in the future for instance, the issue of human trafficking is really touching our sector, so I think all of these are very important for us and also anti-corruption.”

The participant then further explained that Nordic companies might say that there are no issues in these areas for them because of the location and local legislations, but when they would start to look at their operations at broad and their supply chain, then the issues
become very relevant. The participant thinks that the UNGC leaves the door open for more companies to join with their principles and for them the details come from the GRI section. The participant thinks that it is good to have the principles that way in order for the UNGC getting more companies involved and the smaller companies can start reporting in quite initial phase and then broaden their own understanding and developing their sustainability work and reporting with time. When it comes to anti-corruption, for Nordic companies it is quite easy to fulfil since they have a strong legislation already preventing this and the mandatory non-financial reporting directive that is covering basically all the areas of the UNGC and also in the code of conduct. Many of the areas, as said before, may not seem that relevant for the company and might be difficult to explain for example to the management board.

“**The notion of human rights especially in Finnish, it is kind of so broad that you have to little bit open it up in a sense of for example human rights for us means also the passenger rights and the well-being of our own staff and non-discrimination of our own customers so then it becomes more relevant for your own business, but if you just talk about human rights people tend to think it is something to do with the child labour or forced labour or things like that and don't find them that relevant to their own operations.**”

When looking at the company's sustainability report they also have the materiality assessment that determines their material topics. They have a high emphasis on environmental issues that goes quite hand in hand with their industry and also assessing the whole sustainability section, it seems to be quite equally balanced between these four areas. They also have an index in the end of the section before the GRI index, with all the UNGC 10 principles linking to the pages that they are presented which was previously discussed with the participant.

**The Challenges of Sustainability Reporting in General**

For the general challenges in sustainability reporting, the participant identified four areas: The changing reporting standards, the number of different frameworks, concentrating on the material issues and also balancing between the different stakeholders. For the always changing standards, the participant mentioned that GRI tends to change all the time.

“**There are so many kinds of frameworks like we report on GC on CDP on GRI and you name it, so too many of these and then for instance we cannot use GRI reporting to CDP reporting as such so I think these should work together and I hope this will happen in the future.**”

The other challenge is to really focus on the material issues and she acknowledges that this was a huge issue for them in the beginning. They used to report all the minor things especially on the environmental side and then the report becomes too long, and companies should rather focus on the material issues to keep the reports readable. In order to make the sustainability reporting material it is also an efficient way to make it a part of the business and operations. The other challenges pointed out was to get that information out for the big public as well. The current situation for the company is that the regular employees do not really understand what they are reporting of and the customers do not find the relevant information and now it seems that the information only goes for the shareholders, investors, officials and authorities and the other stakeholders are not able to find the information they are looking for.
“Somehow we should bring these indicators and the reporting relevance also to the bigger group of stakeholders.”

As a solution for the imbalance between the stakeholders, the participant suggested that they should develop it in a way that it is readable for example in their website as a form that those stakeholders can easily pick the most relevant issues for them. As one additional development the participant mentioned that they are not only reporting about their own operations, but they are going deeper such as for example with the supply chains and they are integrating the report more with other reporting items such as financial figures and strategy. When it comes to time and resources, the participant thinks that it is always a challenge, but nothing that companies could not really manage. For external assurance, the company has for example an agency looking at the level of their reporting, layout and another external assurance service looking at the emission data and verifying it.

The Challenges in the Framework
The participant repeated the same issues discussed previously, which are the always changing frameworks and the fact that there are so many. The other two things mentioned was the framework and what comes out of it, being too difficult for their customers and employees to read and also the fact that they need quite much external help with their frameworks since the framework and guidance for it is difficult to understand. Then we further discussed about the CDP and the challenges in that particular framework. The main challenges in the participants opinion lies on the language that needs to be used and answer technique in order to get the needed points in the framework.

The participant also highlighted after discussing about the other frameworks that there needs to be some kind of alignment within these different frameworks. Then we discussed about the GRI for smaller companies and the participant thought that it is probably quite difficult for smaller companies to understand what is happening because they mostly see this big reports from the bigger companies and all the indicators and long documents in the frameworks itself, but to conclude the participant explained that there are for example the non-financial disclosure now that has the four categories where everyone can tell something and that the smaller companies can always make the report in smaller scale.

Closing Questions and Related Discussion
For the future the participant highlighted again the too many frameworks that are not really interrelated and that is going to be even a bigger issue in the future now that there are more frameworks and legislative changes which are also changing all the time, so they need to be united more in the future. The participant also stated that for smaller companies the sustainability reporting may seem like a burden to start with and there needs to be more clear rules and simple frameworks to help the small and medium sized companies to start with their reporting. The participant added that UNGC could provide some kind of development path for their companies to follow and it could relate more to the other initiatives to some extent. The participant also hopes that the local networks will remain active since they provide information and support within the local area, peer industries and also serves as a good discussion board.
5.8 Interview H

Company H is a relatively small and publicly held Swedish company that operates in industrial engineering sector. They have been signatories to UNGC for several years.

The Background Questions
The participant H is the head of sustainability in the company. The participant is responsible for their sustainability reporting and she does not have any employees in her team. There are different functions in the company that she cooperates with such as finance and operations. The participant has been in the company for approximately 15 years in different departments and her work is now focusing now on the SDGs, sustainability in general, business development and quality. When it comes to sustainability reporting, the participant further explained that this is the 1st year they are producing a more comprehensive sustainability report because of the new Swedish legislation about companies of certain size and turnover need to report their sustainability work. The company does their sustainability reporting as an integrated report in their annual report.

The UNGC in General
The participant explained that even though she is in charge, the work has been integrated with their business strategy, so the participants role is more to catalyse the work and gather the information from the other departments and then report about it. When it comes to their new employees, they have the code of conduct that they all need to read, understand and sign off before they start working in there. In the code of conduct the UNGC 10 principles are presented as the main guideline and then there are other policies such as equal treatment policy, decent work policy and environmental policies etc. Next, we discussed that whether these principles were clear to the company when they joined.

“Well in a sense yes, because here in Sweden and the Nordic countries it is common sense for many companies these 10 principles so in that sense it was understandable, but the thing was that how do you keep progress with these issues and how do you go on, that was a bit more difficult to understand.”

Then we proceeded to ask about whether they had any difficulties in producing the COP reports before they started to produce more comprehensive sustainability reports. The participant explained that it was not difficult since it was a very light version of reporting and they only had few pages explaining how they are working with sustainability and the UNGC 10 principles were seen more as a guidance. The company has never needed external help with the UNGC.

The Translation of the 10 Principles in to the Sustainability Report
We then proceeded to ask that how did they practically determine what to report in this sustainability section in the latest annual report. The participant explained that they have structured it with the SDGs and they have five core focus areas in there since they are easier to integrate to their business strategy than the principles. The participant further clarified that they do have quite a lot of policies that cover the four areas in the UNGC such as in the human rights and labour standards category and for environment they are certified with ISO 40001, so they are communicating their environmental goals through it. The anti-corruption is in the company’s legal aspect and they have a policy in their board and in the company for how to deal with anti-corruption. We then further asked that how do they actually determine which SDG’s they should follow. The participant
then explained that they communicate with their stakeholders and determine what is most important for them and then they also look at the risks and opportunities when they think with what to work with and how they can lower for example these risks in their own operations. They basically choose those SDGs that are linked to their core business strategy.

“I mean as a company we can work with all the 17 goals but to gain focus and actually to focus on our core business we have chosen these 5 SDG’s, so it is a kind of a material analysis that determines it.”

We then further discussed about the environmental aspect and whether it was helpful for them that they had been already in the ISO system before they started to report on the UNGC. The participant then explained that it was helpful indeed since they already had experience about environmental reporting. Unfortunately, the company had not yet published their integrated annual report from 2017 at the time of writing this thesis in order for us to compare the discussion to the actual sustainability report.

The Challenges of Sustainability Reporting in General
Then we proceeded to discuss about the challenges in sustainability reporting in general. The participant then explained that she is very well aware of the sustainability issues and want to work further with them, but the main problem lies in engaging the senior level management to the sustainability work.

“The main challenge for me is the understanding in the company, especially in the board level, executive level and the leadership level there is a very low understanding and awareness of these goals and the principles.”

The participant then highlighted the fact that she has been working with different sections of their business and therefore it has been a bit easier for her to convince the senior management level to some extent.

“I have an understanding from the business, but if you are like an environmental specialist or sustainability specialist and don't understand the business then I think you have a great challenge to reach to the board level and leadership executive level.”

Then we discussed about the development of their sustainability reporting in the past years. The participant stated that their reporting system has been quite a rigid system previously and has now developed in that sense.

“I think that when SDGs were released as a framework, I think that made things easier because then the companies can focus on the relevant sustainability issues for their company.”

