



Enhancing the Sustainability Reporting of Legrand Finland Oy

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The Corporate Sustainability Reporting Directive (CSRD) strengthens reporting requirements and broadens the range of companies obligated to report. One of the affected companies is Legrand Finland Oy (LGR Finland). However, LGR Finland faces uncertainties regarding its specific obligations under the CSRD as a subsidiary of the Legrand Group. Simultaneously, there are growing demands from stakeholders for more company-specific sustainability data. This study aims to clarify LGR Finland’s legal obligations concerning CSRD reporting and to provide recommendations for enhancing its sustainability reporting practices. The outcome is a sustainability reporting development plan, designed to guide improvements over the next three years.

The theoretical framework addresses global and legal contexts for sustainability reporting, with a specific focus on EU-level requirements. It includes an examination of sustainability reporting standards, such as European Sustainability Reporting Standards (ESRS), and explores the sustainability reporting process. The study employed a qualitative research-based development approach, utilizing iterative development cycles. Data collection comprised collaborative sessions with LGR Finland personnel and interviews with sustainability experts from various companies.

The findings indicate that LGR Finland, as a subsidiary, is not directly required to comply with CSRD reporting if special conditions are fulfilled. However, the issue is more nuanced than it appears. This complexity is explored in this study, resulting in a recommendation for double materiality analysis as part of the sustainability reporting development process, given its potential benefits for the company. The study revealed that the current reporting primarily serves the needs of the Legrand Group, without utilizing its potential to enhance the value of the company. Furthermore, sustainability reporting processes and practices require better systematization. Overall, the study identifies a pressing need for improved organization of the sustainability reporting process within the company, necessitating financial and human resource investments. These considerations were integrated into the proposed sustainability reporting development plan.

Keywords: sustainability, sustainability reporting, CSRD, ESRS, double materiality analysis

Ursin-Escobar

Legrand Finland Oy:n kestävyysraportoinnin kehittäminen

Vuosi

2024

Sivumäärä

100

EU:n kestävyysraportointi direktiivi (CSRD) lisää yritysten kestävyysraportointivaatimuksia ja laajentaa raportointivelvollisen yritysten määrää. Vaatimusten lisääntyminen vaikuttaa myös Legrand Finlandiin (LGR Finland). Yritys on Legrand -konsernin tytäryhtiönä epätietoinen omista raportointivaatimuksistaan. Samaan aikaan sidosryhmien vaatimukset yritys kohtaisten vastuullisuustietojen saatavuutta kohtaan kasvavat. Tutkimuksen tavoitteena on selkeyttää LGR Finlandin oikeudellisia velvoitteita CSRD-raportoinnin suhteen ja kehittää yrityksen vastuullisuusraportointia. Lopputuloksena on vastuullisuusraportoinnin kehittämissuunnitelma seuraavaksi kolmeksi vuodeksi.

Teoreettinen viitekehys käsittelee vastuullisuusraportoinnin globaaleja ja lakisääteisiä taustoja, keskittyen erityisesti EU-tason vaatimuksiin. Lisäksi se sisältää osion vastuullisuusraportoinnin standardeista, kuten eurooppalaisista kestävyysraportointistandardeista (ESRS), ja raportointiprosessin kehittämisestä. Tutkimuksessa sovellettiin laadullista tutkimuslähtöistä kehittämismenetelmää, jossa iteraatiiviset kehittämissykli olivat keskiössä. Aineistonkeruu koostui osallistavista sessioista LGR Finlandin henkilökunnan kanssa sekä haastatteluista eri yritysten vastuullisuusasiantuntijoiden kanssa.

Tulokset osoittavat, että LGR Finlandin tytäryhtiöasemassaan ei tarvitse raportoida CSRD:n vaatimusten mukaisesti, mikäli tietyt ehdot täyttyvät. Asia on kuitenkin monimutkaisempi kuin miltä se ensisilmäyksellä vaikuttaa. Koska kaksoisolennoisuusanalyysi voi tarjota merkittäviä hyötyjä yritykselle, tutkimus suosittaa sen sisällyttämistä vastuullisuusraportoinnin kehittämisprosessiin, vaikka se ei ole pakollista. Tutkimus paljasti myös, että nykyinen raportointi palvelee ensisijaisesti Legrand-konsernin tarpeita, eikä sen potentiaalia hyödynnetä yrityksen liiketoiminnan arvon lisäämisessä. Lisäksi vastuullisuusraportointi-prosessit ja -käytännöt kaipaavat parempaa systematisointia. Tutkimus tunnistaa huomattavan tarpeen vastuullisuusraportoinnin parempaan organisointiin yrityksessä, mikä edellyttää investointeja sekä taloudellisiin että henkilöstöresursseihin. Nämä näkökulmat on integroitu ehdotettuun vastuullisuusraportoinnin kehittämissuunnitelmaan.

Asiasanat: vastuullisuus, vastuullisuusraportointi, CSRD, ESRS, kaksinkertainen olennoisuusanalyysi

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1 Introduction

Today, the world is confronting various interconnected global challenges, ranging from climate change and pandemics to conflicts, inequality, and extreme poverty. Various international actions and agreements have been established to address these issues, among which one of the most well-known is Agenda 2030 and its 17 Sustainable Development Goals (SDGs), aiming to tackle social, environmental, and economic challenges and inequalities on global scale. Regarding climate change and global warming, the Paris Agreement represents the latest international agreement to stop the warming and mitigate their impacts.

The European Union (EU) has been active in addressing climate change and to fulfilling the requirements of Paris Agreement. Central to these efforts is European Green Deal, the EU's growth strategy that seeks to achieve climate neutrality by 2050 while promoting socially just economic growth. (Directive 2022/2464/EU, art. 1; European Commission 2024a.) As a part of the Green Deal, the EU has revised its sustainability reporting requirements for companies. This has led to the implementation of the Corporate Sustainability Reporting Directive (CSRD), which came into force at the beginning of 2023. The directive aims to make sustainability data more accessible for various stakeholders, ensure its reliability, and expand the range of companies obligated to report. (European Commission 2024b.)

One of the companies affected by these enhanced reporting requirements is Legrand Finland Oy (LGR Finland), a subsidiary of Legrand Group. Recognizing the importance of improving its sustainability reporting practices due to both increased regulatory obligations and growing demands from clients and other stakeholders, LGR Finland faces uncertainties regarding its specific responsibilities under the CSRD as a subsidiary of the Legrand Group.

The purpose of this thesis is to assist LGR Finland in developing its sustainability reporting practices. The study seeks to clarify the company's legal obligations concerning CSRD reporting and provide insights how its sustainability reporting should evolve over the next three years. This will involve analyzing the current state of its reporting practices, establishing reporting targets, and designing actionable steps to achieve these goals. The primary outcome will be a sustainability reporting development plan that include concrete actions and a detailed timeline. Moreover, the findings of this study are applicable to other companies facing similar challenges, providing guidance on initiating, and enhancing sustainability reporting process.

This research employs a qualitative research-based development work approach. Data collection involved collaborative sessions with LGR Finland personnel, where a gap analysis of

the company's sustainability reporting was conducted. Additionally, interviews with sustainability experts from various companies were carried out to gain a broader understanding of sustainability reporting practices and preparations for CSRD compliance.

The study begins by establishing a foundational knowledge base, introducing central concepts, and offering a global framework for sustainability reporting. This is followed by an overview of the legal framework, with particular focus on the CSRD, and an exploration of sustainability reporting standards and process. A synthesis of the knowledge base concludes this section. Subsequently, the case company is presented in detail, including its relationship with the Group and its sustainability context. The development setting is then outlined, presenting the study's purpose, objectives, and development tasks with exact research questions, along with a description of the methodological solutions. The results are analyzed and reflected, culminating the development of a sustainability reporting development plan for LGR Finland. Finally, the study's conclusions are presented.

In this report, ChatGPT has been used to edit the language of the text and make the text smoother.

2 Purpose, objective, and development tasks

CSRD tightens the reporting requirements and sets new criteria for companies regarding sustainability reporting, expands the reporting responsibility from listed large companies to other large companies and listed SMEs (European Commission 2024b). These enhanced reporting requirements affects LGR Finland. Parallely there is an increasing demand from customers and other stakeholder for more sustainability information about the company, its value chains, and actions. Therefore, there is a growing need on coherent and consistent sustainability reporting at LGR Finland. These changes have created a need for LGR Finland to increase general knowledge on sustainability issues, deepen its understanding on the new reporting requirements and to improve company's sustainability reporting processes and practices. (Ritala 2024.) This development work aims to response these needs. The purpose of this work is to enhance the sustainability reporting of Legrand Finland.

The objective of this study is to determine what reporting requirements the company has as a subsidiary of the Legrand Group, particularly in relation to the CSRD directive, and how the reporting should be developed. As a result, a roadmap for Legrand Finland will be created to improve the company's sustainability reporting over the next three years.

The specific research questions are:

1. What are Legrand Finland's sustainability reporting requirements related to CSRD as a subsidiary of Legrand Group?
2. What is the current state of sustainability reporting at Legrand Finland?
3. What is the target level of Legrand Finland's sustainability reporting in three years?
4. What practical steps are needed to achieve the target level?

3 Knowledge base

This chapter provides the foundational knowledge base for this study. It begins by introducing the central concepts, followed by an exploration of the global framework. Then, the most significant international agreements affecting corporate social responsibility and sustainability, Sustainable Development Goals, and international guidelines and principles that guide companies in implementing sustainability actions are presented. Subsequently, the legal framework for sustainability reporting within the European Union is examined, before addressing various sustainability reporting standards and frameworks. Finally, the chapter concludes by outlining the sustainability reporting process and providing a synthesis of its main points.

3.1 Central concepts

This section defines and explains the key concepts relevant to this study: sustainable development, corporate social responsibility, and sustainability reporting.

3.1.1 Sustainable development

The term sustainable development has been defined and interpreted in various ways during different decades (Mensah 2019, 5; Holden, Linnerud and Banister 2024, 130). Perhaps the most well-known definition comes from 1987, when the Brundtland Commission's report, *Our Common Future*, was published. This report defines the sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations General Assembly 1987, 43).

Although the original concept of sustainable development dates to the 1970's, initially linked to eco-development (Ashrafi et al. 2020, 7), the Brundtland's definition introduced new dimensions to the definition. One of the most significant aspects is that sustainable development aims for long-term economic and environmental stability by conserving the resources and protecting our planet for future generations. Achieving this requires a balanced integration of economic, environmental, and social aspects in decision-making. (Emas, No

date, 1.) The definition also emphasizes the concept of needs of both current populations, particularly the poor, and future generations (Mensah 2019, 7).

The Brundtland definition is widely used by international organizations, including United Nations (UN) (UN 2024a) and it is widely used among governmental actors, NGO's and companies. In this thesis, I use the same definition.

Three dimensions of sustainable development

Sustainable development is often divided into economic, social, and ecological sustainability. Occasionally, cultural sustainability is presented as a separate dimension, but in this thesis, it will be considered as a part of social sustainability. The three dimensions are interconnected.

Environmental sustainability refers to the capacity of nature to withstand human impact: how the environment remains productive and how it supports human live (Mensah 2019, 10). The key issues include climate change, biodiversity, and the state of oceans (Finnish National Commission on Sustainable Development 2024).

Social sustainability concerns equity, empowerment and participation of the people, accessibility, cultural identity, and institutional stability (Daly 1992, According to Mensah 2019, 9). It emphasizes human wellbeing, encompassing aspects like health, education, and employment (Finnish National Commission on Sustainable Development 2024). When considering the relationship between social sustainability and environmental sustainability, neither should be prioritized at the expense of the other. For example, poverty alleviation should not destroy environmental resources of the society. (Mensah 2019, 9-10.)

Economic sustainability plays an enabling role in sustainable development. It should support the actualization of social dimension of the sustainability, without compromising the environmental sustainability. (Finnish National Commission on Sustainable Development 2024.) Economic sustainability involves sustainable production and growth. Though, challenges arise from the market-driven demand for goods and services, which can negatively impact on the environment. (Mensah 2019, 9.)

Figure 1 demonstrates the interconnectedness of the three dimensions of sustainable development.



Figure 1: Three Dimensions of Sustainable Development

Doughnut Model of sustainability

One way to conceptualize sustainable development with its three dimensions is through doughnut model, originally presented by Kate Raworth in 2012. This model brings together environmental limits of the Earth with human rights (Raworth 2012, 5). In the Doughnut Model, the inner boundary represents social foundation of the model, encompassing the issues related to well-being of the people such as gender equality, education, and food. The outer boundary reflects environmental limits, including factors causing environmental degradation. The space between these two boundaries is the area which represents environmentally safe and socially just space for the people, where both social and environmental sustainability are balanced. It is also the area for economic sustainability. (Raworth 2012, 4, 7.) Thus, the goal of the economy, according to the model, is not unlimited growth, but to promote human well-being inside the two boundaries, planetary and social boundaries. Thus, the aim of the economy is no economic growth and the two boundaries set starting points and limits for the economy and economic growth. (Raworth 2012, 8.)

The figure 2 below illustrates the Doughnut Model.

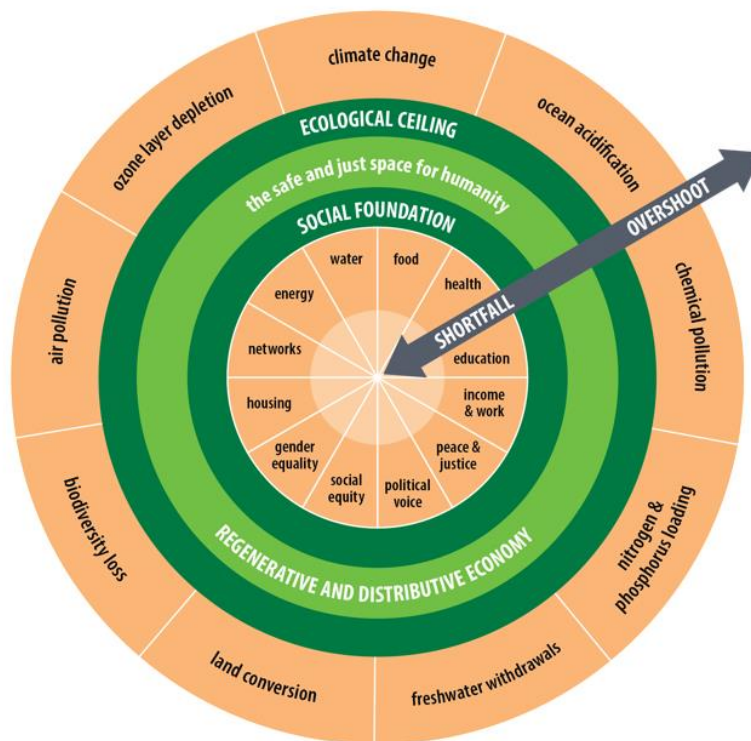


Figure 2: The Doughnut Model of Sustainability (Kate Raworth, edited by Prime Minister's Office, according to Finnish National Commission on Sustainable Development 2024)

3.1.2 Corporate social responsibility

The concept of Corporate Social Responsibility (CSR) is not new - some scholars trace its roots to ancient Roman Laws (Agudelo, Jóhannsdóttir and Davídsdóttir 2019, 1). Nevertheless, many researchers regard the early 1950s as the starting point of the modern concept of CSR (Agudelo et al. 2019, 3; Shayan, Mohabbati-Kalejahi, Alavi and Zahed 2022, 2). Over time, the concept has evolved, reflecting the changes in the world and the general understanding on corporate responsibility (Agudelo et al. 2019, 6-7).

In the 1990s, following the publication of Brundtland Commission's report and its definition of sustainable development, and increasing environmental concerns, the environmental aspects of CSR started to gain more attention. Triple bottom line approach emerged, integrating economic, social, and environmental responsibilities. (Ashrafi, Magnan, Adams and Walker 2020, 6.)

Since the 2010s, the role of stakeholders in CSR has increased: stakeholder engagement and management, and responsibility towards different stakeholders, always remembering the triple bottom line, has gained more attention. The increased role of stakeholders is related to a concept of a shared value - a belief that main responsibility of the corporations should be in

creating shared value to its stakeholders and to boarder society. Since then, the shared value thinking has been an integral part of CSR. (Aguedo et al. 2019, 1; Ashrafi et al. 2020, 7.)

Today, CSR is closely integrated with corporate management and core business models (Ashrafi et al. 2020, 11). CSR includes both upstream and downstream responsibilities. Upstream CSR includes all suppliers, their employees, and local communities, and focus on the possible side effects in the production of goods and services, such as environmental issues and human rights. Downstream CSR concentrates mainly on consumers, like ensuring product safety and liability. (Schrempf-Stirling and Palazzo 2016, 291-292.)

European commission (2024c) defines CSR as “the responsibility of enterprises for their impact on society, and therefore, it should be company led. Companies can become socially responsible by integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations, and following the law”, emphasizing thus the idea of the ownership and agency of the companies in its definition.

CSR is also closely linked to many similar terms and concepts evolved during the time (Shayan et al. 2022, 2). Nowadays, one of the most used, and similar term, is corporate sustainability (CS). Although terms have different origin (Ashrafi et al. 2020, 7), they have the same vision: achieve long-term sustainability by balancing economic, social, and environmental dimensions (Montiel 2008, 244, 24.). In this thesis, CSR and CS are used interchangeably.

3.1.3 Sustainability report and sustainability reporting

Sustainability reporting is an integral part of CSR activities, allowing companies to assess and communicate their CSR activities to a wider public.

PWC (2024) defines sustainability report as following:

A sustainability report is a report published by companies on the environmental, social and governance (ESG) impacts of their activities. It enables addressees and users to understand more clearly the impacts of a company’s business activities on the environment and society and to assess the risks and opportunities companies face, or which are offered to them. It is a communication tool that plays an important role in convincing skeptical observers that the company’s actions are sincere. (PWC 2024).

The sustainability report is suitable for all types of companies, regardless of their type, size, or sector, as the report should reflect the magnitude of contribution and organization’s impact on sustainability topics (Gbangbola and Lawler 2020, 2).

The sustainability report is a result of the company’s sustainability reporting process, which can be defined as following:

The reporting process is the practice of measuring, disclosing and being accountable to internal and external stakeholders for the economic, environmental and social impacts caused by the organization through its everyday activities. (Gbangbola and Lawler 2020, 1-2).

The sustainability reporting provides multidimensional, qualitative, and quantitative data on a company's CSR activities. It also enables a systematic approach into the management of CSR effort (Paun 2018, 925), which, in turn, supports companies in enhancing their competitiveness and fostering long-term business venture (Moravcikova, Stefanikova and Rypakova 2015, 332-333).

According to the KPMG's Survey of Sustainability Reporting, new trends have emerged in sustainability reporting, reflecting changes in sustainability disclosures. Thus, KPMG identifies five key trends in the sustainability reporting:

- 1) Sustainability reporting is growing alongside with stakeholder materiality assessments and related standards.
- 2) There is increased reporting on climate-related risks and carbon reduction targets.
- 3) There is a growing awareness of biodiversity risks.
- 4) In reporting on the UN SDGs, quantity prioritized over quality.
- 5) There is an emphasis on climate risk reporting, followed by social and governance risks. (Big shifts, small steps - Survey of Sustainability Reporting 2022, 10.)

Although sustainability reporting has become more popular, with a growing number of companies voluntarily disclosing their sustainability practices, and despite of proven positive impacts on business performance, there are issues with the quality of reporting, especially regarding materiality issues. Thus, there has been also a shift from "whether or not" to report to the quality of reporting. (Gbangbola and Lawler 2020, 2-3.)

3.2 Global framework

This chapter examines the global framework for sustainability reporting, including key international agreements and UN Global Compact Initiative, which encourage companies to adhere to these agreements. The chapter also explores the Sustainable Development Goals (SDGs) and their implications for companies, as well as international guidelines and principles for business.

3.2.1 International agreements and UN Global Compact

Several international agreements influence companies, shaping their corporate social responsibility activities and sustainability reporting practices.

Paris agreement is a legally binding international treaty on climate change, adopted in Paris in 2015. Its primary goal is to keep the global warming well below 2°C compared to the pre-industrial levels, limit the increase to 1,5°C, and to tackle the effects of climate change. (UNFCCC 2024.) Paris agreement builds upon previous climate agreements and protocols. All European Union countries have signed and ratified the agreement. (European Council 2024.)

The Universal Declaration of Human Rights was the declaration aiming to protect fundamental human rights, adopted in 1948 following II World War. Since then, over seventy additional human rights treaties have been adopted based on the Declaration's principles. (UN 2024b.)

The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, adopted in 1998 and amended in 2022, seeks to protect human rights in the workplace, including freedom of association, the elimination of forced labour and discrimination, abolition of child labour, and the assurance of safe and healthy working environment. (ILO 2024.)

United Nations Convention against Corruption is the only universal legal instrument to combat corruption, adopted in 2003. It plays an essential role in fostering effective international cooperation and has significantly influenced national level legislation and institutional frameworks. It also supports the achievement of the Sustainable development goals. (UNODC 2024).

United Nations Global Compact (UNGC) is United Nations' corporate sustainability initiative, established in 2000, with over 22 000 members worldwide (Global Compact Network Finland 2024). The purpose of UNGC is to commit its member companies to four key international agreements presented above: the Universal Declaration of Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the principles of the Rio Declaration on Environment and Development (followed by Paris Climate agreement), and the United Nations Convention against Corruption. (Vanhala and Ristiniemi 2022, 63.)

In the core of UNGC are ten principles which are based on "do no harm" concept and are rooted in declarations and conventions presented above. Member companies are expected to incorporate the principles into their strategies and operations. (UNGC 2024a.) In addition to providing general principles and guidelines for CSR work, the UNGC is committed to be a "leading catalyst" in the transformation towards a sustainable world. The Sustainable Development Goals not only guide the path towards sustainability but also highlight new markets and opportunities. To achieve this, the SDGs must be turned into local business practice, a process in which UNGC is dedicated to supporting companies. (UNGC 2024b.)

Although the Global Compact is not legally binding and the member companies are not required to report on their actions, one significant outcome of the UNGC has been the increased understanding and knowledge on corporate social corporate responsibility which has promoted CSR-related work within the companies (Agudelo, Jóhannsdóttir and Davídsdóttir 2019, 9).

3.2.2 Agenda 2030 and Sustainable Development Goals

Agenda 2030 is an action plan for sustainable development, and it was adopted, along with The Sustainable Development Goals, at the United Nations Sustainable Development Summit in September 2015 by UN member states (UN 2024c).

A central part of Agenda 2030 is 17 Sustainable Development Goals (SDGs). They aim to end all forms of poverty and addressing economic growth, social needs, climate change and environmental protection, recognizing that ending poverty requires actions across all 17 goals. The SDGs are universal, applying all countries, and recognizing that global cooperation is necessary. A crucial aspect of the SDGs is strong emphasis on implementation, where capacity-building, technology, and data play an important role and impacts on the mobilization of the financial resources. (UN 2024d.) The SDGs are presented in the Figure 3: Sustainable development goals.



Figure 3: Sustainable Development Goals (The Global Goals 2024)

SDGs are not legally binding, but as they are decided and agreed on by UN member states, the governments are expected to take ownership and act on national level by establishing national framework to achieve the goals. The governments are responsible for implementing actions which support the achievement of the goals, tracking the process, and collecting data. Regional level follow-up and data collection is based on national level information. (UN 2024d.)

The impact of Sustainable Development Goals on companies

As discussed earlier, Agenda 2030 and SDGs are not legally binding, meaning that they do not have a direct legal significance to the companies (Vanhala and Ristaniemi (eds.) 2022, 2.5. Yritysvastuun normeja Euroopan unionin sääntelyssä). However, integrating SDGs into business operations can provide companies with advantage and opportunities to address challenges related to sustainable development.

Firstly, SDGs offer a forward-looking perspective that goes beyond individual corporation concerns. This broader approach provides a reliable framework in a constantly changing business environment, fostering more sustainable and socially responsible business practices. (Shayan et. al 2022, 10.) The SDG framework allows the companies to assess their positive and negative impacts related to SDGs and how these goals are connected to their business (Vanhala and Ristaniemi (eds.) 2022, 2.5. Yritysvastuun normeja Euroopan...).

Secondly, through shared value approach, companies can adapt a holistic view of sustainability, rather than focusing only narrower regulatory compliance. This approach encourages business innovation and the creation of wellbeing. (Baldassarre et al., 2017, according to Costa, Menichini and Salierno 2022, 113.)

Thirdly, from stakeholder perspective, the global attention to the SDGs may increase normative pressure on the companies. Although implementing the SDGs is voluntary, stakeholders may have expectations regarding a company's actions related to SDG's. This in turn, may influence on what and how the companies report on sustainability. (Whittingham, Earle, Leyva-de la Hiz and Argiolas 2023, 47.)

To succeed, the companies must integrate sustainability into various levels of their operations, from strategic decision-making to raising stakeholder awareness on their contribution to the SDGs (Costa, Menichini and Salierno 2022, 113). The companies must also adapt to the future needs and be more transparent about their actions (Shayan et. al 2022, 10).

Whittingham et. al (2023) studied the impact of SDGs on corporate sustainability reporting. They found that companies increasingly include SDGs in their sustainability reports and

reporting is often based on SDGs. Nevertheless, there is variation on how different SDGs are considered in the sustainability reports. For example, the SDG1 (No Poverty) and SDG4 (Quality education) received less attention in the reports, whereas SDG12 (Responsible Consumption and Production) is more prominently featured in reports. This indicates that the change and alignment of SDGs in the sustainability reports is uneven, incomplete, and unsystematic. Nevertheless, the researchers bring out that further investigation is needed to understand the reasons behind the inconsistencies. (Whittingham et al. 2023, 54, 57.)

3.2.3 International principles and guidelines for business

Un Guiding Principles on Business and Human Rights, adopted by Human Rights Council of the United Nations in 2011, provide a key framework for the companies. The principles are built on three pillars: states duty to protect human rights, companies' responsibility to respect the human rights, and the access to remedy. (Vanhala and Ristaniemi (eds.) 2022, 2.6.1. YK ja sen alajärjestöt.)

The core principle for corporates is to respect human rights, and thus avoid causing or contributing to human rights violations through their activities. If negative impacts occur, they must be addressed and solved. Companies are also expected to prevent and mitigate potential human rights risks linked to their business, even the corporations would not have contributed them. (United Nations Human Rights Office of the High Commissioner 2011, 13, 14.)

These principles also relate to sustainability reporting, as they emphasize the need for companies to communicate if the negative human rights impacts are being addressed and if the companies have verified the effectiveness of their actions. All this should be communicated externally, especially with affected stakeholders. (United Nations Human Rights Office of the High Commissioner 2011, 22-23.)

Although the guiding principles are not legally binding, they play a significant role in promoting corporations' due diligence process regarding to human rights (Vanhala and Ristaniemi 2022, 2.6.1. YK ja sen...).

OECD Guidelines for Multinational Enterprises on Responsible Business Conduct are the leading guidelines for companies on how to address their impact on environment, people, and society. These guidelines apply to companies of all sizes and sectors, covering essential sustainability topic such as human rights, employment, environment, anti-bribery, consumer interests, science and technology, competition, and taxation. (OECD 2024.)

The guidelines are recommendations jointly addressed by governments to companies, with states obligated to promote them. Implementation at the national level is supported by

National Contact Points for Responsible Business Conduct. (OECD Guidelines for Multinational Enterprises on Responsible Business Conduct 2023, 3, 6-7.)

3.3 Legal framework

This chapter examines the legal framework for sustainability reporting, with a focus on three key directives and regulations for companies: the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy and the Corporate Sustainability Due Diligence Directive (CSDDD). While these directives and the taxonomy regulations are not directly legally binding, they must be implemented in national legislation, necessitating changes to national laws. (Niskala and Palmuaro 2023, 4 kestävyyssraportointidirektiivin kansallinen implementointi; Silvola, Peill, Aspholm and Kaisanlahti 2024, 49.) This chapter emphasizes the core content and implications of the EU-level directives and taxonomy for companies, rather than addressing the specifics of national legislation or the required legal adjustments.

3.3.1 Corporate Sustainability Reporting Directive (CSRD)

The Corporate Sustainability Reporting Directive of European Union came into force on January 5, 2023. It aims to modernize and strengthen the rules on companies' sustainability reporting. It covers a broad range of large companies and listed small and medium -sized enterprises (SMEs), improving stakeholders access to sustainability information. Additionally, it aims to reduce the reporting costs in the long term by harmonizing information requirements. (European Commission 2024b.) Sustainability reporting enables companies to provide reliable, accurate, comparable, and quality information on their sustainability practices (Niskala and Palmuaro 2023, 1.1. Kestävyyssraportoinnin kehityssuunnat).

In this section, I will briefly introduce the background of the CSRD, its scope and implementation, and principles of CSRD reporting.

Background for the CSRD

CSRD is a part of Green Deal, EU's growth strategy aimed at achieving climate neutrality by 2050, reducing emissions by 55% by 2030, and transforming the Union into a modern, resource-efficient, and competitive economy. The Green Deal seeks a transformational change by combining decoupled economic growth and climate neutrality with a socially just transition, ensuring no person and no place is left behind. (Directive 2022/2464/EU, art. 1; European Commission 2024a.) According to the EU, this change will foster innovation, increase investments, and green jobs, and have positive impact on our health and wellbeing (EC2024c).

As a part of Green Deal, The European Commission committed to reviewing the Non-Financial Reporting Directive (NFRD) to update sustainability reporting needs and practices (Directive 2022/2464/EU, art. 1). The NFRD had several challenges, including a lack of relevant and comparable information on major sustainability topics, such as the information regarding to climate change and biodiversity. Additionally, only a limited number of companies were required to report their sustainability information. Thus, there was a need for more robust and comparable sustainability reporting framework with effective auditing practices. (Directive 2022/2464/EU, art. 13.) While NFRD covered only 11,700 companies and groups, the new directive is expected to extend the coverage to approximately 49,000 companies and groups across the EU (KPMG 2024).