To summarize, the participant explained that the SDGs are making it easier for the companies to understand what to work on and report. When it comes to resources and time, the participant said that for now they do have enough both since she is basically just catalysing the work. The participant then stated that if the company can reach to a level where company actually works in a sustainable way together, then there is enough resources and time.
“You need to integrate sustainable thinking into your production or core business. When you reach that understanding, I think you will have enough resources, because then everyone in the company is involved and you really need to reach that level of work.”

Then we discussed about their stakeholders and finding a balance between them when it comes to reporting. The participant then expressed that their level of reporting is very basic and that is mainly because of the management is not yet fully aware about the importance of working sustainable. Then the participant also stated that some of the stakeholders are actually much more aware of the sustainability issues so there is still lots of work to do in that sense of satisfying all the stakeholders. When it comes to external assurance, they have a legal audit who is going through their annual report and also their sustainability report.

**The Challenges in the Framework**

When it comes to their reporting framework, they use the SDG as their main framework. Then we asked that whether they at any point looked at the GRI as a framework since that is the recommended framework in the UNGC.

“We looked into the GRI, but we thought that was too high level for us for first year, so we actually looked into that and we just decided that no we are not doing this first year because it is too much for us to handle.”

The participant then criticised that GRI being too complicated for a company of their size. The participant then proceeded to explain that for now, the SDGs provide them with a good framework in a sense of what to work with regarding to sustainability and how to report it.

“We just need to identify our sustainability issues and connect the SDGs to them so internally we know what we are working on and what are the sustainability issues that we need to focus on.”

The participant explained that now since they have identified them, they are going to measure their activities this year and report about their progress in the next years report.

**Closing Questions and Related Discussion**

When we discussed about the biggest challenges in the future and the participant pointed out the differences with the level of ambition and the absence of common framework suitable for everyone.

“I think that the challenge will be that the companies will have different ambition levels and they will do their report, but in different level of ambition and probably if you don’t have an audit team auditing your report there will be greenwashing and marketing issues.”

The participant then proceeds to express that this needs to be regulated in the UNGC context in a way and there is a need to mainstream what is sustainability reporting. The participant then further expressed that UNGC should find a way to standardize the SDGs for companies to be able to follow them, but that it would be a challenge since the countries are in a such different levels compared to each other.
5.9 Interview I

Company I is a relatively large and publicly held Swedish company that operates in industrial engineering sector. They have been signatories to UNGC for several years.

The Background Questions

The participant I has been working as a sustainability coordinator in the company for 2 years and the participants responsibilities are supporting the sustainability manager’s work, the coordination of all sustainability related issues at the company, sustainability reporting in general and to support the whole organisation in all sustainability related issues. When it comes to the sustainability report, they are doing a combined report with their annual and sustainability report integrated into each other. The main reason for changing to combined reporting few years ago was that they wanted to integrate sustainability more into the company and also in to their reporting.

The UNGC in General

The participant works in public and sustainability affairs department and they work together with the industry relations section and the sustainability manager to produce the sustainability reports. When it comes to their employees, they do introduce their sustainability goals to the new employees and also communicate them in several other ways to the employees in general.

“In all our sustainability presentations and sustainability education we usually start with the mentioning of the UNGC principles and also SDGs.”

The participant then argued that since there are numerous employees in the company globally, there is of course trouble in reaching all of them. There has still been increase in that knowledge and the company is always trying to improve their internal communication when it comes to sustainability. The participant stated that in general she would say that the principles are clear on what they mean and what companies should aim for, but they do not tell companies how to do it.

“For me and for the company the UNGC has been used as a starting point for working in sustainability in general and they have been complimented with lots of different frameworks and initiatives as well.”

The participant then proceeds to express that she likes how the UNGC is open and not specific in a way of what should be reported.

“I think the important part is you are working with the four areas and you are getting better because you are working with continuous improvement.”

When it comes to difficulties in integrating those 10 principles to the sustainability reporting when they joined the UNGC, the participant assumed that it might have been a bit harder back then, but as for now, in their responsible business area they are already covering all of these 10 principles and it is not a problem with integrating these four areas in the sustainability reports because they need to report them anyway.

The Translation of the 10 Principles in to the Sustainability Report

When we discussed about is there any differences between the four categories when it comes to relevancy, the participant replied that;
“Our main thing is our products and services and those are about creating sustainable transport in the world in general. With that purpose you can understand that the environment perspective gets lots of importance.”

They have a lot of focus in environmental part and it also matters that they have been working with the environment already for quite a long time. Then the participant discussed about the newer focus area which for them is human rights and that has been more recent topic of sustainability in general and especially when it comes to the supplier side. Then we asked is there any specific reason for why human rights is more relevant.

“Firstly, it is, that there is lots of pressure from stakeholders in general and from society that there is a bigger focus on human and labour rights and we have seen that through our materiality analysis and we can also see that in the new sustainability reporting legislation, that you have to report on human rights.”

When it comes to reporting the participant further explained that now it is required to include KPIs and how you are working with them in the reporting so in that sense there is more pressure in human and labour rights now than there were before. The participant clarifies that since they are using the GRI framework it already covers these four areas, but then they need to determine still what they are actually reporting.

“We have to look at what we can measure in general and how we can look at our progress in general and that is determining what we are reporting.”

The participant then further explained that in some areas that is clearer than in others and from these four areas the environmental area is easiest since they have been gathering data about it for many years. Then we asked that which area would be the hardest one the participant replied that human and labour rights combined, but the major focus is on human rights since there is more data available from the labour area. When looking at the company’s latest sustainability section in the combined report they have the materiality analysis displayed there which determines their material topics. There is also a very high emphasis in the environmental area as the participant expresses in the interview and that is also very related to their industry.

The Challenges of Sustainability Reporting in General

Some of the main development in their sustainability reporting that the participant pointed out was that they are taking a wider approach to their sustainability work now.

“We are also trying to go into our supply chain as how we are measuring and how we are reporting them.”

When it comes to the biggest challenges in their sustainability reporting the participant concluded that it is the quality of the data in some areas and also being able to collect the right data. When it comes to having enough resources and time, the participant states that of course it takes a lot of time and resources to do the sustainability report, but in the other hand it is worth it.

“The report is much used in our organisation by employees and future employees, so I would say that we really need it and it’s our most important document in that sense.”
When it comes to having difficulties between satisfying all these different stakeholders the participant replied that there is always a possibility to improve that and there is always the discussion regarding how they satisfy all those stakeholders with that sustainability report without making it too long. When it comes to the external assurance of their sustainability report, there is an audit team that are looking at their sustainability report.

**The Challenges in the Framework**

Then we proceeded to discuss about the challenges in the framework. For clarification the participant then addressed that they are using the GRI. In general, the participant believes that the guidelines are quite clear, but in the beginning the GRI can be quite harsh in a way since it is wide, and the companies do not have the data and all the topics do not necessarily fit into the organisation. However, the participant clarifies that GRI says the reporting should be done based on the material analysis and that makes it a bit clearer in that sense that you know better what to report about. When it comes to external help, the company relied on them more in the beginning of the use of the GRI.

“In the first years when we were reporting on GRI, then we had an external consultant supporting us but since then we have been doing it on our own.”

The participant also added that they have been discussing with different GRI experts when the transition happened from G4 to GRI standards. When it comes to the changing frameworks, the participant does not see that as a problem and actually thinks that the new standard is now clearer as for example with what is mandatory to report and what is not. When it comes to general challenges with the framework the participant pointed out that as there is now a trend for making integrated or combined reports, but then there are different frameworks like the GRI and local legislations and the challenge lies on the many different frameworks that are partly contradicting each other and there should be more alignment with the frameworks.

“Maybe trying to bring those frameworks together and combine them in a way but that’s something which haven’t been properly done in a way. “

**Closing Questions and Related Discussion**

When it comes to biggest challenges in the future the two main topics that came out was the difficulties in comparing the sustainability reports and also that there should be more content in those reports that can be measured in some way, but that itself is the challenge.

“It is hard to compare different sustainability reports, even though you might be reporting on the same topics so trying to incorporate more what we can measure into the reporting it’s not just about numbers but lots of other types of values and how do you measure that and how do you measure progress in those areas.”

The participant also concluded her perspective of the UNGC as an initiative that should be more like a base for companies’ sustainability work and the 10 principles in cover the whole sustainability area. The initiative is more about seeing the bigger picture and stating the values.
5.10 Interview J

Company A is a relatively large and publicly held Danish company that operates in financial services sector. They have been signatories to UNGC for several years.

The Background Questions
The participant J is responsible for the company’s CSR reporting and has been working in the company for three years. Altogether, the participant has been working with sustainability related issues for around 10 years. The company publishes a corporate responsibility report once a year and it is published at the same time with the annual report since it is a requirement according to Danish law. They also include couple of pages in their annual report concerning sustainability reporting, but it is the CSR report that acts as main sustainability report.

The UNGC in General
The company has a department that works with sustainability in general and there are currently six people working with the sustainability related issues full time. When it comes to communicating the principles to the employees the participant explains that they subscribe and state their commitment to them in the CSR report.