The development of the new sustainability directive is also closely tied with sustainable financing. Since NFRD did not offer comparable and relevant information, investors were unable to fully consider sustainability aspects, risks, and opportunities when making investment decisions. (Directive 2022/2464/EU, art. 13.) This hindered the goals of the EU's Action Plan on Financing Sustainable Growth, which seeks to direct both public and private investments towards sustainable initiatives. Sustainable investments are crucial to achieving the climate targets of the Paris Agreement on climate change and SDGs related to the climate change. (Silvola and al. 2024, 35.) Other actors, such as NGOs, clients, social partners, and communities affected by corporate actions, have also struggled to hold companies accountable for their sustainability actions and practices. This lack of accountability may reduce stakeholder trust, potentially harming business. (Directive 2022/2464/EU, art. 13.) The CSRD addresses these needs and challenges.

Scope and implementation of the CSRD

As mentioned earlier, the CSRD aims to enhance comprehensiveness and quality of sustainability information offered by companies. It establishes a knowledge base to guide financial decision-making by investors and other actors, and to meet the needs of different stakeholders. (Niskala and Palmuaro 2023, 1.1. Kestävyysraportoinnin kehityssuunnat.) The directive requires the companies to report quantitative and standardized sustainability information. The detailed content of the information is defined in the European Sustainability Reporting Standards (see more in the chapter 3.4.1). (Niskala and Palmuaro 2023, kestävyysraportointidirektiivi.) The sustainability reports must provide balanced picture of the significant effects of the company's business operations on sustainability factors, as well as the impact of essential risks and opportunities related to the sustainability that affect the company's performance, financial position, and business operations. (Niskala and Palmuaro 2023, 2. Kestävyysraportointia koskeva uusi sääntely.)

The CSRD applies to large companies, listed SMEs, and some non-EU companies. The parent companies are also required to prepare the reports at the group level. (Directive 2022/2464/EU, art. 17 and 21; European Commission 2024b.) SMEs can report based on their capacities and resources, and companies not obligated to report under CSRD, may still voluntarily report their sustainability information. (Directive 2022/2464/EU, art. 21.)

The timeline for CSRD implementation for the sustainability reporting is different for large companies and SMEs. In the table below, the timeline for the implementation of the CSRD for different European companies is presented (Modified from the illustration of Niskala and Palmuaro 2023, 2, and Hummel and Jobst 2024, 5). (Other actors are subject to reporting, too, but they are not covered in the table.)

Table 1: Timeline for CSRD implementation for the European companies

Implementation timeline	Company size
Financial year 2024 (report published in 2025)	Large and listed companies, with over 500 employees already subject to NFRD
Financial year 2025 (report published in 2026)	All large companies exceeding two of the following thresholds on the balance sheet date, both in the completed and immediately preceding accounting period: <ul style="list-style-type: none"> 1) balance sheet total of 20 million euros 2) turnover of 40 million euros 3) an average of 250 employees during the accounting period.
Financial year 2026 (report published in 2027)	Listed SMEs, with a possibility to opt-out for two years (with simplified reporting standards). Annual report should inform the reason for this

The EU updated the size limits for different companies in October 2023. The new criteria for large companies are as follows: a balance sheet total of 25 million euros, net turnover 50 million euros and an average of 250 employees during the financial year. These changes must be incorporated into national laws. In Finland, the corresponding definition of a large company is included in the Accounting Act. However, there is no information yet regarding amendments to the Accounting Act to align with the new size limits established in the

Financial Statements Directive. (Niskala and Palmuaro 2023, 3.1. Peruseriaatteen, Soveltamisalan laajentaminen.)

Subsidiaries are exempt from reporting non-financial information if their parent company includes all relevant information about the subsidiary in their group -level sustainability report. This applies to subsidiaries that meet the criteria for large companies but are not listed companies. (Directive 2022/2464/EU, art. 25.) This rule applies even if the subsidiary is a parent company of another entity, if the sustainability information is reported in parent company's management and sustainability reports. (Niskala and Palmuaro 2023, 3.1. Peruseriaatteen, Soveltamisalan laajentaminen.)

For subsidiaries to be exempt from reporting, the following conditions must be met (Directive 2022/2464/EU, art. 25):

- They must not be listed companies.
- They must ensure easy accessibility of the sustainability information.
- Their management report must include information about the parent company that reports on sustainability information at the group level.
- They must provide weblinks to the consolidated management report of their parent company.
- They must include information in their management report indicating that they are exempted from the sustainability reporting.

Parent companies must (Directive 2022/2464/EU, art. 25 and 26):

- Publish the consolidated management reports in languages accepted by the countries where the subsidiaries are located, OR
- Provide necessary translations in the relevant language(s).
- Include information in their reports on the sustainability risks and impacts of their subsidiaries, including due diligence process, and clearly describe any differences between the group and specific subsidiaries or among subsidiaries.

Principles of CSRD reporting

The CSRD reporting is grounded in five principles: 1) Quality requirements for the sustainability information; 2) Double materiality perspective; 3) value chain requirements; 4) reporting periods and data comparability; and 5) due diligence. (Niskala and Palmuaro 2023, 3.2. kestävyysraportointidirektiivin viitekehys.)

The quality requirements for the sustainability information set by the CSRD elevate the position of sustainability information to the same level as financial statement information.

These quality requirements bring a significant change in sustainability reporting, moving from a voluntary or loosely regulated reporting environment to one that is regulated, comparable, reliable, uniformly prepared, and verifiable. (Niskala and Palmuaro 2023, 3.2. laatuvaatimukset esitettävälle tiedoille.)

Sustainability information must be significant, reliable, comparable, authenticated, and understandable (Niskala and Palmuaro 2023, 3.2. laatuvaatimukset esitettävälle tiedoille; Silvola et al. 2024, 103).

The EU requires companies to report on their *double materiality*, which consist of financial materiality and impact materiality. Financial materiality refers to different sustainability matters, risks, and opportunities, that influence or may influence a company's financial situation. Impact materiality concerns the actual or potential positive or negative impacts of the company on various stakeholders and the environment in short, medium, or long term. The sustainability matter can be essential from either of both perspectives. (Silvola et al. 2024, 106.) The double materiality perspective incorporated a broad stakeholder view, addressing impacts both on the company (outside-in) and from the company on society and the environment (inside-out) (Niskala and Palmuaro 2023, 3.2. laatuvaatimukset esitettävälle tiedoille, kaksinkertainen olennaisuus esitettävien tietojen pohjana).

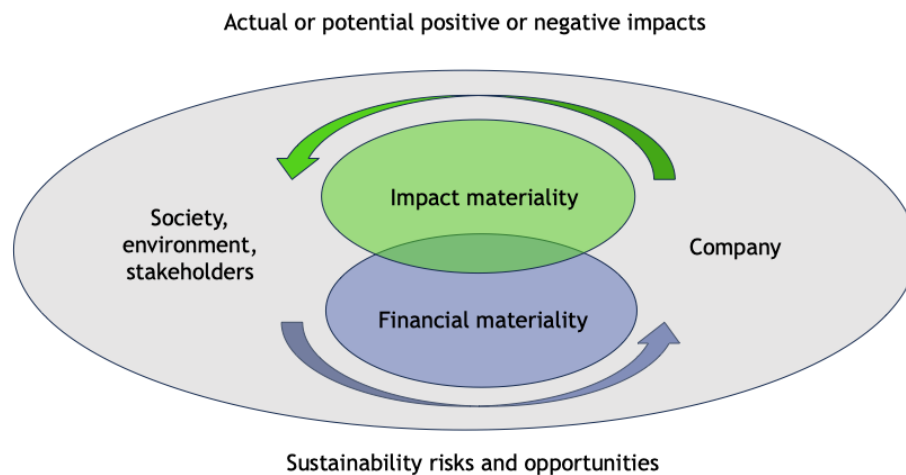


Figure 4: Double materiality perspective

The EU also mandates companies to disclose the essential risks and opportunities across the *entire value chain* - both upstream and downstream - when assessing sustainability impacts (Niskala and Palmuaro 2023, 3.2. laatuvaatimukset esitettävälle tiedoille, Arvoketju ja raportoinnin rajat). Nevertheless, not all value chain actors need to be covered, only the most significant ones, which are determined during the double materiality analysis. (Silvola et al. 2024, 111.)

The reporting period of sustainability reporting is the same as financial statement reporting period. Three different time perspectives must be used: short-term (typically a year), medium-term (typically 1-5 years) and long-term (over 5 years). The reports must also include comparable data from the previous reporting period, except the first year of reporting. (Silvola et al. 2024, 112.)

The fifth principle is about *due diligence* - a process crucial for identifying impact, risks and opportunities related to financial and impact materiality (Silvola et al. 2024, 110). The due diligence is presented more in detail in section 3.3.3.

In addition to these five principles, the directive set requirements for the accessibility and publicity of the reports. The reports must be available on the companies' websites and be free of charge to the public. Moreover, the information must be in digital format, enabling the centralization of the data and facilitating the comparability of the data. (Directive 2022/2464/EU, art. 55.)

3.3.2 EU Taxonomy

EU taxonomy for sustainable activities is a classification system that enables the classification of environmentally sustainable economic activities. Like CSRD, the taxonomy has its background in EU's Action Plan on Financing Sustainable Growth and the European Green Deal. The Taxonomy Regulation was adopted in 2020. (Hummel and Jobst 2024, 7.) Initially, the Taxonomy applied to listed companies with over 500 employees, but the CSRD extended the reporting obligation to all companies subject to directive (Niskala and Palmuaro 2023, Taksonomia-asetus).

The Taxonomy's aim is to guide capital flows towards a more sustainable economy. It offers a classification system which helps companies to determine which of their economic activities are environmentally sustainable and which not. Companies are required to report based on this classification. (Hummel and Jobst 2024, 7.) The classification consists of six environmental objectives (European Commission 2024d):

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

For an economic activity to be classified as environmentally sustainable, it must meet three criteria:

1. It must substantially contribute to at least one of the six objectives.
2. It must not significantly harm any of the other five objectives.
3. It must comply with the minimum safeguards.

Additionally, the activity must align with the technical screening criteria (EU Taxonomy info 2024).

The taxonomy divides economic activities into taxonomy-eligible and taxonomy aligned activities. Taxonomy eligible activities are those activities which are listed in the annexes of the delegated regulations defining the criteria. Companies must report the percentage of their business activities that meet the taxonomy criteria. The taxonomy-aligned activities are those activities that fully satisfy the taxonomy criteria. Companies must disclose the percentage of these activities in terms of turnover, capital expenditure, and operating expenditure. (Hummel and Jobst 2024, 8; Silvola et al. 2024, 37-38.)

Silvola et al. (2024, 38) notes that it is important to recognize that the taxonomy numbers differ significantly across different industries. Even if a company's taxonomy eligibility is low, this does not mean that the company is unsustainable. Rather, it suggests that the company's business activities may not be strongly related to environmental issues, and therefore its contribution to sustainability might not be as significant. The focus should be on the difference between taxonomy-eligible and taxonomy-aligned activities, as this offers insights into how much the company's operations related to environment, such as climate change, genuinely promotes sustainability. However, this percentage varies between industries as well. (Silvola et al. 2024, 38.)

Nevertheless, although there are differences between industries, Bojar-Fijałkowski (2024, 61) highlights that the Taxonomy enables comparison of businesses' environmental sustainability. Thus, the Taxonomy serves also as a tool for companies to assess their competitiveness in relation to sustainability. Hummel and Bauernhofer (2024, 394) found in their research that the implementation of the Taxonomy "has triggered discussions on the strategic positioning of the firms and has stimulated their competitive thinking about the three taxonomy-related KPIs".

Moreover, labelling the goods and services will increase the visibility of environmentally sustainable products and services. The companies that meet the Taxonomy criteria will have improved growth opportunities, as financing, including for research and development, is increasingly directed toward sustainability initiatives. (Bojar-Fijałkowski 2024, 61.) As Bojar-Fijałkowski (2024, 62) summarizes:

Today, it (sustainability) will make it possible to stand out from the competition; in a few years, it will make it possible to have an offer at all.

Conversely, if a company ignores the Taxonomy, it will meet legal consequences and sanctions, and reputational consequences for failing to meet the obligations. Moreover, the company risks exclusion from the supply chains of organizations receiving support from EU. (Bojar-Fijałkowski 2024, 62)

3.3.3 Corporate Sustainability Due Diligence Directive (CSDDD)

Corporate Sustainability Due Diligence Directive (CSDDD) complements the other legislation related to corporate responsibility. The aim of the CSDDD is to provide reliable information regarding the sustainability risks a company faces, how the company promotes sustainable and responsible practices within its global value chains, and how it integrates negative impacts related to sustainability and risk management into its own operations and management. (Niskala and Palmuaro 2023, Huolellisuusvelvollisuusdirektiivi (CSDDD).)

The directive obligates the companies to identify and address actual or potential negative impacts of their activities on human rights and the environment, including those of their subsidiaries and value chain business partners. Additionally, the directive obligates the large companies to develop a transition plan for climate change mitigation, which must align with the climate neutrality goals of the Paris Agreement and the EU. (European Commission 2024e.) The due diligence process must also be reported as a part of CSRD reporting (Silvola et al. 2024, 110).

The Due diligence process consist of six steps, as defined by the OECD Due Diligence Guidance for Responsible Business Conduct:

1. Integrating due diligence into policies and management systems.
2. Identifying and assessing adverse human rights and environmental impacts.
3. Preventing, ceasing, or minimizing actual and potential adverse human rights, and environmental impacts.
4. Assessing the effectiveness of these measures.
5. Communicating.
6. Providing remediation. (Big shifts, small steps - Survey of Sustainability Reporting 2022, 37.)

Silvola et al. (2024, 111) reminds that the reporting is not required to cover all actors in the value chain, but only the essential ones. Therefore, the materiality of the value chain must be analyzed separately for each sustainability aspect. Thus, the value chain analysis is an essential part of double materiality analysis. (Silvola et al. 2024, 111.)

3.4 Sustainability reporting standards

This chapter introduced the most widely used sustainability reporting standards. The discussion begins by introducing the ESRS, followed by other standards and a comparative analysis of these standards. It is important to note that the standards discussed do not constitute an exhaustive list of all existing sustainability reporting standards, as there is a wide variety of them globally. Instead, the selection focuses on those employed by the Legrand Group in its sustainability reporting practices.

3.4.1 European Sustainability Reporting Standards

Companies subject to CSRD reporting are required to report in accordance with European Sustainability Reporting Standards (ESRS) (Niskala and Palmuaro 2023, 2. Kestävyyssraportointia koskeva uusi sääntely).

The standards outline the specific information organizations must disclose regarding their material impacts, risks, and opportunities related to environmental, social, and governance (ESG) sustainability matters. However, the ESRS do not require organizations to disclose information on ESG topics if they have determined that the topic is non-material. Disclosures made in accordance with ESRS enable users of the sustainability reports to understand the organization's significant impacts on people and the environment, as well as the material effects of sustainability matters on the organization's development, performance, and position. (European Commission 2023a, art. 2.) For example, they provide investors with crucial insights into the sustainability impacts of the companies in which they invest in (European Commission, 2023b).