“All in the CSR team are aware of the global compact and its principles but we don’t use them as such as communication tool towards our employees.”

We then further asked that what do they use in terms of sustainability approach internally when it comes to the rest of the employees.

“We have defined what we believed is our role in society and which is our CSR strategy, which is more of strategic approach and it's what we use in terms of communication, so we don’t refer directly to the UNGC.”

The participant then further proceeds to explain that they have their own code of conduct and she also clarified that if this question would have been asked 5-10 years ago, the answer would have probably linked more explicitly to the UNGC, but the initiative does not have that special function anymore in many companies and the principles have been taken over by the SDGs. We then asked whether the UNGC principles were clear to the company when they joined the initiative.

“Unfortunately, I wasn’t working here then but I would say yes they are not clear and like what I said before they are being taken over by the SDGs which offer more detail than them (the principles).”

The Translation of the 10 Principles in to the Sustainability Report
The participant discloses that they are working with all the four areas and they find them all relevant. The participant then further clarified that the answer to this question would probably vary depending the company.

“It will differ with companies and sectors and in some companies’ human rights are more predominant and, in some companies, environment might be more important.”

The participant then further explained that the Danish legal requirements regarding sustainability reporting has given a very solid base for their reporting in previous years.
“The Danish requirements are more detailed than the UNGC so in that way the Danish requirements have provided more guidance than the UNGC.”

The participant also clarifies that the human rights, labour, environment and anti-corruption are covered as mandatory themes as for what company needs to report according to the Danish requirements. Next, we proceeded to discuss about how the company is practically determining what to report from these four categories.

“Up until 3 to 4 years ago we reported using the GRI for the reason I would say that UNGC didn’t provide much guidance in terms of what to report and how to report and the GRI provided really good guidance.”

The participant then proceeded to explain that they decided then that looking at materiality makes more sense to them in terms of what to report so they make the assessment on what to report by what they believe is material to them to report on. They also report on the areas that are covered by their CSR strategy, but the Danish requirements give also a very good guidance on what they should report.

“Basically, we use the materiality analysis and the Danish requirements.”

The participant then further explained that the human rights and labour standards category is a bit more challenging to report since there is a huge overlap between the labour rights and the human rights.

“In terms of human rights which can be little more challenging to report on, we also looked at other guidance which has a human rights risks assessment conducted in collaboration with the Danish Institute for Human Rights, and they have defined the things they believe are relevant to use both in terms of working in themes and what to report.”

When it comes to environment, the participant explains that they are not only looking at their own footprints but also their lending environment and investment portfolios, so they are making conscious decisions on which companies they would like to invest in and exclude companies that are not working in a sustainable way from their portfolios and changing them to more sustainable and green products.

“So, on the lending side it's also a question of what are the companies that we would like to lend money to and we have decided there are companies especially in the fossil fuel industry that we are not interested in doing business with and that is where the financial industry can make a big impact.”

After looking at the company's CSR report, they have clarified their corporate responsibility strategy together with the materiality assessment that shows the most material topics to the company related to the sustainability issues. They have also included their strategic themes together with core business linked issues such as how are they contributing to the society, how are they responsible as employer, maintaining responsible customer relationships and about their environmental footprint. They also conclude their responsible business conduct, key performance indicators and the independent auditor's assurance report.
The Challenges of Sustainability Reporting in General

When it comes to developments in sustainability reporting in the past years, the participant points out the SDGs from the UNGC context.

“I would say the SDGs have been a really big change like they have been really successful, and they have been really taking over the role and the function of the UNGC before that is expected that you as a company make a consistent decision on what are the targets you believe are relevant for you to support and to report on, how do you support them and what are your targets related to them.”

The participant also thinks that the SDGs have been so successful because there is more flexibility in terms of reporting setting. When it comes to the challenges of sustainability reporting the participant points out the internal conflict between the CSR communication and reporting. Since the CSR is considered to be a communication tool that is considered to be something that a large number of stakeholders would read, and it also should be interesting for them to read. The challenge is to make it something that is readable for everyone. The challenge comes from the reporting data and processes that are not necessarily interesting to read in addition to the regulatory requirements of the report.

“My personal believe is that it is really hard to achieve it, but we always try to achieve that.”

When it comes to time and resources the participant addresses that it takes a lot of resources, but they believe that the resources are well spent, and they have a clear strategy with regards to the reporting. When it comes to identifying the stakeholders that read their sustainability report the participant pointed out regulators, current and future employees, investors, general public, NGOs and media. When it comes to balancing with the different stakeholders the participant identifies that as a challenge since targeting all of them with one tool and product is not possible. The company has an external assurance for their sustainability report.

The Challenges in the Framework

When it comes to the challenges in their framework the discussion was quite brief since they are not using any framework besides the previously discussed UNGC, SDGs and regulatory requirements. The regulatory requirements are also very straightforward and easy to understand according to the participant. When it comes to external help with the sustainability reporting the participant explained that the external assurance provides them guidance and advice annually when they audit their sustainability report. The participant stated that there are not really any challenges or difficulties with the reporting framework since the regulations do not change that much and are quite easy to work with in addition to the UNGC and SDGs.

Closing Questions and Related Discussion

When it comes to the UNGC the participant feared that they are not receiving that much attention anymore. When the UNGC launched most countries did not have mandatory sustainability reporting but a lot of countries have now as such the EU made non-financial reporting requirements last year. The local requirements and other initiative and reporting schemes have resulted in UNGC becoming redundant in a way.
6. Analysis
In this chapter we analyse the empirical findings of our research study. As previously mentioned in the practical method chapter, we are using the themes that were determined in the topic coding and presented in the empirical findings chapter. The chapter starts with brief analysis of the discussion of UNGC in general and then proceeds to the translation of the 10 principles in to the sustainability reports. Thirdly, we proceed to analyse the sustainability reporting challenges in general and then the challenges within the frameworks. Next, we proceed to analyse the participants perspective of the future related to the discussed topics. Lastly, we conclude a summary model of the main findings and we also connect the themes to our theoretical point of departure.

6.1 The UNGC in General
Most of the participants had separate person or people that were working with sustainability in collaboration with other departments. Majority of the companies were using the integrated reporting system with their sustainability reports as in they were integrated to their annual report, which was also mentioned to be one of the most popular approaches to sustainability reporting by Herzig & Schaltegger (2011) in addition to stand alone sustainability reports. When it comes to communicating the UNGC principles to their employees, very few of the participant’s companies communicate the principles as such to the rest of the employees. Many of the participants clarified that they communicate them in the form of their code of conduct, Key Performance Indicators (KPI), other sustainability commitments and policies, which cover most of the principles. Therefore, it could be said that sustainability plays an important role within these companies since it is communicated to all of their employees to some extent and most of the participants also identified the employees being one of their target audience in regards of the sustainability reporting. Employees are part of the primary stakeholders group under stakeholder’s theory. Stakeholders are any group which can affect or can be affected by activities of the company (Freeman, 1984, p. 46) and can be grouped into primary and secondary stakeholders. Primary stakeholders are a group which without them, the company’s existence will be put into jeopardy (Clarkson, 199, p. 106). Since employees are under this group, most UNGC participants put much importance in ensuring that their employees are well versed with the sustainability goals of the company and employees form an important stakeholder to the audiences of sustainability reports prepared by their employers. Many of the participants also identified this to be something they still want to develop as in regard to reach their employees and engage them even more into their sustainability goals and reporting.

Majority of the participants saw the UNGC principles as quite clear when they joined the initiative. This is in contradiction with some critics who have argued that they barely give enough enlightenment about the conduct expected from the UNGC participants (Orzes et al., 2018, p. 640) and do not offer enough information pertaining to the principles span and horizon (Garsten & Jacobsson, 2011, p. 453) and lacked a course of action which an organisation must take (Deva, 2006, p. 129). The common factor for majority of our participants were that they had already been working with sustainability and producing sustainability reports prior to joining the initiative. The common framework most of the participants were using already was the GRI and majority of the companies had already existing codes of conduct and other commitments and certifications. These participants stated that since they already had that knowledge about sustainability reporting and the general subject background, they joined initiative more as a reason to develop their sustainability work and adopt the principles as their basic or starting point of sustainability
values. According to Marrewijk (2001, p. 102-103)’s five CSR ambition levels it could be concluded that majority of these participants were on the synergistic level when they joined the UNGC where the companies will be trying to create functional solutions in their sustainability work with its various stakeholders. Therefore, joining UNGC and using the principles as a basic or starting point of sustainability values can be interpreted as a way of looking for workable sustainability synergies. It should be considered that the perspective of the UNGC principles could differ with companies that have not been working with sustainability prior joining the UNGC and following that also the CSR ambition level could have differences based on the experience level about sustainability work and reporting. Two of the participants also highlighted that even though the principles are quite broad, they give the members more space and possibility to report in a way that is material to them. This view is similar to Abbott & Snidal’s view discussed before, who described the UNGC as a voluntary initiative and hence it is in the category of soft law, with no legally binding obligations (Abbott & Snidal, 2000, p. 422-423) and therefore members should be able to follow the initiative without too strict obligations to fulfil. In common, UNGC was seen as a general frame for ethical business.