The standards are categorized into three groups: 1) cross-cutting standards, 2) topical standards (Environmental, Social and Governance standards), and c) sector-specific standards. The cross-cutting standards are subdivided into two standards: ESRS 1 General requirements and ESRS 2 General disclosures. These standards apply all companies required report under the CSRD. ESRS 1 introduces the ESRS explaining drafting conventions, fundamental concepts, and general requirements for the sustainability information. ESRS 2 established Disclosure Requirements for information that companies must provide on sustainability topics related to governance, strategy, impact, risk, and opportunity management, as well as metrics and targets. The topical standards cover a wide range of sustainability topics, subtopics, and possible sub-sub-topics. They may include specific requirements that must be applied alongside ESRS 2 requirements. The Sector specific standards apply to companies within a particular sector. These standards focus on impacts, risks, and opportunities that are typically associated with a given sector and may not be sufficiently addressed in other standards. (European Commission 2023a, Art. 4-10.) The sector specific standards are not yet complete. The development of a sector specific standard takes

months. Thus, the development of all sector specific standards is expected to take several years. (EFRAG 2024.) If an impact, risk, or opportunity is not covered by the ESRS yet remains material for the company, the company is required to provide additional disclosure on the topic (European Commission 2023a, Art. 11). In addition to aforementioned standards, separate standards will be developed, including SMEs (Directive 2022/2464/EU, art. 54). The ESRS standards are presented in the figure 5 (European Commission 2023a, 1).

ESRS STANDARDS

CROSS-CUTTING STANDARDS	TOPICAL STANDARDS		
ESRS 1 General requirements	ENVIRONMENT	SOCIAL	GOVERNANCE
ESRS 2 General disclosures	ESRS E1 Climate change	ESRS S1 Own workforce	ESRS G1 Business conduct
	ESRS E2 Pollution	ESRS S2 Workers in the value chain	
	ESRS E3 Water and marine resources	ESRS S3 Affected communities	
	ESRS E4 Biodiversity and ecosystems	ESRS S4 Consumers and end-users	
	ESRS E5 Resource use and circular economy		

Figure 5: ESRS Standards

Topical standards and sector-specific standards are structured into four reporting areas: 1) Governance (GOV), 2) Strategy and Business Model (SBM), 3) Impact, Risk, and Opportunity Management (IRO) and 4) Metric and Targets (MT). Governance pertains to all the processes that are used to monitor, manage, and oversee impacts, risks, and opportunities. Strategy and business model refers to how the company’s strategy and business model interact with the risks and opportunities of its material impacts, and how the company addresses these issues. Impact, risk, and opportunity management concerns the company’s processes for identifies impacts, risks, and opportunities, assessing their materiality, and the policies and actions that manage material sustainability matters. Metrics and targets focus on the company’s performance, its targets, and monitoring the progress towards those targets. (European Commission 2023a, Art. 12)

When analyzing actual negative impacts, materiality is determined by the severity of the impact. For potential negative impacts, the analysis also considers the likelihood. Severity is

assessed based on three factors: scale, scope, and irremediable character of the impact. The materiality of positive impacts is evaluated based on the scale and scope of the impact. Additionally, the analysis of potential positive impacts includes consideration of their likelihood. (European Commission 2023a, Art. 45-46.)

Central to the ESRS is the principle of double materiality. The double materiality assessment forms the foundation for the information reported in the sustainability report: only information related to material sustainability issues is reported. (Niskala and Palmuaro 2023, 5. Kestävyyssraportoinnin laatiminen: ESRS 1 Yleiset vaatimukset; (European Commission 2023a, Art. 2 and 28.) The only exception is ESRS E1 Climate change – if a company determines that climate change is not material, it must explain why it is not material European Commission 2023a, Art. 32).

The stakeholders play a significant role in the materiality assessment process. They are divided into two groups: affected stakeholders and users of sustainability statements. The standards define different stakeholders as follows:

- (a) affected stakeholders: individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking’s activities and its direct and indirect business relationships across its value chain; and
- (b) users of sustainability statements: primary users of general-purpose financial reporting (existing and potential investors lenders and other creditors including asset managers credit institutions insurance undertakings) and other users of sustainability statements including the undertaking’s business partners trade unions and social partners civil society and non-governmental organisations governments analysts and academics. (European Commission 2023a, art. 22.)

The standards are developed by European Reporting Advisory Group (EFRAG) in collaboration with the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI) to ensure a high level of compatibility between EU and global standards, thereby minimizing the risk of redundant reporting for companies. (European Commission, 2023b.) The standards, issued by Commission Regulation, are directly applicable into national laws on the contrary of the CSRD directive that must be applied into national laws. (Niskala and Palmuaro 2023, 2. Kestävyyssraportointia koskeva uusi sääntely.)

3.4.2 GRI standards

Established in 1997, the GRI (Global Reporting Initiative) standards are the most widely used reporting standards globally (Big shifts, small steps - Survey of Sustainability Reporting 2022, 24). The standards are divided into three categories:

- 1) GRI Universal standards, which apply to all organizations. They present the foundations and purpose of the standards, explain the concepts and how to use the standards. In addition, the universal GRI standards present the general disclosures and material topics, as well as the process for determining the most relevant material topics related to their impact. (GRI 2024, 2-3.)
- 2) GRI Sector standards are developed for 40 different sectors, aiming to improve the quality, completeness, and consistency of reporting (GRI 2024, 3).
- 3) GRI Topic standards include disclosures that provide information on various topics, such as waste and occupational health and safety. The reported topics are selected based on the materiality topics defined by the organization. (GRI 2024, 4.)

GRI reporting is voluntary, allowing the organizations to report on their most significant sustainability impacts or on some specific topic, such as climate change. If an organization reports in accordance with GRI standards, it discloses all its material topics, related impacts and how it manages those topics. In doing so, the reporting provides a comprehensive view on sustainability issues. If an organization does not meet all requirements or it desires to report only specific information, it can selectively use some parts of the GRI standards and report with reference to the GRI standards. (GRI 2024, 5.)

GRI is a partner of EFRAG in the development of ESRS. Several ESRS standards incorporate the principles and reporting content of the GRI standards. Reporting in accordance with ESRS standards fulfills the requirements of the so-called "GRI with reference" reporting. The goal of this collaboration is to reduce redundant reporting and enable companies to meet both ESRS and GRI standards with a single sustainability report. (Niskala and Palmuaro 2023, 8.3. GRI-standardien ja ESRS -standardien yhteentoimivuus.)

Niskala and Palmuaro (2023, GRI-standardien ja...) have compared the compatibility of ESRS and GRI standards. According to them, most of the standards have a good or partial compatibility. In cases of partial compatibility, ESRS standards are generally more detailed. The GRI standards' definition of due diligence aligns with the definitions and disclosure requirements of the ESRS standards. However, unlike ESRS standards, GRI standards do not specifically address the information needs of financial market participants as the primary target audience for sustainability reporting. (Niskala and Palmuaro 2023, 8.3. GRI-standardien ja...) Pizzi, Cuputo and de Nuccio (2023, 332) offer a more critical perspective on the compatibility and usability of the ESRS and GRI standards when used together. They

emphasize the importance of developing reliable indicators to enhance the interoperability between these standards. Hummel and Jobst (2024, 339-340) highlight a significant difference between GRI and ESRS standards in terms of materiality: while GRI Standards focus solely on an organization's impact, ESRS standards requires double materiality. Additionally, reporting under the GRI Standards is more flexible, as it allows reporting either within the annual report or as a separate sustainability report. In contrast, CSRD and ESRS require sustainability reports to be included as a part of management report. (Hummel and Jobst 2024, 339-340.)

While GRI standards are the most used sustainability reporting standards globally and they have been utilized in the development of ESRS, they have faced criticized for limited effectiveness. Barkermeyer, Preuss, and Lee (2015, according to Sethi, Rovenpor and Demir 2017, 152-153) argue that GRI-based sustainability reports are overly uniform, failing to adequately reflect materiality and lacking meaningful interaction with stakeholders in their preparation. Whether the ESRS's double materiality requirement and other differences from GRI reporting will address this criticism remains to be seen.

3.4.3 ISSB and related standards

International Sustainability Standards Boards (ISSB) was established in 2021 to develop high-quality, comprehensive standards aimed at creating a global baseline for sustainability disclosures, with a primary focus on the needs of financial markets and investors (IFRS 2024a). As such, the compatibility with other reporting standards is central to for ISSB (Hummel and Jobst 2024, 338).

The ISSB builds on and consolidates various reporting initiatives (IFRS 2024b), including ISRS Sustainability Disclosure Standards, the SASB Standards and the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, which are presented below briefly.

IFRS Sustainability Disclosure Standards are designed to meet the information needs of investors and to allow companies to share information on their actions within global capital markets. The first two standards, **IFRS 1** (General Requirements for Disclosure of Sustainability-related Financial Information) and **IFRS 2** (Climate-related Disclosures) became effective for the reporting periods beginning in 2024. (IFRS 2024b.) These standards have been developed in the close cooperation with International Organization of Securities Commissions (IOSCO), and there is a possibility that the standards may eventually apply to companies listed on member stock exchange in the future. Currently, the standards are voluntary. (Hummel and Jobst 2024, 339.)

Related to ESRS, IFRS 1 is aligned with ESRS focus on financial materiality, as the IFRS 1 requires disclosure of material information on sustainability-related risks and opportunities

(Hummel and Jobst 2024, 338). IFRS Sustainability Disclosure Standards have been criticized by accounting researchers for their narrow focus on sustainability, as they emphasize financial materiality. This contrast for example with ESRS standards, which consider the information needs of multiple stakeholders. (Adams 2021, Adams and Mueller 2022, Cho et al. 2022 and Professors of Accounting 2020, according to Hummel and Jobst 2024, 339). Moreover, the IFRS standards primarily focus on climate change topics, while both ESRS and GRI cover a wide range of sustainability topics (Hummel and Jobst 2024, 339).

SASB (Sustainability Accounting Standard Board) Standards includes in total of 77 industry-based standards. SASB standards provide industry-specific metrics and, therefore, specific information on sustainability-related risks and opportunities. Standards can be used in conjunction with IFRS standards, as IFRS standards apply to all sustainability-related risks and opportunities. SASB standards help to identify risks and opportunities within specific industries. (IFRS 2024b.) Consequently, SASB standards serve as guidelines for identifying sustainability risks and opportunities, as well as for determining the necessary information regarding those risks and opportunities. While IFRS S1 requires companies refer to and consider the applicability of the SASB standards, including its topics and metrics, it does not obligate the companies to adopt them. (IFRS 2024c, 1.)

The Task Force on Climate-related Financial Disclosures (TCFD) defines a model for corporate climate reporting that focuses on the financial impacts of climate change. The aim of the recommendations is to provide capital markets with concrete information about the effects of climate change on business. The TCFD emphasizes how companies recognize and assess climate risks and integrate them into corporate risk management, financial planning, and decision-making. Climate reporting according to the TCFD also includes the disclosure of a company's greenhouse gas emissions and the setting of related targets. Thanks to the TCFD, a common language for climate reporting has been created, based on financial materiality and the needs of capital markets. (Niskala and Palmuaro 2023, 8.2. TCFD-suosituksen ja ESRS -standardien yhteentoimivuus.)

IFRS 1 and IFRS 2 have incorporated the recommendations of the TCFD (IFRS 2024d). Although the IFRS standards have incorporated the TCFD, companies are still able to continue reporting based on TCFD standards alone, rather than IFRS standards. Furthermore, IFRS 2 includes some additional requirements, such as industry-based metrics and planned use of carbon credits to meet net emission targets. (IFRS 2024e.)

The structure and approach of TCFD model has been utilized when developing the ESRS standards, particularly in defining financial materiality. The ESRS structure, divided into governance, strategy, and risk management, and metrics and targets, follows that of the

TCFD. Companies that have adopted the TCFD recommendations can thus transition smoothly to the ESRS E1 Climate standard. (Niskala and Palmuaro 2023, 8.2. TCFD-suosituksen...)

3.4.4 ISO standards

The International Organization for Standardization (ISO) is a global, non-governmental organization providing over 25,600 international standards across various sectors, quality, environment and energy management standards and health and safety standards among others (ISO 2024a, ISO 2024b). The following section briefly introduces two standards which are used by LGR Finland, along with ISO 26000:2010, which relates to social responsibility.

ISO 9001 is a standard for quality management, offering guidance on how to establish, implement, maintain, and continually improve a company's quality management system (QMS). It supports organizations in improving their performance, demonstrating their commitment to quality, and meeting customer expectations. (ISO 2024c.)

ISO 14001 is a standard for environmental management systems (EMS), providing a framework for organizations to design, implement, and continually improve their environmental performance. By following this standard, organizations can take proactive measures to reduce their environmental impact, meet legal obligations, and achieve their environmental objectives. The framework covers various areas, including resource utilization, waste management, environmental performance monitoring, and stakeholder engagement in environmental initiatives. (ISO 2024d.)

ISO 26000:2010 provides guidance on social responsibility by addressing seven core subjects of social sustainability: community involvement and development, human rights, consumer issues, labor practices, fair operating practices, the environment and in the middle organization governance (ISO 26000 Guidance on social responsibility - Discovering ISO 26000 2010, 9). The standard assists companies and other actors in clarifying what social responsibility is and how to translate the principles into actions. It also promotes the sharing of best practices related to the social responsibility. (ISO 2024e.) ISO 26 000 helps organizations identify and reduce their most negative significant impact on society, aligning with international norms, such as the United Nations Universal Declaration of Human Rights. The organization provides also practical examples on how to align the standards with other frameworks and how to integrate them into own sustainability work. (ISO 2018, 4, 12-13.)

According to Ronalter, Portronieri and Gerolamo (2023) ISO standards can be utilized to enhance the corporate sustainability of companies. The researchers examined the relationship between various ISO standards and SDG and ESG topics, finding that numerous standards relate to sustainability. Consequently, companies should remain open to adopting additional standards to further improve their sustainability performance. For instance, ISO 14

001 contributes to 12 of the 17 SDGs with a strong focus on environmental sustainability, while also addressing aspects of social responsibility and governance. Similarly, ISO 26 000 supports governance and leadership functions related to social responsibility (Ronalter, Portronieri and Gerolamo 2023, 266, 271 and 291.)

Senthi, Rovenpor and Demir (2017, 148) have criticized ISO 26 000 for its broad scope, although they acknowledge it as is a valuable policy document for CSR and its core areas. Furthermore, ISO 26 000 does not provide guidance on integrating CSR into a company's vision and mission, nor generates CSR strategies or establish objectives (Hahn 2013, according to Sethi, Rovenpor and Demir 2017, 144 and 146).

3.5 Sustainability reporting process

This chapter presents the sustainability reporting process. It begins with on how to initiate the reporting process, followed by a description of sustainability reporting process based on CSRD principles. Subsequently, the double materiality analysis process is briefly outlined. Different sustainability standards offer their own process descriptions and instruction for implementing the reporting process. However, in this section, the focus is on the sustainability reporting process from the perspective of CSRD and ESRS requirements.