6.2 The Translation of the 10 Principles in to the Sustainability Report

Majority of the participants addressed that there were no difficulties in integrating these 10 principles to their sustainability reports. Many of the participants did point out that in terms of reporting the UNGC is not really telling companies what to do thus relying on GRI or other frameworks for guidance. This supports the classification of sustainability initiatives by Rasche et al. (2013, p. 5), where they classified UNGC as principled based and not reporting initiative. As a result, UNGC and GRI entered into a partnership in 2010 where the UNGC was to recommend the GRI as the reporting framework for its signatories. In return, the GRI was to incorporate the principles of the UNGC in its guidelines on its G4 which was due in 2013. This partnership helps to integrate the two initiatives. As a result, the majority of participants clarified that the UNGC is something that they automatically fulfill after they have completed their annual report which is usually guided with something else such as GRI framework and other requirements.

When it comes to putting the same importance to all of the four categories of the UNGC, all the participants highlighted that they do cover all the four areas of UNGC in their reporting. This is in line with (Carroll, 1991, p. 40) when he stated that all the four elements in his CSR pyramid (economic, legal, ethical and philanthropic responsibilities) deserves to be considered in a company’s CSR activities. The four UNGC categories include the four elements in the CSR pyramid. By encompassing these four elements in the CSR pyramid, the company will become fully socially responsible (Carroll, 1979, p. 499). Additionally, by putting the same importance to all the four categories, the UNGC signatories are also in compliance with the triple bottom line framework as proposed by Elkington (1999). This framework encourages companies to incorporate three “p’s” (people, planet and profit) into their sustainability work and the four categories of the UNGC include these three “p’s”. Carter & Rogers, (2008, p. 365), then concluded that when all these three aspects are observed, then the company become sustainable and enjoy some competitive advantage. However, there are differences with the relevance of the categories to some of the companies. Half of the participants pointed out that the human rights category is more relevant for them currently. The reasons behind this were that many of the participants thought that the companies had not been active enough with the human rights and sometimes also the labour standards related issues. In most cases
human rights and labour related issues were combined just like in the GRI framework where both are included under the social indicators (GRI, 2013, p. 173).

The participants also mentioned that there is more pressure lately about the reporting of human rights and labour standards by different stakeholder groups such as the NGOs and customers. This has led to the expectations for the companies to take a further interest to these issues in their sustainability work and finally communicating their work to those stakeholders with their sustainability report. By doing so the UNGC signatories will be sending good signals to its stakeholders and be viewed as companies which are more socially responsible on the human rights and labour dimensions. This behaviour can be explained with the origin of signalling theory by Spence (1973) where the markets believe that companies can send messages about themselves through actions and that is exactly what majority of our participants were doing when concentrating more to these issues because of the stakeholder pressure. Many of these participants addressed that the environment area is easiest from these four areas to work with since that was the area where they started their sustainability work and are more familiar with environmental issues than the other areas. When it comes to anti-corruption, very few of the participants mentioned it separately since they already have legislations and code of conduct which already states that they are against it in all circumstances.

How the companies practically determine what to report about each of the four categories of the UNGC, varies depending on what is material to them. When it comes to human rights and labour standards, there were more difficulties in determining what to report from those categories. Majority of the participants addressed that at least they make sure they fill the legal requirements and then they determine what would their stakeholders expect them to report. This is usually done through the materiality analysis. The GRI refers to materiality as the threshold which is used by companies to determine what to report about (GRI, 2013, p. 11) as mentioned in the theoretical point of departure. This assist companies to report on matters that have critical impact both negative and positive on various sustainability works of the company. Some participants also mentioned their own human rights and labour standards assessments determining their impacts to those issues and then working and reporting based on them. Few participants clarified the difficulties with these two areas by stating that the notion of human rights and labour standards as such are too self-evident for Nordic companies and that the companies should be able to understand to open the definitions within their scope for example as their customers right, the well-being of their own staff, non-discrimination of any stakeholder, supply chains and then it comes more relevant for the company. When it comes to environment and anti-corruption, none of the participants really saw any difficulties in determining what to report from those areas. Many of the participants also had additional environmental reporting frameworks (CDP) and certifications (ISOs) that they also use in their sustainability reports that were also presented and explained earlier in the thesis in Table 2 with an overview of common reporting frameworks (BSB report, 2016, p. 9). Anti-corruption has to be reported by the local legislations of each of the participants and therefore they report according to those requirements. Few of the participants also had additional anti-corruption policies and commitments that they were reporting.

Some of the participants mentioned that they have KPIs covering all the four areas that they first determined internally and after publishing them it is easy to report based on those indicators. The KPIs were determined by having internal discussions and questionnaires about the subject and then getting the approval of the board/management.
The importance of defining KPIs were also addressed by Eccles et al. (2017) research study where they addressed that there is a need to determine KPIs as a way to significantly improve companies’ sustainability reporting. The participants also highlighted the KPIs as an important improvement to their sustainability reporting when they were determined. Majority of the participants pointed out that the GRI framework covers all the four areas and they practically determine through the GRI what to report. Few of the participants also mentioned that they link their GRI index to the UNGC in their sustainability report and that way cover all the principles. Basically, it is the materiality analysis of the GRI framework according to majority of the participants that determines what these companies are reporting in their sustainability reports. Based on the answers from the participants, it is not difficult to determine what to report from these four areas in the UNGC context since there are not that much requirements about what should be reported.

6.3 The Challenges of Sustainability Reporting in General

The main challenge that was identified is related to the data of sustainability while the other subtopics were engaging the senior level management, various frameworks, length and materiality of the report and balancing between the stakeholders. When it comes to data handling, many participants identified this as a challenge. The challenges related to the data was seen as the collection of the data, validating the data, quality of the data and handling the information in general. This is supported by Grossman, (2014, p. 11) who stated that gathering and coming up with credible data can be a problem especially for companies operating in different industries and countries. Two participants also mentioned that it is a challenge to engage the senior level management to their sustainability work. This view is similar to that of Puritt (2012) discussed in the previous chapters where he argued that one of the reasons which hinders companies to be sustainable is lack of support from senior management. The common factor with both of these companies was that they were a bit smaller and have not been producing proper sustainability reports for a very long time. One participant mentioned that it helps when the person who is responsible for the sustainability related issues has a good knowledge of the business since then it is easier to engage the senior level management. The other challenge mentioned by quite many of the participants were the high number of different frameworks and how they are changing all the time. Grossman (2014, p. 10) described these frameworks as emerging frameworks which are “similar but different”, meaning they seem to talk about the same issues, but at the same time with different requirements which was aligned with the perceptions of our participants. This poses a difficulty to the reporting companies and some participants were calling for a harmonisation of these reporting frameworks so that they will speak one common language.

Majority of the participants identified it as a challenge to find a balance between satisfying all their stakeholders regarding their sustainability report. When it comes to identifying their stakeholders, most of the participants could point them out quite easily but then pointed out that it was a challenge striking a balance at satisfying all the stakeholders with one communication tool. This was similar to a conclusion which was reached by Islam et al. (2013, p. 106) when they noted that the term stakeholders encompass various groups and their demands vary, therefore it’s a challenge to meet all their expectations and demands. Mcwilliams & Siegel, (2001, p. 117) also added that the objectives of these stakeholders might differ to the objectives of the company further complicating to the issue of satisfying and striking a balance among the various stakeholders. More-so, the BSR report supports the above two studies when it noted that that the stakeholders for sustainability reports have multiple expectations on the report.
and that poses as a challenge to reporting companies (BSR, 2018, p. 2). Some participants also mentioned that the other challenge is to keep the length of the sustainability reports reasonable which is similar to Isaksson & Steimle (2008, p. 62) criticism that some of these reports have grown to be over 100 pages in length. However, in order to shorten them, the participants concentrate on materiality. That challenge also links to the other one mentioned by few participants which was to make the sustainability report interesting for all stakeholders to read. Participants also highlighted that in order to avoid producing a report that does not serve anyone they communicate with their key stakeholders in order to know their expectations and requirements and therefore know what they need to cater for while producing their sustainability report. Some participants also stated that the challenge is that the sustainability reports are too difficult to understand for most of the stakeholders and they only serve a small portion of the stakeholders. As a solution, they discussed about having separate information reports, fliers or website sections in their homepage with information that is more targeted to for example customers and employees with a shorter information of their sustainability commitments and achievements and it is presented in a more of a story way. As a conclusion it could be stated that satisfying all the key stakeholders with the sustainability report is a challenge, especially in the larger companies. The stakeholder theory also sheds light to the challenge within wanting to satisfy all the primary stakeholders since according to the theory the management should shift their attention from shareholders to those groups that can assist them with their goals (Philips et al., 2003, p. 481) and in our participants case they have identified various such groups that also have contrary expectations.

The majority of our participants did not see time and resources as a real challenge in their sustainability reporting. Three participants also mentioned that it is quite time consuming but the result of the hard work, the sustainability report, is also considered to be a very important tool in terms of internal and external communication. The sustainability report’s importance to both internal and external communication can be explained through the stakeholder’s theory which includes both external and internal stakeholders. Additionally, the primary stakeholders who are central to the continued existence of the company also includes both internal and external parties thus sustainability reports act as a vital means of communication to these various groups. For ways to ensuring that the sustainability reports are not seen as a marketing tool or greenwashing, majority of the participants pointed out that it is about integrating sustainability to the business. Also, most participants mentioned that it is more being open about the good and the bad things in the company’s sustainability work and avoid using any kind of marketing language in their sustainability reporting. This will ensure that the company is not sending bad signals to the stakeholders. Signalling theory is more concerned with explaining the behaviour of two parties (the sender and the receiver) with access to different information (Connelly et al., 2011, p. 39). The sender, in this case is the reporting company and has access to both good and bad information about its sustainability performance. The reporting company will then choose on how to communicate the information to the receiver (stakeholders) and the receivers will choose how to disseminate that information. Therefore, the UNGC participants sends both the negative and positive information to their stakeholders and in an honest and truthful manner, ensuring that they are not sending the wrong signals to their audiences. Laskar & Maji, (2016, p. 626) argued that the basic purpose of sustainability reporting is to enhance transparency which can only be attained by providing information in a precise and objective way since subjective information may fail to satisfy the information needs of stakeholders. One participant also highlighted that clear goals, measurable targets, credible data and external verification are tools for
ensuring that the reports are not a marketing tool or a way of greenwashing. When it comes to external assurance in sustainability reporting, it is definitely a growing trend and one of the most prominent ways of ensuring that the reports are trustworthy. Half of the participants had external practitioners looking through their sustainability reports.

6.4 The Challenges in the Frameworks
The majority of the participants were using GRI as their framework in sustainability reporting since it is the most widely used (Dumay et al., 2010, p. 532) and secondly, the GRI and UNGC have a partnership (The Accountant, 2010). Few also mentioned other country regulations as a guideline for their sustainability reporting, but the discussion was mainly revolving around the GRI. Majority of the participants were able to understand the guidelines well and thought that it provides clear structure and measures. This was contrary to Isaksson & Steimle (2008) research findings of GRI guidelines not being clear and relevant for successful sustainability reporting. This could also be related to their study being conducted in 2008 whereas the framework has changed after that. There was discussion with many of the participants about the broadness of the guidelines and how there are lots of different indicators and lots of text, but the importance is in the materiality analysis. Many of the participants stated that the GRI framework is designed to cater for all companies and therefore it does not always meet the needs of a specific company. The participants highlighted that it is the materiality analysis that develops the understanding of what is material to your business and helps understand the guidelines better as in what sections in the document to focus on. Four participants also mentioned that the GRI framework is now easier to understand since the guidelines have been updated from G4 to GRI standards where for example is now more clearly distinguished what is mandatory to report and what is additional information while that was seen before as more confusing.

When it comes to dealing with the changing framework, neither of the participants saw that as a real issue but they did however see the changes as time consuming for them in terms of learning the new guidelines and coping with the changes. As for dealing with the changing guideline, the participants expressed that in addition to giving some extra time for studying the guidelines they benchmark the changes and determine what they need to do according to them. Majority of the participants have been using external help with their sustainability report at some point. The most common reason the participants to use external help was in the beginning of the sustainability reporting. External help in sustainability related issues was seen as very important thing to have since otherwise it would be very difficult to determine what to report and how to report among other things. That was also something that was separately recommended by majority of the participants that when a company starts to work with sustainability and is thinking about producing sustainability reports it would be very useful to use external help. Puritt (2012) also addressed that there are several barriers which companies face when they are starting to work with sustainability where one is to evaluate the business again from sustainable perspective. Taking into consideration the multiple barriers companies face when trying to become more sustainable, it could be a good thing to rely more on external help in the beginning to be more successful with integrating sustainability to the business.

Some participants were using other frameworks and regulatory requirements on top of the GRI framework. Some regulatory requirements were country specific and can be aligned to Klock’s (2008, p. 3) view that sustainability reporting can be described as voluntary exercise but however governments are directly and indirectly enforcing its implementation. From these regulations and other frameworks, the one that was
mentioned quite a number of times to be difficult was the CDP and it was criticised to be very demanding and difficult to understand and it also changes frequently. This leads to the challenge that most of the companies need to hire external help specifically for the CDP when reporting in addition to the other frameworks where the framework and guidance may be too difficult to understand without external help. As a solution for this challenge two of the participants suggested that there should be more alignment between these different frameworks in a sense that there would be more similarities with their contents and reporting demands. Few of the privately held and a bit smaller companies compared to the listed one's, thought that the GRI framework is too difficult for smaller companies to use. This was discussed with other participants as well and even though all of the participants agreed that the GRI reporting is more challenging for smaller companies, they still expressed that it can be done through materiality analysis and the smaller companies should just report what is material to them and therefore follow the GRI in a way that is applicable for them.

When it comes to the general challenges within the frameworks, the answers varied a bit between the participants. The most popular themes among the participants for a discussion were the data related challenges, keeping up with the high number of similar but different frameworks, producing information from the indicators that is interesting for all stakeholders to read and the medium size companies also saw the GRI reporting framework too difficult for them to implement. The challenge on the different number of frameworks was similar to what was noted in the BSR report (2018, p. 2) when it pointed out that these frameworks have their own purposes and might at times appear conflicting and confusing. This view was supported by Grossman (2014, p. 9) when he described these frameworks as similar but different. Our findings regarding data related challenges are similar to the views of Purit (2012) who pointed some challenges with regards to the determination of data to report. As discussed in the challenges of sustainability reporting in general, the collection, processing and validating the data within the requirements of the framework is a challenge and especially in human rights and supply chain issues where collecting comprehensive data, can be a very difficult task. Our findings about the challenges of sustainability reporting in the supply chain are similar to those of Szegedi & Kerekes (2012 p. 70-74) who noted that supply chain sustainability reporting is difficult especially if the supply chain involves many geographical locations with different legislative requirements. Some of the participants manage with the labour standards, human rights and supply chain issues by determining carefully what kind of data they can get and what kind of indicators to include in the report at the same time improving annually their data related work. It was also highlighted by many participants that when it comes to data related challenges it is important to develop a professional understanding of the company and the industry and do the materiality analysis which at least to some extent helps to deal with the data related challenges.

6.5 The Perspectives of the Future
For the challenges in the future, there were some differences in the participants perspectives. The main themes in the answers were related to the stakeholders, number of frameworks and initiatives. Challenges in monitoring and evaluating the sustainability of the company was discussed as one of the biggest challenges in the future and that has been addressed quite widely in the previous literature (Esceles et al., 2017.; Klettner et al., 2014.; Dyllick & Muff, 2015) as a huge issue mainly as a consequence of the current challenges in sustainability reporting such as high number of different initiatives and reporting frameworks that makes the performance measurement, evaluating and
monitoring impossible between businesses. The other challenge is to determine that who does the sustainability reports really serve when it comes to the stakeholders since reporting just for the sake of it does not serve anyone which leads to the other concerns presented by many participants that are the sustainability reports going to be read in general. The high number of different initiatives and frameworks that are usually not interrelated also raised concerns about the future. It was also highlighted by few participants that there is an absence of a common framework suitable for everyone even though there is such a high number of them. Turning to the UNGC, the majority pointed out that they see UNGC more as a commitment from a company to be sustainable and the principles as basic values. Even though most participants agreed that the principles are quite broad, they preferred the UNGC as it is. The UNGC was seen by majority of the participants as a good initiative since it leaves the door open to everyone as addressed also by Rasche & Waddock (2014) with the aim for them to succeed in their CSR work.

6.6 Models of the Analysis Results
Based on the previously presented analysis of the empirical findings we have created two models that demonstrate the main findings to our research question 1 (Figure 11) and research question 2 (Figure 12).

Figure 11: Model of the main findings for research question 1.

Figure 12: Model of the main findings for research question 2.
7. Conclusions

This chapter is going to conclude our conclusions for findings which we analysed in the previous chapter. We are going to firstly present the general conclusions to our research questions. Then we proceed to present the theoretical, practical and social implications of the study. The chapter will be concluded by the limitations, ethical considerations and suggestions for future research.

7.1 General Conclusions

Although sustainability is not a new phenomenon, companies have demonstrated some difficulties in coming up with sustainability reports which are well accepted by the various stakeholders and the topic in general has received a lot of criticism especially from the different initiatives perspective. It is against this background that we decided to explore this phenomenon specifically in the UNGC context which is the largest principle-based sustainability initiative. We then conducted interviews with various sustainability representatives of companies operating in the Nordic region to gain an understanding and insights of these challenges and how they are dealing with those challenges. The main purpose of this thesis was to investigate how the companies in the Nordic region in the UNGC context are practically transforming the 10 principles into their sustainability reports and what challenges they were facing in the process of producing these reports. Therefore, in order for us to adequately fulfil our purpose we formulated two research questions, where the first one is:

How are the UNGC signatories practically translating the 10 principles into their sustainability reporting?