3.5.1 Initiating the reporting process

The objective of company's various reporting processes is to produce timely and reliable data for the management regarding business performance and development. In addition, the sustainability reporting aims to provide information on the business's environmental and societal impacts, which can later concretize into economic impacts for the company and its growth. Therefore, the sustainability reporting process must be designed to meet the needs of the board and the management, aligning with company's strategy. This includes: 1) good governance and risk management, 2) planning, budgeting, and monitoring, and 3) external reporting. To achieve this, companies require reliable and comparable data, practical guidelines, policies, processes, and different tools to support their reporting processes. (Silvola et al. 2024, 198.)

Heidenmark Cook and Wirén (2024, 236-251) approach the reporting process from the perspective of monitoring, evaluating, and learning (MEL), where the process consists of these elements. They emphasize continuous learning and development throughout the reporting process, and thus view the iterative nature of process as essential for adopting and refining a company's sustainability strategy. They divide the reporting process into five steps: 1) Understand the reporting landscape - at local, regional, and global levels, including reporting standards and practices; 2) Assess where you are - gaining, for example,

understanding on present data collection, reporting processes, and compliance; 3) Create a monitoring, evaluation and learning (MEL) framework - incorporating KPIs, data collection methods, and learning objectives; 4) Collect and handle data - implement the MEL framework; and 5) Evaluate and learn - assess the organization's performance against the objectives and use the learning to drive improvements. (Heidenmark Cook and Wirén 2024, 236-237.)

When setting goals and initiating the reporting process, Silvola et al. (2024, 199-200) recommend the following practicalities to ensure a successful process:

- Start with what you already have: each company begins the sustainability reporting process from a different starting point depending on factors such as company culture, resources, IT-solutions.
- Recognize the objective level of your reporting: identify both internal and external goals and expectations for reporting. Are certain aspects of the reporting more significant for stakeholders? What is the desired ambition level for the reporting?
- Identify your strengths and weaknesses: does the organization already have sufficient knowledge in the area? Which aspects require further development?
- The reporting process is a dynamic entity: reporting process takes time, and a structured plan is necessary to achieve set reporting objectives. Continuous development and feedback collection are integral parts of the process.
- The management sets the pace: it is the responsibility of the board and management to allocate necessary resources for the process, to meet the reporting requirements, and to respond stakeholder expectations. This requires understanding on the subject matter and the ability to challenge the organization.
- Reporting is a goal of entire organization: sustainability is a crucial part of the company's strategy and culture. Developing the report requires the participation and collaboration across teams and departments. Commitment to sustainability goals enhances the understanding of the importance of sustainability reporting and improves the quality of the report. (Silvola et al. 2024, 199-200.)

3.5.2 Sustainability reporting process based on CSRD requirements

According to CSRD, the sustainability reporting is a part of a company's management report and, therefore, is public information, like financial statements. However, there are no standardized processes or legal requirements for the sustainability reporting process. (Silvola et al. 2024, 200-201.)

Niskala and Palmuaro (2023, 5.4 Kestävyysselvityksen laatimisprosessi käytännössä) divide the sustainability reporting process into five phases: 1) double materiality analysis; 2) defining

the necessary data; 3) data collection; 4) preparation of the report and 5) verification and publishing. Additionally, during the first reporting process, a gap analysis occurs between phases 2 and 3, including information on necessary data, plan for obtaining missing information and evaluation of readiness for the reporting process, IT solutions, operational models, indicators, goal setting, and documentation.

The double materiality analysis phase forms the foundation for the entire reporting process. It includes understanding the company's sustainability context (operational environment, business and governance models, value chain and stakeholder analysis), identifying, and evaluating sustainability impacts and impact and financial materiality. (Niskala and Palmuaro (2023, 5.4 Kestävyysselvityksen laatimisprosessi käytännössä.) Niskala and Palmuaro (2023, 5.6 Olennaisuusarvioinnin suorittaminen) emphasize the importance of due diligence processes at this stage, as the processes help identify, prevent, and manage the negative sustainability impacts. Thus, it is recommended to use existing due diligence processes. They also remain on the importance of the value chain analysis: without it, it is impossible to gain information on the materiality topics and impacts, including risks and opportunities. However, information is not required from every business relationship and actor in the value chain - only those most relevant from a double materiality perspective. (Niskala and Palmuaro 2023, 5.5 Arvoketjulaskenta.)

Silvola et al. (2024, 201-207) approach the sustainability reporting process on a more detailed level, although the core content aligns with that of Niskala and Palmuaro. They presents sustainability reporting as a strategic process for the company, helping the companies meet the requirements of the CSRD. Alongside the process, a key aspect is training key personnel on CSRD requirements. The phases of sustainability reporting process (modified from Silvola et al. 2024, 201), is illustrated in the figure 6 and explained in further detail below.

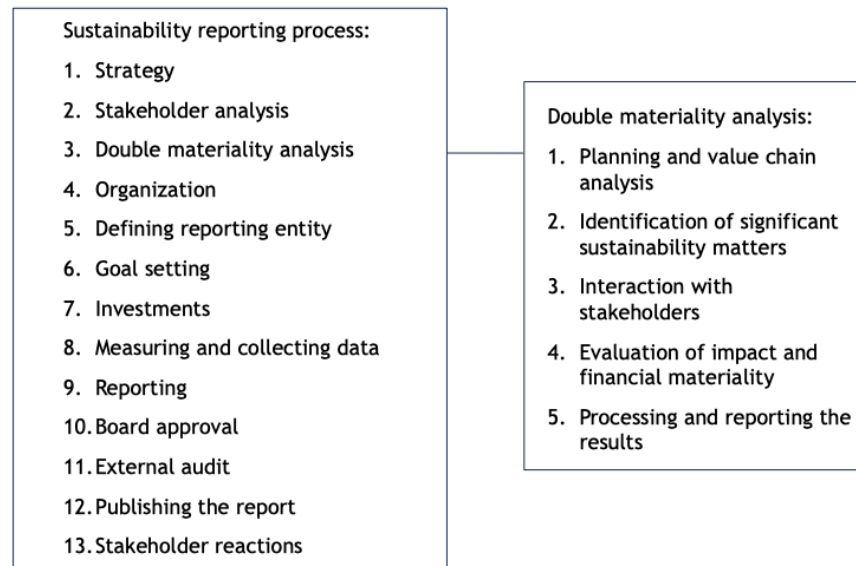


Figure 6: Phases of sustainability reporting process

According to Silvola et al. (2024, 201-202), sustainability reporting process begins with an **analysis of the company's strategy**. According to ESRS, the company must report on the impact of sustainability risks and possibilities on their strategy, the company's climate targets, and the role of management in addressing sustainability matters. By analyzing the sustainability matters in relation to the company's business, new business opportunities may be identified. Therefore, ESG considerations should be integrated into the company's strategy and business processes. At its best, sustainability reporting can demonstrate how the company has embedded sustainability into the strategic development of its business, thereby building a competitive advantage. (Silvola et al. 2024, 201-202.)

The next step is **stakeholder analysis**, which provides information on relevant stakeholders related to sustainability issues. This analysis is a prerequisite for the double materiality analysis, which determines the essential reporting standards and must be reported. The double materiality analysis consists of value chain analysis, recognition of significant sustainability matters, interaction with stakeholders, evaluating impact and financial materiality and reporting the results. (Silvola et al. 2024, 202-203.)

The **double materiality analysis** must be conducted before the first sustainability report and reassessed regularly, prior each sustainability report - particularly if there have been changes in the company's actions or operating environment (Silvola et al. 2024, 127). Silvola et al. divide the double materiality analysis into five phases:

- 1) Planning and value chain analysis

Typically, the starting points for the double materiality analysis are the areas where impact materiality is likely, due to the company's actions, relationships, geographical factors, or other risk elements. Understanding the entire value chain requires a deep knowledge of the company's business operations from a sustainability perspective. This can be achieved by utilizing existent, internal, and relevant data such as stakeholder surveys, product descriptions, and risk assessments. (Silvola et al. 2024, 134.)

2) Identification of significant sustainability matters

This phase involves identifying different and significant sustainability matters, including actual and potential impacts, risks, and opportunities. As a result, there is a list of sustainability issues which must be further analyzed from double materiality perspective in subsequent stages. (Silvola et al. 2024, 135; Niskala and Palmuaro 2023, 5.6 Olennaisuusarvioinnin suorittaminen.) The company should analyze what each sustainability matter may mean for its operations, what the actual or potential impacts, risks, and opportunities are, and whether these relate to its own actions, or those within the downstream or upstream of the value chain. (Silvola et al. 2024, 137.)

3) Interaction with stakeholders

The company can impact, or be impacted by different stakeholders, both external and internal. For the company, it is essential to recognize different stakeholder groups, and analyze how different sustainability matters impact on them. Stakeholders may impact or be impacted on the sustainability matters differently. This must be taken account accordingly. For example, when collecting information from different stakeholder, the questions must be customized to reflect the relevance of the sustainability issue for each stakeholder group. (Silvola et al. 2024, 139-142.)

4) Evaluation of impact and financial materiality

This phase consolidates the work conducted in the previous stages. The evaluation must be based on established criteria, and the criteria and the methods how they have been used must be clearly documented when describing the analysis process. (Silvola et al. 2024, 143.)

5) Processing and reporting the results

The double materiality analysis process must be thoroughly documented and reported to the company's management. The board is typically required to approve the analysis, as they are ultimately responsible for sustainability reporting. Before

finalizing the analysis, it is recommended to collect feedback from key stakeholder groups, at a minimum from internal stakeholders. (Silvola et al. 2024, 139-146.)

Following double materiality analysis, it is necessary to analyze how the reporting will be carried out in practice and to determine the **organization** for reporting. The organization can be developed based on existing knowledge and resources within the company as there is no pre-defined model. The key is to establish a functional and high-quality operational model. As part of this process, it is crucial to define new roles and responsibilities related to sustainability and sustainability reporting. Staff training is needed at this point, if not earlier, to ensure that the necessary personnel understand the reporting entity and their specific roles in the process. (Silvola et al. 2024, 203.)

The next step is to **define reporting entity**, including conducting a gap analysis and defining the scope of the reporting, followed by **setting sustainability goals** for the company if they have not already been established yet. This is the responsibility of the board and senior management. Achieving the goals may require **investments**, which are an important signal for the customers, investors, and other stakeholders about the company's commitment on sustainability. (Silvola et al. 2024, 204.)

Measuring and collecting the ESG data is often a time-consuming process, particularly during the first year of reporting. If the materiality analysis results require the reporting of many data points, defining the data collection process and information management system can require a lot of work. In smaller companies with fewer data points, the required workload is normally lighter, although there may be a lack of expertise. Regardless, this stage demands significant time and resources, and it is recommended to allocate enough time for this step and begin the process well before the reporting period starts. (Silvola et al. 2024, 204.) All the data collection phases must be documented for the later external auditing. Defining audit trails supports internal work in the companies, especially during the personnel changes. The audit trails ensure consistency in information collection methods and processes. Ideally, companies should conduct an extra round of data collection before the official reporting. In this way, the company would address any potential deficiencies. (Silvola et al. 2024, 205.)

The **reporting** phase consolidates all the data identified in the double materiality analysis into the company's annual report, alongside its financial statements. Once compiled, the report is presented for and **approved by the board**. The final steps involve **external audit**, **publishing** the sustainability report as part of annual report, and gauging **stakeholders' reactions** on the report. This final stage challenges senior management to analyze the results and possibility to go return to the first step of the sustainability reporting process - strategy. (Silvola et al. 2024, 206.)

As mentioned earlier and demonstrated above, Silvola et al. incorporate additional elements into the sustainability reporting process compared to the Niskala and Palmuaro, although the core components remain the same. The differences likely arise from their perspectives - Silvola et al. approach the reporting process from a more strategic perspective, starting the process with an analysis of sustainability in relation to the company's strategy. Regarding to the double materiality analysis, Silvola et al. treat stakeholder analysis as a distinct part of the sustainability reporting process. Additionally, they include a separate step for stakeholder interaction within the double materiality analysis. In contrast, Niskala and Palmuaro incorporate stakeholder analysis into the first phase of their process - understanding the sustainability context. They also distinguish between evaluating sustainability impacts and determining materiality impacts, whereas Silvola et al. combine them into a single step (evaluating the impact and financial materiality). These variations highlight the differences in implementing materiality analysis, as there is no single method to implement it. Nevertheless, the purpose of both the stakeholder analysis and double materiality analysis remains the same, differing only in how they are organized differently in the process.

Heidenmark Cook's and Wirén's (2024, 236-251) five step reporting process has some similarities as the above-presented reporting processes based on CSRS requirements. For example, it highlights the understanding of an organization's current position in relation to reporting and stakeholder engagement in the process. However, while the CSRD reporting processes focus on meeting the requirements of the directive and the legal aspects related to the reporting, Heidenmark Cook and Wirén emphasize the learning, as well as the role of data and robust monitoring processes for both evaluation and learning. (Heidenmark Cook and Wirén 2024, 236-237.) In fact, some elements of the CSRD-based sustainability reporting process, such as understanding the stakeholders and materiality, are part of a broader, strategic integration of sustainability into the company's business, according to Heidenmark Cook and Wirén (2024, 115-223, 161-175). Thus, the CSRD -based sustainability reporting process can be seen not only as a means of producing a concrete sustainability report meeting the CSRD requirements but also as a tool to develop sustainability activities in general.

3.6 Synthesis of knowledge basis

As the knowledge basis has demonstrated, international goals, agreements, and guidelines provide a basis for companies' social responsibility actions and sustainability reporting. At the same time, numerous actors, regulations, standards, and frameworks related to sustainability reporting make the reporting landscape complex. The sustainability reports have been voluntary in their nature, except NFRD, making it difficult to compare companies within the same industry, region, country, or based on other criteria (Sethi, Rovenpor and Demir 2017, 160). Different standards have also faced criticism. For example, GRI and ISO 26000 have been criticized for focusing on the process of creating CSR reports rather than verifying the

accuracy of the information. This has led to public concerns regarding the credibility and comparability of these reports. (Levy and Brown 2012, according to Sethi, Rovenpor and Demir 2017, 153.)

The EU's new Corporate Sustainability Reporting Directive aims to address these challenges. It promotes standardization in sustainability reporting through the obligatory implementation of standards, requiring double materiality -based reporting, and mandating assurance. As the CSRD broadens the scope of companies required to report under the Directive, many companies without prior knowledge and expertise on social responsibility and sustainability will be involved (Pizzi et al 2021, according to Pizzi, Cuputo and de Nuccio 2023, 333). This will likely increase the need for training in sustainability reporting.

Even the new Directive aims at increase comparability and transparency of sustainability reporting and bring more companies under the reporting requirements, it may also present some challenges for companies. For example, double materiality will likely lead to increased quality of required information but at the same time there is a risk for information overload (Baumüller and Sopp 2021, 21-22). Companies may use different measurement approaches when determining the materiality of ecological and social information (Tharani 2019, according to Baumüller and Sopp 2021, 22), potentially resulting inconsistent outcomes. Additionally, the extended reporting will increase costs for the companies (Baumüller and Sopp 2021, 22). Reporting requirements may overlap or be conflict with other reporting requirements and frameworks or result in an excess of standards (Villiers 2022, 559-560).