The first research question was basically built on previous literature which had criticised the 10 principles to be too broad, vague and not clear about what companies are supposed to do. The general reactions of these criticism were varied but however we concluded that they are not clear to those who are beginning to become sustainable. To those who have been in the industry for a long time and who have other company policies such as codes of conduct, they find them easy and clear since they were already embedded in their business to some extent when joining the UNGC. On how they are practically translating these 10 principles into their reports, the general conclusion is they use the materiality analysis and guidelines from reporting frameworks especially the GRI and other regulatory, external and internal requirements. These documents assist them in determining what to report with regards to these ten principles. More so, the participants are active in all the four categories of the 10 principles thus they perceive all of them to be important for a company to be fully sustainable. The general results showed that the GRI and materiality analysis were the most commonly used tools by UNGC signatories in determining what to report about those 10 principles. Additionally, even though all the areas were seen as equally important, the environment area was seen easiest to report since most companies started their sustainability work with it and therefore have been reporting about it already for a while. The most difficult area to report from these four was identified to be the human rights since it is a relatively new concept in the sustainability issues and the companies have to determine quite thoroughly what is their impact, how to work with them and how to collect data from the area. Turning to the second research question, which is:
What challenges do UNGC signatories find in sustainability reporting in general and how have they approached these challenges?

The challenges faced in sustainability reporting vary across companies in the UNGC because of differences in company sizes and industrial sectors which are all catered for by the UNGC. However, the issue of data gathering was pointed out by the majority of participants interviewed during the study. They said it is a challenge to gather, validate and handle all the relevant data from different sources and come up with the final report. The other difficulty pointed out was the issue of different frameworks and regulations which are similar but at times speaking with different voices and not very interrelated. Some of the participants ended up suggesting a harmonisation of these frameworks and regulatory requirements. The other common challenge was in balancing the needs of the different stakeholders who will read the sustainability reports. They said it is a challenge in ensuring that one tool satisfies the needs of a number of people at the same time ensuring that it’s going to be readable and relevant to them. For small companies, engaging senior management into reporting was seen as a challenge. On the issue of time, the participants agreed that it’s an issue, but they do not see that as a challenge since they believe that they are resources well spent. On reporting frameworks, majority of the UNGC participants used the GRI among other frameworks and regulatory requirements. However, there were not much reporting challenges related to the GRI framework, it was generally perceived to be a good guideline although its use in the small companies was not that embraced. Instead it was the CDP framework which was said to be the difficult one and very time consuming. Some of the participants have to hire an external consultant to help them with its requirements. Therefore, on the second research question, the most common challenges identified included the issue of data handling, different frameworks, striking a balance between various stakeholders and engaging senior management in sustainability reporting.

The participants also pointed out various ways to approach these challenges. The most highlighted theme of the discussion was the importance of the materiality analysis and doing it well in order to for example determine better where to focus in the sustainability work and what to report. When it comes to difficulties with some of the areas such as human rights the common approach was to dig deeper in order to find what to report about such as supply chains or treatment of own employees. For the data related issues, few participants mentioned that it is important to determine what kind of data can the company realistically collect and report and leave the more challenging parts to the future, which is connected again to materiality assessment. A relatively new way of approaching challenges with the different stakeholders and the sustainability reports was to leave the actual sustainability reports to the experts and produce separate information in another form to the other stakeholders as in more storyline form. For challenges with the senior management, the approach suggested was to understand the business very thoroughly in order to convince them with the added value of sustainability and keep the pressure internally with for example internal discussions of the topic.

7.2 Implications
The implications to be discussed in this section are going to be in three categories: theoretical, practical and societal implications. Theoretical implications include theoretical and scholarly contributions of the study to existing bodies of knowledge (Koh et al., 2015, p. 1). Therefore, under this section, we are going to discuss the contributions of the study theoretically and pointing out the relevance of the study to the academic field.
Practical implications refer to those findings from research which will have some effects on practice or have some functional applications (Koh et al., 2015, p. 1). Thus, for practical implications, we are going to discuss the practical contributions of the study to the business world. Societal implications refer to the contributions of the study to the other stakeholders in the society (Akker & Spaapen, 2017, p. 3). Therefore, under societal implications, we are going to discuss the contributions of the study to the society.

7.2.1 Theoretical Implications
This research study was an explorative study with the main aim of exploring sustainability in the context of UNGC. Most of the previous research were based on sustainability reporting in general such as reasons for reporting and not necessarily focusing on the challenges faced in reporting especially in the UNGC context. To the best of our knowledge, this study was among the first to explore this area in sustainability reporting. Therefore, this thesis has provided some knowledge into how the UNGC signatories are practically translating the 10 principles into their sustainability reports. Additionally, the study has also provided some insights into the challenges which sustainability reporters face in sustainability reporting and how they have approached those challenges. Since research in this area is limited, this research aimed to fill this gap by providing new knowledge and at the same time providing some point of reference for future research which would like to explore more this interesting area. More so, the research is offering a new dimension of sustainability reporting in the UNGC context to the already existing literature of sustainability by the qualitative study of the signatories’ perspective. Specifically, theoretically it fulfills the gap of lack of studies on challenges on sustainability reporting from the companies’ perspective.

7.2.2 Practical Implications
This thesis is useful to all sustainability practitioners by providing some guidance into how they can translate the UNGC 10 principles into their sustainability reports. This thesis is based on the signatories’ perspective of sustainability reporting and therefore it can provide a comfortable and more practical base, which companies can use when reporting in the UNGC context. It can also be useful to those companies who are planning to be part of the UNGC on how they can practically determine what to report on those 10 principles. Furthermore, it provides assistance in identifying the sustainability reporting related challenges which these practitioners might face and provide some guidance into how they can overcome them. This thesis can also be used by companies who are already part of UNGC but finding it difficult to comply and report on their sustainability requirements. Therefore, it provides some guidelines on how to navigate your way out of some of the challenges faced in reporting. The results of this research study can be used as a guidance and support to businesses and non-businesses of every size, industry and geographical locations since these challenges are probably faced by all companies that produce sustainability reports to some extent. Moreover, the thesis provides practical contributions to the UNGC as an initiative as a way of improving it and also guide their signatories to succeed in the path of becoming more sustainable.

7.2.3 Social Implications
On the societal implications, the contributions of this thesis are embedded with the overall topic which the thesis is all about. Sustainability is a topic which affects people’s lives on various aspects regularly. Nowadays the society is becoming increasingly concerned with the issue of utilising resources without endangering the ability of the future generation.
Thus, the companies and other organizations are now under enormous pressure from various stakeholders to act in a sustainable manner. Therefore, the companies are engaging in sustainability reporting as a way of being transparent and give as much information as possible to the stakeholders. This thesis is going to have some contributions on the decision making by companies with regards to their sustainability reporting. Issues such as how can they translate the 10 principles into their operations and become more sustainable and how to provide transparent information to the society about their activities or being more involved in CSR activities and report on those activities are discussed in this thesis. Also, this thesis provides information of how to approach different challenges in sustainability reporting that might support companies to work with sustainability despite the challenges involved.

7.3 Limitations

Even though we managed to achieve our research aim and answer our research questions satisfactorily, there were some limitations which were unavoidable that we encountered. The first limitation was on the scarcity of literature which specifically focused on the challenges in sustainability reporting in the UNGC context despite the abundant availability of literature about other issues in the UNGC. This made the researchers to rely on other related literature about either sustainability in general or other sustainability reporting related studies. Secondly, there was the issue of time where the research was carried out in a time period of four months. Starting from working on the UNGC database to find companies in the Nordic region and going through all the selection criteria processes until we identified the most suitable ones and doing the interviews and finally compiling this document was an enormous task to accomplish within such a short period of time. Another limitation which we encountered was on the geographical location of the companies we used for the study. Initially, it was our intention to interview companies with head offices in all the five Nordic countries (Denmark, Finland, Norway, Iceland and Sweden), however we couldn’t find enough representation from Iceland and from Norway. We ended up focusing only on three countries which are Denmark, Finland and Sweden. However, most companies we interviewed and included in our study have operations in the Nordic region including the unrepresented countries in our study. Additionally, the UNGC caters for all companies in any industry or sector, both big and small and in our case, we did the same. Therefore, the analysis of our study was catering for a wide spectrum of companies. However, despite this view, the challenges they are facing in sustainability reporting and how they determine what to report for the ten principles is similar. As a result, these variations did not affect our analysis. Additionally, our study is constrained to one geographical location, the Nordic countries. The UNGC caters for companies which are from all over the world, therefore there is a limitation in our study on this view since we concentrated on the Nordic countries only and the answers for our interview questions might vary to some extent in different geographical locations. Lastly, being a qualitative study, the generalisability of the results is limited.

7.4 Ethical Considerations

As discussed before in the scientific approach chapter, ethics are very important when conducting a research study. They affect the quality and authenticity of the results that will be presented at the end of the study. Saunders et al. (2012, p. 227), further stated that these norms affect all the aspects of social exchange. Our research was a qualitative one and there was a lot of interaction with the participants throughout the study. Therefore, the researchers observed and abided by all the ethical considerations proposed by Bell &
Bryman (2007, p. 71) which we have discussed before in Table 1. During our study, despite the fact that there was great interaction with the participants, no harm was caused to the participants and their dignity was highly respected. All the participants who took part in our study had informed consent and the purpose of our study and how we will use the information they have provided was clearly communicated to them before the interview (Appendix 2 & 3). There are some who opted to be anonymous on our thesis display and we honoured their wish and displayed it in such a way that they are indeed anonymous. Our results were not presented in a misleading manner and we presented them truthfully without any misleading findings and from objective perspective. We believe these ethical adherences by the researchers will ensure that the readers will view our paper as of high quality and value to the openness and ethical abiding of the researchers.

7.5 Future Research
Our study was focusing on sustainability reporting in UNGC context. This is an area which have not been explored that much and we believe that our study has opened some opportunities to pursue further studies related to this area. Firstly, our study was a qualitative one, a similar study can be conducted as a quantitative study and use the findings we have here as the base to pursue another study. This will enable the generalisation of our results on a large sample. Secondly, our study just focused on the challenges faced by current UNGC members, a similar study can be conducted studying difficulties faced by those companies who have been expelled from the UNGC. This will provide a different perspective of the challenges which are faced by companies in sustainability reporting. Additionally, it will be interesting to compare the findings from that study with the findings we have presented here. Another interesting line of study can be to look at a different geographical location since our study has focused on the Nordic region. A similar study can be carried out on for example in the other parts of Europe, Asia or the US and compare the results with ours to see if there are any differences or similarities in companies who are reporting within the same context but in different geographical locations.

The study can be also expanded to other sustainability initiatives in addition to UNGC and GRI in comparison of the challenges and practical ways of conducting the sustainability report. CDP was perceived as a challenging reporting framework so there could be further research focusing more on that particular framework. Also, one interesting aspect that arises from our study is the role of local regulations that guide the sustainability reporting such as the non-financial disclosure and there could be a study more focused on the effects and importance of these regulations to the sustainability reporting. One of the biggest challenges of the future identified by many participants and also previous literature is the difficulty of comparing sustainability reports since there is no common performance measurements existing at the moment in regards of sustainability and therefore that is an area that should have a large focus in the future. Also, the usage of external assurance and how it would affect sustainability reporting as such in wider and possibly mandatory content would be an important and interesting area for future research since it seems a bit inconsistent that from our participants we had companies from the same size and some of them used external assurance and some do not. Lastly our study is a cross sectional study and a longitudinal study can be carried out in the same context and try to determine the changes and developments in challenges which have taken place in sustainability reporting in the UNGC over the past 18 years it has been in existence.
8. Quality Criteria

The final chapter of our thesis evaluates the quality criteria of our study. The quality criteria can be reflected to be also the truth criteria and as the study is executed with qualitative methods, the truth criteria are determined from qualitative study aspect. There are three aspects that are discussed in this chapter which are reliability, validity & generalizability.

Quality criteria plays an important role throughout every phase of the researcher’s study from the introduction to the analysis and conclusions of the study. Quality is an essential and exact part of the research study (Golafshani, 2003, p. 601). There are three mainly used quality criteria’s in research studies: reliability, validity and generalizability. Reliability refers to the exactitude of the measurements and the absence of possible differences if the research were repeated. Validity means the extent of the test measuring what the researchers want it to measure and that the results reflect the topic accurately. Generalizability reflects the extent to which the findings can be extended to other population or settings (Collis & Hussey, 2014, p. 52-54).

However, according to Bryman and Bell (2011, p. 395) the quality criteria should be examined differently based on is the research executed as a qualitative or a quantitative research and the two alternatives criteria for reliability and validity for evaluating qualitative research are trustworthiness and authenticity.

8.1 Trustworthiness

The alternative criteria for reliability in qualitative study is trustworthiness. Bryman and Bell (2011, p. 394-400) present four different subcategories for evaluating trustworthiness in a research study which are credibility, transferability, dependability and confirmability.

Credibility observes the compliance of the theories and empirical observations presented in the study. Basically, credibility criteria evaluate how the reader perceives the conclusions made by the authors as trustworthy in reality and can the study be replicated again (Bryman & Bell, 2011, p. 396). Despite the limited time for conducting the research and the authors limited experience from the chosen study method, each section and stage of the thesis has been verified with multiple sources to ensure that the information is reliable, and structure is right. For the primary data collected from the interviews, the researchers discussed the findings together multiple times to verify that the interpretation is correct, and the transcripts of interviews were verified by both authors and the participants were contacted in case there was a possibility to misinterpret their perspectives from the discussions. Therefore, the information provided in this thesis has been verified internally and externally and the results can be disclosed as credible.

Transferability is concerned with the transferability of the results and also refer to a possibility of generalizing the information from the study to some extent. Basically, transferability examines how the results of the study can be transferred to more practical situations and surroundings (Bryman & Bell, 2011, p. 398). The limited transferability is evident in this thesis also as it is in many qualitative studies and is discussed more in depth in the generalizability section later. However, the knowledge and information gained from this study can also be generalized and used with other sustainability related studies and companies working with sustainability reporting.
Dependability criterion evaluates the ways to ensure that records of the study are kept from all phases of the research study such as problem formulation, selection of research participants, fieldwork notes, interview transcripts and data analysis decisions in order to assure the audience that all the proper procedures were followed during the thesis work. Dependability can be described to be the auditing phase of the research study meaning that there is evidence to prove the study has been conducted in trustworthy manner (Bryman & Bell, 2011, p. 398). The research process in this thesis has been clearly presented in the thesis and each chapter has an explanatory section in the beginning giving insights to what was done, how, when, why and so on. Our thesis is clearly presented and practical methods for example can be easily replaced. The thesis has also been reviewed by supervisor and peer researchers during work in progress seminars as a way to guide researchers and detect possible errors or difficulties in the study. As for the records, we have number of data from different stages of our research study such as interview recordings, interview transcripts, references, different versions of our thesis and list of contacted participants.

Confirmability means the ability of the researchers not to include personal bias from the studied subject to the study. The researchers should clearly demonstrate that personal values are excluded from the study since they could affect the outcome of the research (Bryman & Bell, 2011, p. 398). Even though the researchers have chosen the subject based on their own high interest of the topic, the thesis topic and interview questions have been prepared based on their relevance, importance and previous studies and therefore, there is no bias in the research study. The interview questions were also sent to the respondents beforehand in order for them to have a sound knowledge of the subject and being able to prepare for the interview. To avoid bias and inaccuracy in our study, we also chose the study population and sample with carefulness to get the desired and justified participant to our study. Therefore, it can be stated after going through the four subcategories of trustworthiness that the level of trustworthiness in our research study can be considered to be high.

8.2 Authenticity
The alternative criteria for validity in qualitative study is authenticity. Authenticity is quite similar to the validity criteria in quantitative studies, but the sub criteria for authenticity are commonly addressed to be more suitable for qualitative studies and are referred to as intrinsic criteria. The subcategories are: fairness, ontological authenticity, educative authenticity, catalytic authenticity and tactical authenticity (Morrow, 2005, p. 252-253).

Fairness implicates that the researches should reach all the relevant participants for the study. In addition, fairness should also be reached in the study by presenting the member’s perspective, even if they differ from each other in a way of honouring their point of views (Morrow, 2005, p. 252). As mentioned in the practical method, the researchers included all the relevant participants for the study and reached them by email. Everyone having the attributes to participate in our study was invited and we ended up with the participants that were interested to participate in our study in the given timeframe. The researchers also presented the empirical finding that presented the participants perspectives regardless were they similar to others or not. Ontological authenticity demonstrates the ability of the researchers to improve, mature, expand and elaborate participants individual constructions (Morrow, 2005, p. 252). In the interviews, the researchers also introduced the theoretical aspects of the study as they were also introduced in the interview guide.
sent to all participants. By having the theoretical aspects present in the interview, we aimed to also give the participants additional information of their working environment such as theoretical viewpoints in the previous studies.