CSRD-based sustainability reporting also impacts on the process on how to prepare the report, what phases the process should include and to whom to engage. As CSRD requires analyzing impacts, risks, and opportunities, the CSRD-based reporting process influences the overall strategic development of sustainability activities and business. In this way, the reporting process serves as a tool to embed sustainability more deeply within the company's core activities.

4 Case company: Legrand Finland Oy

This chapter provides a brief introduction to the commissioning company, Legrand Finland Oy, as well as its parent company, Legrand Group, and the Group's sustainability priorities. It offers background information on the company and the Group, thereby establishing a context for the development setting, and for research questions.

4.1 Legrand Finland - Part of the Legrand Group

Legrand Finland Oy (LGR Finland) is a Finnish electrification company, formerly known as Ensto Building Systems, which was sold to Legrand group in 2021 (Legrand Finland 2021).

Legrand Group (LGR) is a global leader in electrical and building infrastructure, committed to advancing technological, societal, and environmental progress worldwide. The company's mission is to:

Improve live by transforming the spaces where people live, work and meet by delivering electrical and digital infrastructure and connected solutions that are simple, innovative and sustainable. (Legrand 2024a.)

Established in France in 1864, the company has grown into one of the world's leading firms operating in 90 countries and selling products in over 170 countries, with 8,4 billion sales. The company has in total 80 different brands and 38 000 employees worldwide. (Legrand 2024b.)

LGR Finland is part of Legrand Nordic Zone, which includes Sweden, Norway, Denmark, the Baltic countries, and Italy. As the company and zone structure have undergone recent reorganization, both LGR Finland and the Nordic Zone are still in the process of refining their operations. (Ritala 2024.)

LGR Finland's product portfolio includes nine product groups, consisting of both Ensto and Legrand products. Approximately 90 % of LGR Finland's revenue comes from Ensto products which are mainly manufactured in the company's two own factories in Estonia. (Ritala 2024.) In 2023, the turnover of LGR Finland was 53,6 million Euros and the company had ca 80 employees (Asiakastieto 2024). Balance sheet was slightly over 50 million Euros (Ritala 2024).

4.2 Sustainability at Legrand Group

Legrand is committed to corporate social responsibility and sustainability, having been ranked 31st on the Global 100 list of the world's most sustainable corporations (Legrand 2024c).

The sustainability is embedded in Legrand's values, which includes putting sustainability in the core of corporation growth. This is done by emphasizing inclusion and diversity, by providing added value for the ecosystem and considering environmental aspects and acting responsibly with different stakeholders. (Legrand 2023, 4.)

The Group's long-term target of is to reach carbon neutrality throughout its entire value chain by 2050. Medium-term targets for 2030 are:

- Reducing carbon emissions related to the Group's own activities by 50% and in its value chain by 15 %
- Achieving 80 % of the sales with eco-responsible solutions
- Achieving 50/50 gender parity across the Group's workforce
- Having women hold one-third of key positions (CSR commitments to responsible growth - media kit 2022, 6.)

To meet these sustainability targets, LGR uses CSR roadmaps to translate the targets into operational actions plans. The first roadmap was done already in 2007, and the current roadmap (2022-2024) is the Group's fifth roadmap. (Legrand 2024d.)

The road map contains four main areas of action, based on the materiality of the topics both for the Group and its stakeholders:

1. Promote diversity and inclusion
2. Reduce our carbon footprint
3. Develop a circular economy
4. Be a responsible business (Legrand 2024e, CSR commitments to responsible growth - media kit 2022, 7.)

When Promoting diversity and inclusion Legrand combats all kinds of discrimination, encourages gender diversity in the workplace, promotes diversity when hiring employees and raises awareness among stakeholders (CSR commitments to responsible growth - media kit 2022, 10). The work is grounded in five main areas: 1) gender diversity, 2) inclusivity toward people with disabilities, 3) intergenerational collaboration, 4) diversity of origin or background, whether social cultural or ethno-racial; and 5) inclusion of LGBT+ people (CSR commitments to responsible growth - media kit. 2022, 9). Reducing carbon footprint is mainly done by minimizing the company's own emissions and offering green solutions for the customers. This has a significant impact, as 40% of global CO₂ emissions come from building sector. Legrand is engaged in combatting global warming and has joined initiatives, such as Science Based Targets Initiative (SBTi). Other crucial strategy to reduce the carbon and environmental footprint is to develop circular economy. (CSR commitments to responsible growth - media kit. 2022, 13, 14.) This involves integrating circular economy principles into product development, providing environmental information on the products to customers and reducing waste production and increasing the processing of waste (CSR commitments to responsible growth - media kit. 2022, 17). Being a responsible business is achieved by fostering a work culture that values employees and by addressing the needs of external stakeholders, such as improving the access to the electricity (CSR commitments to responsible growth - media kit. 2022, 20).

The 2022-2024 CSR road map sets 15 priorities across its four main areas, each with defines objectives. These priorities contribute to 10 of the 17 SDGs, with specific actions outlined on how the Group is contributing to each SDG. (Legrand 2024e.) The figure 7 illustrates the main priorities, objectives, and their contribution to SDGs.











PRIORITIES		2024 GOALS
Promoting diversity and inclusion		
		
Gender diversity		Achieve a level of 30 % of management positions filled by women
'Diversity & Inclusion' certification		Achieve a level of 80% of the workforce working at an entity holding the 'Diversity & Inclusion' certification
Youth employment		Create 4000 new opportunities for young professionals each year
Diversity and inclusion among suppliers		Develop 200 additional business relationships with suppliers working in the area of 'Diversity & Inclusion'
Reducing our carbon footprint		
		
CO₂ emissions avoided for our customers		Thanks to the Group's Energy Efficiency solutions, enable our customers to avoid the emission of xxx million tonnes of CO ₂
Direct and indirect CO₂ emissions (scopes 1 & 2)		Reduce the Group's CO ₂ emissions within scopes 1 and 2 by 10% each year through energy efficiency improvements at our manufacturing sites and renewable energy deployment
Indirect CO₂ emissions (scope 3)		Encourage at least 250 suppliers to reduce their CO ₂ emissions by an average of 30 % by 2030
Promoting the circular economy		
		
Use of recycled materials		Achieve a 15 % recycled plastics use rate and 40% recycled metals use rate in products manufactured by the Group
A halt to producing Single use plastic		Eliminate 100% of single-use plastic in flow pack and expanded polystyrene packaging
Environmental declarations		Cover 72% of the Group's annual sales with certified environmental declarations
Being a responsible player		
		
Customer satisfaction		Achieve 90 % of sales made to satisfied customers (satisfaction surveys)
Business ethics/compliance		Supervise, provide training and ensure compliance in relation to the Group's commitments in the area of business ethics
Employability and skill development		Provide training for 85 % of employees each year and attain 7 hours of annual training for each employee
Workplace safety		Reduce the workplace accident frequency rate by 20 % (FR2)
Expanded social coverage		Expand the Serenity On program to cover 100% of employees

Figure 7: Legrand roadmap 2022-2024 priorities and contribution to SDGs (Legrand 2024f)

The eight most important CSR stakeholder groups for Legrand are 1) customers, 2) employees and unions, 3) suppliers and subcontractors, 4) the scientific, business sector, and educational communities, 5) the financial community, 6) shareholders, 7) civil society, and 8) NGOs and associations links to Legrand. (Legrand 2024g.)

At present, the Group is developing its sixth roadmap, which will be published at the beginning of 2025. The materiality analysis was conducted in 2023, and based on this analysis, five priority areas have been defined. These areas partially combine previous topics, adding further details to existing ones, while also introducing some new content. The priority areas are:

1. Diversity, equity, and inclusion, which includes mainly the same topics and key KPIs as in the current roadmap.
2. Being a responsible business, with content largely similar the current roadmap but clearer focus on suppliers and human rights.
3. Mitigating climate change, focusing on Scope 1,2 and 3 emissions in line with the SBTi Net Zero initiative, along with green electricity, and energy savings. This pillar has been strengthened.
4. Developing a more circular economy, emphasizing eco-design, and adding a new element on circular business models, further strengthening this pillar.
5. Serving our customers - a completely new priority area, consolidating customer - focused elements from different areas of the current roadmap, such as CO2 emissions avoided by the customers, while also introducing new elements such as product sustainability profiles. (Legrand 2024h.)

Legrand Group adheres to main international standards concerning CSR. The company has been member of the United Nations Global Compact since 2007. In addition, it also complies with the principles of the Universal Declaration of Human Rights, the GRI and ISO 26000 guidelines. In addition, Legrand Group's has different sustainability indexes and ratings. (CSR commitments to responsible growth - media kit. 2022,4.) The ISO 26 000 provides a framework of organizing the CSR activities of Legrand Group (Legrand. 2024i). Furthermore, Legrand Group has established policies on Quality, Occupational Health and Safety, Conflict Minerals, Purchasing, and Diversity and inclusion, which guide the Group, its subsidiaries, and suppliers in their daily actions (Legrand 2024j).

5 Methodological solutions

5.1 Development method

This study is conducted as a qualitative, research-based development work. The development method is presented more in detail below.

Qualitative research aims to understand the phenomenon under investigation from the perspective of the individuals being studied. In qualitative research, there is typically

dialogue between theory and data - the theory serves as a tool for data collection, analysis, and interpretation. While various methods can be used in qualitative research, they are inductive in nature, aiming to draw conclusions from the data. (Juuti and Puusa 2020, Johdanto. Mitä laadullisella tutkimuksella tarkoitetaan?.)

Research-based development work aims to develop practical solutions and implement them. It often arises from organizational development needs or a desire to make changes. Therefore, research-based development work typically includes practical problem solving, and the creation and implementation of new ideas, practices, products, or services. Although the research-based development work focuses on practical developmental tasks, generating new knowledge remains important. Documentation of done work and the publicity of data is crucial - this also enables the creation of entirely new professional knowledge. While traditional research aims to produce new theory, research-based development work aims at achieving practical improvements and new solutions. (Ojasalo, Moilanen and Ritalahti 2015, 19-20.)

In research-based development work, unlike non-research-based development, the development process is systematic, analytical, and critical, with solutions and data derived from existing data. The dialogue between theory and practice is essential, existing theories and knowledge should be utilized and applied to create practical, new solutions. (Ojasalo et al. 2015, 21.)

A development work process can be divided into three phases: planning, implementation, and evaluation. After evaluation, the cycle starts again. Larger development projects may include several phases. (Ojasalo et. al 2015, 22-23.) The focus of this thesis is on planning phase of LGR Finland's sustainability reporting development.

The process of research-based development includes more detailed steps than general development work presented above. In practice, the steps are often not distinct phases but rather overlap. It is common for a researcher to return to previous phases before continuing the process, thus moving back and forth during the process. During the research-based development work, it is essential to be systematic, analytical, critical, ethical, and interactive. (Ojasalo et. al 2015, 23-24) Table 2 presents the research process of this study, which is based and modified from of the research-based development work model presented by Ojasalo et. al (2015, 24).

Table 2: Research process of this study

Planning	Establishing the Knowledge Base	Developing the Methodology	Data Collection and Analysis	Publishing and Evaluation
Identification and definitions of development task Initial research questions Narrowing down the development target	Familiarizing with knowledge base and the company	Qualitative research Research-based development work Data collection methods: Interviews & Collaborative methods	Document analysis Content analysis Transcription and classification	Evaluation by Laurea's teachers
	Group interviews with LGR personnel Interview with LGR Group representative		Sessions with LGR Finland Interviews with the representatives of other companies Interview with LGR Group representative	Presentation at LGR Finland Presentation at Laurea

5.2 Data collection

Besides the knowledge base and information on case company, the collected data consisted of interviews with LGR Finland personnel, LGR group-level representative, other companies' representatives, and sessions with LGR Finland personnel. Next, the data collection methods are presented, followed by a description of the data collection process itself.

5.2.1 Data collection methods

Interviews are a widely used data collection method in qualitative research. They can aim to collect information that serves as the basis for drawing conclusions related to the research or for clarifying and deepening knowledge. In qualitative research, the researcher interprets the interpretations made by the interviewees. (Puusa 2020, Haastattelutyytit ja niiden metodiset ominaisuudet; Ojasalo et. al 2015, 106.) In this study, both group and semi-structured interviews are used.

In a **group interview**, interaction primarily takes place between the researcher and each participant, with the researcher conducting individual interviews in turn, while also encouraging participants to discuss the topic among themselves. A group interview allows for the collection of both individual interpretations and the group's collective views on the topic under discussion. The interviewer's role is to frame the conversation to ensure it stays within the research area, but otherwise, participants are free to speak openly. (Puusa 2020, Haastattelutyytit ja niiden...) The strengths of group interviews are that they allow data gathering from several people at once, and group members can help each other to remember issues that might be forgotten in one-to-one interviews. Additionally, participants may have to justify their views better if other participants question their opinions. (Ojasalo et. al 2015, 42.) In this study, I used group interviews when interviewing LGR Finland's personnel to gain a deeper understanding of the company in general.

In a **semi-structured interview**, the questions are defined beforehand based on the theory. Unlike structured interviews, semi-structured interviews do not offer pre-set answer options, allowing the interviewee to respond with their own words. This approach enables to gather information on topics that may not have been considered during the preparation of research questions. (Puusa 2020, Haastattelutyytit ja niiden...) Semi-structured interviews are suitable when the subject of the study is not well-known beforehand, and the researcher does not want to guide the interviewee's responses too much (Ojasalo et. al 2015, 37, 53). In this development work, semi-structured interviews were used on two occasions: first, to gather data from LGR Group regarding their sustainability reporting and its relation to the subsidiaries' reporting, and second, to explore the sustainability reporting practices of other companies to gain insights for developing the reporting process. In the following section, the data collection process is described in detail.

During the sessions with LGR Finland personnel, **focus group discussions** were employed as a data collection method. A key characteristic of focus group discussions is the interaction between the participants - the production of the knowledge happens in the interaction among participants, where knowledge is co-created through dialogue. The objective of the research determines the selection of participants, and their compatibility is essential to ensure a

smooth participation and foster a positive atmosphere during discussions. In focus group discussions, a facilitator plays a critical role. Their primary responsibility is to create a supportive environment, guide the discussion, and encourage active participation on the topic. The initial phase is particularly important, as it sets the objectives, boundaries, and rules for the discussion. Additionally, the facilitator must ensure equal opportunities for all participants to contribute throughout the session. (Valtonen and Viitanen 2020, Ryhmäkeskustelut laadullisena tutkimusmetodina)

5.2.2 Data collection process

The data collection process began with the collection of data related to the knowledge basis and the case company, followed by participatory sessions with personnel from LGR Finland and interviews with representatives of other companies and the LGR Group representative. As noted earlier, a characteristic feature of a developmental research is the iterative nature of the process, where one often moves back and forth (Ojasalo et. al 2015, 23). This was also case in this study. For example, in the beginning of the research process, I had only three research questions (Questions 1, 3 and 4). However, following the interviews with LGR Finland personnel, it became evident that a deeper understanding and analysis for the current state of sustainability reporting was necessary. Consequently, research question 2 (What is the current state of sustainability reporting at Legrand Finland?) was added at this stage of the study.

The participation of LGR personnel was considered crucial for the success of this study and to the successful implementation of the planned roadmap. Therefore, the data collection process involved close collaboration with LGR Finland personnel, particularly during the participatory sessions.