Educative authenticity refers to making the participants aware of the social structure of other participants in the research and also help the participants understand others in the same setting (Morrow, 2005, p. 252-253). The participants were aware to some extent what kind of participants were included and they were all promised to get a copy from the published thesis where they can gain the desired knowledge and understanding of each other and also compare their perspectives to other participants. Catalytic authenticity refers to the extent to which action is stimulated as in for example by the researchers aiming to act as a motivation for participant for involving change in their circumstances through positive actions (Morrow, 2005, p. 253). The discussion of the interviews addressed organizational behaviour and shed light to internal and external processes involved in sustainability reporting and therefore, new positive actions might be motivated to take by the participants after publishing our thesis. Tactical authenticity refers the ability of the researchers to engage the participants sharing their experiences and perspectives truthfully (Morrow, 2005, p. 253). We have treated our participants in a way that they feel comfortable to discuss these matters with us such as providing them possibility to remain anonymous. We also achieved tactical authenticity by including open-ended questions and making semi-structured interviews in order for the participant to have more control over the interview. Therefore, after discussing all the five subcategories of authenticity as alternative criteria for validity, it can be demonstrated that the study fulfils the criteria for authenticity.

8.3 Generalizability
As mentioned previously, generalizability reflects how findings can be extended to other population or setting and whether the same study can be reproduced later with the same results. Generalizability is perceived to be very essential in quantitative studies as a criterion for whether the sample method and population was correct (Bryman & Bell, 2011, 163-165). Therefore, generalizability is seen more as a quality criterion for quantitative studies as for qualitative studies and are not presented as alternative criteria for qualitative research such as trustworthiness or authenticity. Since we conducted a qualitative research to understand reasons like “how” and “why”, our study was executed with relatively small sample chosen geographical location and the priority of our study was not to draw general conclusions to a wider population. However, as mentioned previously in the thesis sections, the topic and discussions we have reflected general ways on integrating the UNGC 10 principles in to business and sustainability reports and the challenges and ways to approach them. In the end, the results had a lot of similarities as presented in the analysis and we feel this study could be also a good base to conduct a quantitative study in order to make the results more generalizable to wider population. Even though, there are probably differences with results, if this study would be conducted in another content, we still believe that the knowledge gained from this study and the information shared can offer help and guidance to anyone interested in sustainability in general and especially for researchers who want to conduct a similar study and companies globally who are thinking about or struggling with sustainability reporting.
Reference List


Islam, M.R., Salim, M., Choudhury, T.T., & Al Bashir, M.M. (2013). The development of Corporate Social Responsibility (CSR) and challenges of Environmental and Social


## Appendices

### Appendix 1. The 10 Principles of the UNGC

#### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

#### Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and


#### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.
**Appendix 2. The 17 Sustainable Development Goals of the UNGC**

<table>
<thead>
<tr>
<th></th>
<th><strong>GOAL</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>NO POVERTY</td>
</tr>
<tr>
<td>2.</td>
<td>ZERO HUNGER</td>
</tr>
<tr>
<td>3.</td>
<td>GOOD HEALTH AND WELL-BEING</td>
</tr>
<tr>
<td>4.</td>
<td>QUALITY EDUCATION</td>
</tr>
<tr>
<td>5.</td>
<td>GENDER EQUALITY</td>
</tr>
<tr>
<td>6.</td>
<td>CLEAN WATER AND SANITATION</td>
</tr>
<tr>
<td>7.</td>
<td>AFFORDABLE AND CLEAN ENERGY</td>
</tr>
<tr>
<td>8.</td>
<td>DECENT WORK AND ECONOMIC GROWTH</td>
</tr>
<tr>
<td>9.</td>
<td>INDUSTRY, INNOVATION AND INFRASTRUCTURE</td>
</tr>
<tr>
<td>10.</td>
<td>REDUCED INEQUALITIES</td>
</tr>
<tr>
<td>11.</td>
<td>SUSTAINABLE CITIES AND COMMUNITIES</td>
</tr>
<tr>
<td>12.</td>
<td>RESPONSIBLE CONSUMPTION AND PRODUCTION</td>
</tr>
<tr>
<td>13.</td>
<td>CLIMATE ACTION</td>
</tr>
<tr>
<td>14.</td>
<td>LIFE BELOW WATER</td>
</tr>
<tr>
<td>15.</td>
<td>LIFE AND LAND</td>
</tr>
<tr>
<td>16.</td>
<td>PEACE, JUSTICE AND STRONG INSTITUTIONS</td>
</tr>
<tr>
<td>17.</td>
<td>PARTNERSHIPS FOR THE GOALS</td>
</tr>
</tbody>
</table>

**Appendix 3. E-mail Sent to the UNGC Participants**

Dear XXXXXXXX,

Could you please forward this message to a division or an employee who is working with your CSR related issues and reporting regarding to UN Global Compact.

We are two master students at the Umeå School of Business Economics and Statistics carrying out a research on UN Global Compact and focusing on the reporting of its 10 principles. We would like to study the reporting process of these principles through companies in the Nordic region who manage to report successfully and at the same time understand why some companies are failing to meet the reporting requirements.

We would like to hear about your experiences on this subject in a short interview via skype or in an open survey depending which one is more suitable for you. All interviews and surveys can be anonymous if requested and they would be held in the near future.

Our goal is to assist delisted and non-communicating companies and also help other companies that want to become a part of global compact by providing some kind of guidelines for successful reporting processes.

Please let us know if you would be interested to participate in our study. We are looking forward to your response and please do not hesitate to ask us, if you have any further questions about anything.

Kind regards,
Donata & Tatenda
Appendix 4. The Interview Guide

Firstly, we want to thank you for participating in our research study and your contribution together with the other voluntarily participants give us a very broad insight to this topic.

Short introduction from our subject: One of the main problems of the UNGC has been recognised in prior literature and studies to be the lack of supervision, reporting framework and too general principles. We are trying to gain an understanding that how are UNGC signatories in the Nordic region managing their sustainability reporting in general, what have been their biggest challenges and how they have overcome those challenges.

We would like to study this topic, in addition to interviews, by gaining data from open surveys through companies in the Nordic region who manage to report successfully and at the same time understand why some companies are failing to meet the reporting requirements.

The interview/survey starts with questions about basic background and then proceeds to the translation of the UNGC 10 principles into sustainability reports and the four categories of the principles. The next sections are about the sustainability reporting challenges in general and the challenges related to the reporting framework. Lastly, there are few closing questions about the subject.

The research gaps from the previous literature has led to two research questions that we hope to get answers for within the open questions in the survey:

Research question 1: How are the UNGC signatories practically translating the 10 principles into their sustainability reporting?

Research question 2: What challenges do UNGC signatories find in sustainability reporting in general and how they have approached those challenges?

The company can be anonymous if requested and in that case the information provided by the company and its representor can be accessed only by the authors (Donata & Tatenda) and our supervisor (Prof. Jörgen Hellström) on his request.

Background Questions

1. Does your company wish to be anonymous in the thesis display?

2. What is your background in sustainability related issues and reporting?

3. May you briefly describe how your company carries out the sustainability reporting in annual basis?

The translation of the UNGC 10 principles into sustainability reports

4. Does the company have a separate department or people who are working with the sustainability reporting and UNGC? Are the UNGC principles communicated to, understood and accepted by all your employees?
5. When you joined the UNGC, were the 10 principles clear to you? Did you face any difficulties in integrating the 10 principles in the sustainability report? Did you receive any external help (for example from UNGC local networks or professional services)?

The four categories of the UNGC 10 principles

6. Do you put the same importance to each of the categories in your sustainability reports? Is there any category that you feel is more relevant in your industry/company?

Human rights

7. How are you practically determining what to report about the principles 1-2 from the human rights category in your sustainability reports since the principles are quite broad? Are there any challenges to find, what to report and how, in this category?

Labour standards

8. How are you determining what to report about the principles 3-6 from the labour standards category in your sustainability reports since the principles are quite broad? Are there any challenges to find, what to report and how, in this category?

Environment

9. How are you determining what to report about the principles 7-9 from the environment standards category in your sustainability reports since the principles are quite broad? Are there any challenges to find, what to report and how, in this category?

Anti-Corruption

10. How are you choosing what to report about the principle 10 from the anti-corruption category in your sustainability reports since the principle is quite broad? Are there any challenges to find, what to report and how, in this category?

Sustainability reporting related challenges in general

11. What has been the biggest challenges in your sustainability reporting in general and how has your sustainability reporting developed in the past 5-10 years?

12. Do you feel like you have enough resources and time to conduct a thorough sustainability report?

13. Which stakeholders do you see as your target audience? Are there any difficulties in finding a balance between satisfying all those stakeholders interests in regards of the sustainability report?
14. How do you ensure that your reports are not understood as “a marketing tool” or a way of “greenwashing” or “just another report”? Do you have any audit or assurance services that are looking through your sustainability reports?

Sustainability reporting related challenges in the reporting framework

15. Are you using any framework as your guidelines for sustainability reporting?

16. Are you able to understand the guidelines provided in the framework? Does it provide clear structure and measures?

17. Did you receive any external help using the framework in your sustainability report at any point?

18. How often does your sustainability reporting framework change and how are you coping with the changes?

19. What challenges have you faced in using this framework with producing sustainability reports in general?

Closing questions

20. What do you think are going to be the main challenges in sustainability reporting related issues in the future and why?

21. Is there anything that you would like to add related to sustainability reporting issues and the UNGC?