Formation of knowledge basis and familiarizing with the case company

I began the development work by deepening my knowledge on the subject area, focusing on familiarizing myself with CSRD, ESRS and other relevant topics discussed in the Chapter 2. This phase provided me with an understanding on the scope of the CSRD directive. In addition to gathering information necessary for building the knowledge basis, I familiarized myself with the case company by reading information on the company and its sustainability, and interviewing company personnel. This enabled me to respond to the first research question.

The formation of knowledge basis and familiarization with the case company continued throughout the research process, although most of data collection occurred at the beginning. Next, a detailed description of the interview process is provided.

Group interviews with LGR Finland personnel

The objective of group interviews with LGR personnel was to gain more information about the company, its sustainability issues in general, the state of sustainability reporting, and the requirements the company meets from both LGR Group's and its stakeholders. The collected information primarily aimed to provide a general understanding of the sustainability and sustainability context and sustainability reporting practices of LGR Finland, rather than directly addressing the research questions.

Two group interviews were conducted on September 23, 2024, each lasting ca 1,5 hours. The first interview focused on gaining better understanding of the company's structure, the role of Ensto products within the company and the sustainability of production. The second interview focused more on LGR Group's sustainability requirements and actions, as well as sustainability reporting process, particularly regarding reporting to LGR Group. However, there were some overlapping topics in both interviews. At the beginning of each interview, I presented the objective of the interview. Based on that, the interviewed personnel freely discussed the topic. I had prepared a list of topics in advance and, when necessary, guided the discussion towards the topics.

Interview with LGR Group representative

An interview with the representative of LGR Group was conducted on November 6, 2024. The primary objective of the interview was to gain insights into the Group-level sustainability reporting process, with particular focus on the CSRD reporting process, its phases, and its impact on the Group's subsidiaries. Additionally, the interview aimed to clarify the expected roles and responsibilities related to CSRD-based sustainability reporting from the Group's perspective.

Sessions with LGR Finland personnel

The sessions with LGR management team and key specialist related to R&D, product information, low carbon production and communications were organized over a week during October and November.

Session 1: Informative session with LGR Finland management team and key specialist

The first session with the LGR Finland management team and key specialist was held on October 28, 2024. The objective of the sessions was to brief LGR Finland personnel on CSRD, its requirements, and its implications for the company, ensuring they had sufficient knowledge for the participatory sessions. The session was conducted in a training format, supported by a Power Point presentation, and with 12 participants. As the first and second sessions were organized on consecutive days, both were planned in advance. Following the

discussions during the first session, the instructions for the second session were updated accordingly.

Session 2: Participatory session with LGR Finland

The second session with LGR Finland took place on October 29, 2024. The objective of this session was 1) to analyze the current state of sustainability reporting process at the company, and 2) to establish together a target level for the company's sustainability reporting, thereby addressing second and third research questions.

The data collection tool utilized in this study was gap-analysis, a method used to compare a company's current performance against its expected performance or goals. Gap analysis can be divided into four steps: 1) identifying the current situation, 2) setting goals, 3) analyzing gaps between the current and desired states, and 4) establishing a plan to close these gaps. (Leonard and Bottorff, 2024.) This session addressed the two first steps, while the Session 3 covered steps three and four.

The session was divided into two parts. The first part focused on analyzing the current state of the sustainability reporting process, using the elements of outlined in Chapter 2.5.2 and adapted to meet LGR Finland's specific needs. The analysis emphasized process prior the concrete writing of the report, as these actions lay a foundation for a concrete report. Participants were divided into two groups based on their areas of expertise. The first group focused on themes related to strategy, organization, and resources, while the second group examined sustainability context, including double materiality analysis, as well as measurement and collection of data. Initially, each group independently analyzed the current state of sustainability reporting within their assigned themes and recorded their findings in an Excel sheet. Following this, the groups presented their analyzes to each other, and the Excel sheet was updated to reflect the new insights. Both management team members and key specialist participated in this part of the session, with total of 11 participants.

The second part of the session concentrated on the target setting for the sustainability reporting process. Once again, the participants were divided into two groups, with each group independently formulating targets for the sustainability reporting. The targets were then presented and merged into a unified set of goals. As this part involved target setting and decision-making topic, it was limited to the management team members (six participants).

Session 3: Participatory session with LGR Finland

The third session was held on November 5, 2024, and continued the gap analysis by addressing steps three and four. The objective of the session was to analyze the gaps between the current and desired states of sustainability reporting process, focusing on strengths and weaknesses of the current state compared to the desired state, as well as the factors contributing to these gaps. Following this analysis, necessary actions to bridge the identified gaps were planned. This session, therefore, provided a deeper exploration of the themes related to the second research question and contributed materials for addressing the fourth research question.

The same groups continued to work with same themes as in the first part of previous session, utilizing the same Excel sheet. Once the groups had completed their analyses, they presented their work to the other group for joint discussion. Additional details were incorporated into the Excel sheet as agreed upon during the session. A total of 9 participants attended in this session, with one participant absent from each group compared to the previous session.

Although the initial planning for the third and final session was conducted alongside the other sessions, the detailed planning and exact content were finalized after the second session. This approach allowed for consideration of outcomes of the second session and enabled modifications to the session structure to better align with the research objectives and participants' needs.

Table 3: Themes for group discussion during the participatory sessions with LGR Finland

Sessions with LGR Finland - Group Discussion Themes
Strategy: analysis of sustainability risks and possibilities for the business, sustainability goals and targets, including climate change, role of management in addressing sustainability matters
Organization & resources: roles and responsibilities, knowhow in the company, guidelines & policies, due diligence processes related to sustainability, investments related to sustainability
Sustainability context (Double materiality analysis): identification of relevant stakeholders, value chain analysis related to sustainability matters, identification of significant sustainability impacts (actual and potential impacts, risks, and opportunities), interaction with stakeholders regarding to sustainability impacts, evaluation of impact and financial materiality, processing and reporting the results

Measuring and collecting the data: existing data, data format, indicators, data collection processes and tools, information systems & solutions, data analysis and documentation

Interviews with other companies

The aim of the interviews with the representatives of other companies was to gain insights into their sustainability reporting processes. The discussions covered topics such as the organization of their sustainability and sustainability reporting process, preparations for changes related to the CSRD requirements, faced challenges and opportunities identified in the reporting process, and any recommendations or expectations for LGR Finland's sustainability reporting. These interviews enhanced my understanding of the sustainability reporting context of Legrand Finland and provided valuable research material for the thesis, particularly addressing the fourth research question.

A total of five interviews were conducted between 22nd and 31st of October, with each interview lasting approximately one hour. The semi-structured nature of the interviews allowed for flexibility, focusing on key topics while varying in depth based on the specific context of each company. Additionally, the maturity of companies' CSRD preparedness influenced the discussions. The iterative nature of the developmental research work was evident in the interview process - after the first interview, the interview questions were adjusted, and the structure was refined to better align with the interview objectives.

The profiles of the interviewees and the companies' relationship with the LGR Finland are presented in the table 3 below.

Four of five interviewed companies are part of corporate groups. Of these, two are subsidiaries, one of which is in charge for sustainability reporting development at the group level. The other two companies are parent companies, with also operating as a subsidiary of a larger corporate group. The remaining company operates independently and is not affiliated with any company. These structural differences are considered, where relevant, in the presentation of the results.

Table 4: Interviewees of Finnish companies

Interviewee	Position of the interviewee	Company field	Position of the company	Relation of the company to LGR Finland
Interviewee 1	Quality and sustainability manager	Electrical, telecommunication and automation products	Subsidiary	Distributor
Interviewee 2	Sourcing and Sustainability director	Installation and technical property services	Subsidiary and parent company	Client
Interviewee 3	Head of Strategy and Business Development	Lighting solutions	Subsidiary	Supplier
Interviewee 4	EHSQ Manager	Aluminum profiles	Independent company	Supplier
Interviewee 5	Head of HSE and Sustainability	Electricity distribution	Parent company	Colleague company

5.3 Data analysis and management

As the data was collected through participatory sessions with LGR Finland personnel and interviews, partially distinct data analysis methods were employed.

For the sessions with LGR Finland personnel, participants completed an Excel sheet with pre-defined discussion topics and subtopics. To analyze this data, a document analysis approach was applied. Document analysis is a method used to draw conclusions from a textual format based on verbal, symbolic or communicative material, such as memoranda from brainstorming sessions, discussions, or interviews. The objective is to systematically analyze documents and produce a clear, verbal, description on the research topic. This enhanced clarity allows the researcher to do draw accurate and trustworthy conclusions. (Ojasalo et. al 2015, 136.)

Content analysis is a form of document analysis (Ojasalo et. al 2015, 137) and involves several phases: selecting the unit of analysis, familiarizing oneself with the material, reducing the material, categorizing, and theming the material, and interpreting the findings. In practice, the analysis process is iterative, with various phases occurring concurrently, as interpretation often develops as an on-going process. (Puusa 2020, 9. Näkökulmia laadullisen aineiston analysointiin.)

The Table 5 below presents a portion of the Excel sheet filled in LGR Finland sessions, while table 7 in Chapter 6.2.4. provides an example of data classification based on information in the Excel sheet.

Table 5: Example of Excel sheet filled by LGR Finland personnel

Key Area: Strategy	Description of the current state of sustainability reporting	Gap between current and desired state		Factors contributing to the current state and the desired state	Needed actions to bridge the gaps
		Strengths	Weaknesses		
Analysis of sustaina- bility risks and possibilities for the business	Single findings about EPDs and business risk, but not made in structural way. Something related to ISO standards	ISO standards require us to do something. High on the Group agenda, so support must exist...	Systematic analysis not done. Not enough under- standing about all related issues. Competence needed.	Resources, competence, analysis, systematic approach	We need to organize around this subject.
Defined sustainability goals and targets, including climate change	Yes, defined on Nordic Zone level. Same targets on country level. Can be found on New CSR roadmap.	Clear targets from the Group.	Targets not defined on country level. Difficult to understand all calculation methods.	Big picture understanding is missing impacting to true motivation. Communication needed.	Training needed to understand the bridge between f.ex. UN climate targets and Group

	must be defined better				targets. Link to commercialize the subject. As well as employer branding. We need to organize around this subject.
Role of management in addressing sustainability matters	Responsible for target achievement and communicated clearly. Target and action definition for country level. Follow regularly in management meetings. Responsible for Sustainability culture implementation.	Strong commitment to achieve set target levels.	Big picture understanding to support true motivation is missing.	Big picture understanding is missing impacting to true motivation. Communication needed. Finding the focus areas related to Nordic Zone countries	We need to organize around this subject. Define how to do it!?!?

Regarding the interviews, Ojasalo et. al (2015, 110) emphasize that the more open-ended an interview is, the greater the need for qualitative data analysis methods. As the interviews in this study were semi-structured and had evolved differently across the interview sessions, a qualitative analysis was required. During the interviews, the data was recorded both in video and audio formats and subsequently transcribed.

The analysis of transcribed data begins with multiple readings of the transcripts to ensure familiarity with the content, and following this, the data is classified and connections with applied theoretical framework are identified (Ojasalo et. al 2015, 110). In this study, the interviews were transcribed and classified directly after each interview based on interview questions. The classified information was collected in an Excel sheet.

After all the sessions with LGR personnel and interviews were completed, the classified data was analyzed collectively to identify the connections with the theory by using content analysis. This involved reclassifying the data according to the sustainability reporting processes outlined in the chapter 2.5. An excel was created to structure information on different stages of sustainability reporting processes and comparing the different processes together. After that the information from the sessions and interviews were added into the Excel and aligned with the different stages of sustainability reporting process.

Table 6 illustrates a portion of this analytical work, and the results of the analysis are presented in the following chapter.

Table 6: Example of integrating theory with research data

Theory			Research data		
Process by Heidenmark Cook and Wirén	Process by Niskala & Palmuaro	Process by Silvola & al.	Actions defined in the sessions with LGR Finland	Findings from interviews	Group level information
1. Understand the reporting landscape - at local, regional, and global levels, including reporting standards and practices		1. Strategy - analysis of the impact of sustainability matters on business & business opportunities, role of management in addressing sustainability matters	Better organization around the topic, training, identifying focus areas for Nordic Zone countries, improving communication & commercialization of the topics,	two subsidiaries have more detailed reporting on country level. One subsidiary company has also its own country level goals and targets	Sustainability areas, goals, and indicators, other Group level materials such as policies

			enhancing employer branding		
		2. Stakeholder analysis	Assigning resources for stakeholder analysis	Preparation for the CSRD involved acquiring	
	1. double materiality analysis (with utilization of due diligence processes)	3. Double materiality analysis	Defining DMA reporting requirements, assigning resources for value chain analysis, utilization of existing Group processes;	new information, training, and capacity building; double materiality analysis takes 2-6 months; establishing	Group level double materiality analysis, subsidiaries are not required to conduct a separate analysis.
	1.1. Understanding the company's sustainability context (operational environment, business and governance models, value chain and stakeholder analysis)	3.1. Planning and value chain analysis	defining needed actions with stakeholders, including how the data is collected and stored	a data collection system crucial before starting the analysis; the process began with key personnel, expanded as needed, board's participation was important; process included	

	1.2. Identifying sustainability impacts and financial materiality	3.2. Recognition of significant sustainability matters		external stakeholders, workshops, interviews, and consultants; the depth of the analysis based on ambition level of the company.	
	1.3. Evaluating sustainability impacts and financial materiality	3.3 Evaluating impact & financial materiality			
		3.4. Reporting the results			

As described earlier, the data was collected in audios, video recordings, and as well as Excel files. At the beginning of each interview, participants were asked their permission to record the session and were informed that the recordings would be destroyed upon completion of the research. During the research process, interview data was stored as Teams meeting recordings (accessible only for me and the interviewees), while data from sessions with LGR Finland personnel was store on a secure computer (accessible only for me). All data will be destroyed in accordance with Laurea’s guidelines upon the completion of the research process.

6 Findings and reflections

This chapter presents the findings and reflections of the study, addressing each research question individually. The discussion begins with the findings related to Research Question 1, followed by the results from sessions with LGR participants, which address Research Questions 2 through 4. Subsequently, insights from interviews with the representatives of Finnish companies are presented, providing additional perspectives on Research Question 4.

The results from the interview with the LGR Group representative are integrated throughout the relevant sections to provide further context.

6.1 Legrand Finland's sustainability reporting requirements related to CSRD

The information required to address this research question was gathered during the formation of the knowledge base, familiarization with LGR Finland and an interview with the Group representative.

A company's balance sheet, turnover, and number of employees influence the applicability of CSRD -based sustainability reporting requirements (Directive 2022/2464/EU, art. 17). Legrand Finland had ca 80 employees, a turnover of €53,6 million (Asiakastieto 2024) and a balance sheet slightly over €50 million in 2023 (Ritala 2024). All large companies exceeding two of the following thresholds – a balance sheet total of €20 million, turnover of €40 million, and an average of 250 employees during the accounting period – are required to report under the CSRD from the 2025 financial year onwards, with the first report to be published in 2026 (Niskala and Palmuaro 2023, 2; Hummel and Jobst 2024, 5). Based on these criteria, LGR Finland would be required to report under the CSRD from 2025 onward.

However, subsidiaries are exempt from reporting if specific conditions are met, including the requirement that parent companies incorporate information in their reports regarding the sustainability risks and impacts of their subsidiaries. This includes due diligence process and a clear description of any differences between the group and its subsidiaries, or among subsidiaries. (Directive 2022/2464/EU, art. 25 and 26.) According to the Legrand group's representative, subsidiaries will be included in the Group's annual report. The Group plans to publish its first CSRD -based sustainability report in early 2025.

Based on the above information Legrand Finland is not required to report under the CSRD if the specific conditions are met, including the Group's inclusion of subsidiaries in its group-level report, with any differences in sustainability matters clearly addressed.

Nevertheless, it is crucial to follow how the Group prepares its CSRD report and what information it includes. According to Legrand Group interviewee, the Group conducted its double materiality analysis this year without the participation of subsidiaries. However, she acknowledged that further analysis involving subsidiaries will be needed in the coming years, even though the primary focus remains at the group level:

We have to deep dive not in all geographies but probably.. ..our largest 4-5 industrial sites around the world, probably our 5 or 10 biggest suppliers, our 5 or 10 biggest clients... (Legrand Group interviewee)

...we won't go everywhere, we wouldn't ask every single country to do the IRO (impacts, risks and opportunity analysis) because it just doesn't make sense because you need to present this as a group. What is material as a group and of course every country is going to find something different but it won't be material at Group level. (Legrand Group interviewee)

If the Group does not engage all subsidiaries in its materiality analysis on impacts, risks, and opportunities, it raises a question of whether a group level analysis satisfies conditions set in the directive concerning its subsidiaries, even its different subsidiaries are assumed to have similar impacts, risks, and opportunities.

Thus, I strongly recommend that LGR Finland closely follow the Group's sustainability reporting process. If necessary, LGR Finland should secure confirmation from its auditor. This is especially important because the directive must be implemented in national legislation, and variations in implementation may occur across different countries.

6.2 Findings from the sessions with LGR personnel

6.2.1 Current state of sustainability reporting at Legrand Finland

The second research question was addresses during the second session with LGR Finland personnel. The results are presented briefly below, based on the themes covered in the session.

Strategy and goals

This theme explored topics related to sustainability risks and opportunities for business, goals and targets, and the management's role in addressing sustainability. LGR Finland's sustainability reporting aligns with the goals, targets and requirements set by the Group, as outlined in Chapter 3.2. These targets are defined at Nordic Zone level and applies across countries, including Finland.

At the company level, no structured analyses have been conducted to identify possible business risks and opportunities related to sustainability. As result, these factors are not integrated into business plans and strategies, with some exceptions. For instance, certain Environmental Product Declarations highlights some potential business risks, and ISO standards (9001 and 14 001) provide some risk-related insights, though participants in the workshop lacked detailed information on these.

The management is responsible for achieving targets and tracking progress through regular follow-ups in management meetings. Furthermore, management oversees the implementation of a sustainability-oriented culture.

Understanding the sustainability context

This theme focused on double materiality analysis. As previously noted, the Group has conducted its double materiality analysis without the involvement of LGR Finland. No similar activities have been undertaken at the LGR Finland level.

Organization and Resources

Currently, the sustainability responsibilities are distributed within the management team based on functions. While there no designated CSR manager, this role is included in a mid-term plan. Among the employees, responsibilities for sustainability reporting are distributed across different roles within the company.

According to the participants in the LGR session, the company has a foundational understanding of sustainability issues but lacks a broader perspective and comprehensive understanding of the topic. This gap poses challenges in effectively communicating CSR-related topics to customers and other stakeholders. The Group provides various policies and guidelines (as described in Chapter 3.2).

Regarding due diligence processes related to the sustainability, existing practices are limited to specific areas such as Health and Safety and Governance. However, these processes are neither clearly defined nor systematically implemented. Furthermore, the company does not have a CSR -related investment strategy, although some sustainability-related investments, such as the Electric vehicle Charging portfolio, have been made.

Measuring and collecting data

The collected data and its corresponding indicators are derived from Group-level targets and their respective indicators and sustainability-related information is reported to the Group regularly and incorporated into various reports. These reports are prepared at Nordic zone - level, apart from the health and safety report, which is prepared at the country level. Consequently, the information is not specified at country level for Finland.

For example, in the factories, environment data is collected on metrics such as energy usage by type and quantity, water consumption and emissions, substances of very high concern (SCHC), conflict minerals, and partially on recycled material content. The data is presented in various formats, including Industrial and Financial Systems (IFS), Excel, and PowerBI. Data is analyzed during the reporting phase and documented across various locations.

While data collection processes are systematic within factories, they are more ad-hoc on other areas. Different tools, such as tools offered by the Group, Greensoft, and external platforms, are used for data collection. Regarding information systems and solutions,

software such as LCA (Life cycle assessment), BI reporting and ReportIN are utilized. Additionally, a yearly Customer Satisfaction Survey includes questions related to the sustainability topics, providing a tool to gather stakeholders' feedback.

6.2.2 The target level of Legrand Finland's sustainability reporting

The target level for LGR Finland's sustainability reporting was established during the second session with members of LGR Finland management team, following an analysis of the current state of reporting. When defining the target, participants utilized their enhanced understanding of the CSRD reporting requirements, as provided in the first session, along with their awareness of Group-level requirements and customer expectations. By integrating these three elements, the following target was formulated:

LGR Finland has its own country-specific sustainability report, which presents both country-specific information and details about Ensto- and Legrand products in clear and in easily readable format. The report complies with the legal requirements, aligns with Group reporting, and meets the expectations of various stakeholder groups, thereby guiding sustainability efforts and building competitive advantage. The reporting process is smooth, and the sustainability data is easily accessible.

The key stakeholders for sustainability reporting include, among others, internal personnel, clients, end-users, potential new employees, suppliers, and nature.

Building on this definition, the gap analysis was further conducted to evaluate the disparities between the current state and desired objectives during the third session.

6.2.3 Practical steps needed to achieve the target

The third workshop aimed to compare the current state of sustainability reporting at LGR Finland, and the target level defined by LGR Finland's management team. The objective was to identify the existing gaps between the two, including strengths and weaknesses, determine possible factors contributing to the current situation and analyze the necessary steps to bridge the gap. The results of the workshop are presented in the same order as the results for the research question 2.

Strategy and goals

Regarding to strategy, goals, and the role of management, the clear sustainability goals and targets set at the Group level were identified as strengths, alongside the strong commitment of management to achieving these targets. The Group's prioritization of sustainability on its agenda was acknowledged as a source of potential support. Additionally, the ISO standards utilized by LGR Finland offer an established framework for sustainability.

Despite these strengths, the lack of country-specific goals and targets that address potential country specific matters was noted as a weakness. Furthermore, understanding the calculation methods required for specific goals and targets was perceived as difficult. Additionally, a systematic analysis of sustainability risks and opportunities for the business has not been conducted.

The primary reason for these challenges was identified as the lack of competence related to the topics. As participants noted, “Big picture understanding is missing” which can also affect genuine motivation.

The overall conclusion was that LGR Finland “needs to organize around this subject”.

Proposed actions include:

- Better organization around the topic in general
- Training (e.g., to bridge the gap between UN climate targets and Group targets)
- Identifying focus areas for Nordic Zone countries
- Improving communication and commercialization of sustainability topics
- Enhancing employer branding.

Understanding the sustainability context

Even a double materiality analysis has not been conducted at LGR Finland level, various elements support an understanding of the sustainability context. Despite the absence of a stakeholder or value chain analysis, the company’s familiarity with the stakeholders and established contacts for conducting a value chain analysis were identified as strengths. Additionally, there is some existing information to support such an analysis. Interaction with stakeholders, especially regarding raw material impact identification, was also noted. However, systematically collected data from suppliers is poorly defined, requiring greater precision in data collection.

Data from the order-delivery process is collected and reported according to strict parameters, but it is not utilized for analyzing sustainability matters. In general, there is a lot of information, but is scattered and not used to analyze sustainability impacts. Lean thinking in processes (e.g., “Lean is green”) exists. The company lacks necessary competence for sustainability reporting. Moreover, key stakeholders have not been identified from sustainability perspective, making discussions on sustainability impacts with them impossible.

The most significant gap is the absence of comprehensive sustainability processes integrated with core processes. There is also unclarity about where, how, and in which format to collect

the data necessary for better understanding the sustainability context, due to a lack of expertise and experience.

Proposed actions include:

- Assigning resources for stakeholder identification and value chain analysis
- Identifying processes for value chain analysis, utilizing existing Group processes
- Defining needed actions with stakeholders, including how the data is collected and stored
- Defining double materiality analysis reporting requirements.

Organization and Resources

Workshop participants highlighted the commitment of the management team. However, the resource scarcity emerged as a significant challenge. Sustainability responsibilities are expected to be added to existing roles, leading to their division among various staff members. Consequently, sustainability is not prioritized by any individual.

The Group provides various guidelines and policies related to the sustainability, which can be utilized to develop sustainability actions. However, these materials are not tailored to the local contexts, and there is also a lack of materials in local languages.

While LFR Finland has identified several areas for sustainability-related product development, CSR related investments are perceived as a cost and are challenging to fund in current economic situation.

When analyzing the needed actions, the need for organization, resources, training, and systematic approach came up. Proposed actions include:

- Better defining roles and responsibilities
- Providing staff training related to sustainability topics
- Localizing Group-level policies and guidelines
- Allocating resource for sustainable product development
- Developing a systematic approach to due diligence processes related to sustainability

Measuring and collecting data

Strengths in LGR Finland's data collection and measurement include the availability of own tools for data collection and management, an abundance of data, numerous indicators in use, and regular reporting cycle aligned with Group requirements.

However, the biggest weakness is the fragmented nature of reporting process: personnel focus on their specific responsibilities, resulting in scattered information and lack of overall understanding of reporting process. Some baseline data may be missing, or guesstimates are used in reporting. While customer feedback is collected, the questions are often generic and challenging to answer.

Proposed actions include:

- Securing resources for reporting activities
- Assessing the usability of existing data
- Clarifying measurement descriptions (e.g. defining calculation inclusions and exclusions)
- Increasing the readability of the reporting
- Improving data collection processes
- Increasing engagement with the Group when preparing Customer Satisfaction Surveys, including localizing survey topics and encouraging stakeholder responses

6.2.4 Reflections

The sessions with LGR Finland reveal that the company's sustainability reporting practices are directed by the Group, which sets overarching sustainability objectives and indicators. Although sustainability is a high priority on the Group's agenda and is supported by strong LGR Finland's management commitment, the practical implementation of sustainability reporting faces challenges and lacks integration into the company's core processes. For instance, at a strategic level, the company lacks localized, country-specific sustainability goals and targets, and no analysis of potential sustainability risks and possibilities have been conducted. Consequently, the full potential of sustainability as a business opportunity remains untapped. However, the certified ISO-standards in place may provide a foundation for conducting risk analysis. Despite this, participants expressed uncertainty about the exact content of these certifications and their potential applications in enhancing sustainability reporting practices.

At present, sustainability reporting responsibilities are distributed among LGR Finland personnel. A dedicated Sustainability Manager is part of a mid-term plan, but the absence of dedicated sustainability professional has resulted in limited organizational knowledge and a lack of comprehensive understanding of sustainability issues, including reporting. Furthermore, sustainability-related information is dispersed across various sources, negatively impacting the company's ability to effectively communicate on its sustainability efforts to stakeholders. Overall, there is a need for improved organization of work in this area.

Positive is that even the company has not conducted tasks to deepen its understanding of its sustainability context, it has information and some processes that can support such efforts. For example, its familiarity with stakeholders provides a solid basis for conducting a detailed analysis of the sustainability context.

LGR Finland has a range of sustainability-related data collection processes and tools, but these are often fragmented. The processes are neither systematized nor consistently utilized for sustainability purposes. Notably, data collection processes tend to be more organized and systematic within factory operations compared to other functions.

A significant overarching challenge is the lack of adequate resources, both financing and human, which hinders the company's capacity to advance its sustainability initiatives effectively.

These challenges are directly reflected in the actions required to address them, which can be categorized into six topics: Organizing (referring an overall organization of sustainability efforts), Definition of roles, Training, Resources, Localization of materials and Process development. Table 7 classifies the necessary actions under each group discussion theme and indicates the number of actions identified in the group work materials.

Table 7: Needed actions based on participatory sessions with LGR Finland personnel

	Organizing	Definition of roles	Training	Resources	Localization of materials	Process development
Strategy	3		1			
Sustainability context		2		2		2
Organization & resources	1	1	2	1	1	2
Measuring and collecting the data				6	1	4
Total	4	3	3	9	2	8

The table highlights that, when planning the actions to enhance sustainability reporting at LGR Group, the most critical area is the resources (9 mentions), encompassing both workforce and financing) and on second place is process development (8 mentions). Both of which were cited in three out of the four discussion themes. These areas were deemed particularly crucial for measuring and collecting data. The third most significant is organizing (4 mentions), representing the general structuring the sustainability work. Close behind are definition of roles (3 mentions) and training (3 mentions), both of which appeared in two of the four discussion themes.

The need for organizing the work was particularly emphasized under the strategy theme. This overlaps partially with defining roles and providing training. Interestingly, in relation to strategy -theme, actions related to securing the resources were not mentioned, despite being highlighted under other themes. Localization of materials (2 mentions) was also identified as an important action for developing sustainability reporting, especially for stakeholder communication. However, it was not prioritized to the same extent as other actions.

It is important to note that the number of actions identified in the table represents a simple classification and does not reflect statistical results. The numbers of subtopics varied across themes. For example, under “Measuring and collecting data” there were eight subtopics, while under “Strategy” there were only three. As a result, it is logical that more actions were identified under “Measuring and collecting data”, than under “Strategy”.

Given these limitations, the table provides a general overview of the prerequisites for sustainability reporting (e.g., secured resources and organization of work) and highlights actions essential during different stages of sustainability reporting development (e.g. training).

The findings also reflect the challenges LGR Finland faces in sustainability reporting. Targets and goals are defined top-down from the Group to its subsidiaries, yet LGR Finland struggles to localize them. Combined with limited resources, a lack of expertise within the company, and fragmented information on sustainability topics, it becomes challenging for the company to effectively communicate its sustainability efforts to clients and other stakeholders.

Therefore, increasing resources, improving processes and organizational structure, clearly defining roles and processes, and providing staff training are anticipated to positively influence the development of sustainability reporting processes and broader sustainability initiatives, leading towards a jointly defined sustainability reporting target.

6.3 Findings and reflections from interviews

This chapter presents the findings from interviews conducted with five companies (referred to as interviewees 1-5). Additionally, this information is supplemented by insights from the interview with a representative of LGR Group. The results are organized into four main topics: the general organization of sustainability issues, the Corporate Sustainability Reporting Directive and preparations for related changes, challenges and opportunities in sustainability reporting, and report format and content.

6.3.1 Organization of sustainability

The interviewed companies showed significant variation in the duration and history of their sustainability initiatives. For example, one company has calculated its CO₂ emissions and worked to reduce them since 2005 (Interviewee 4), while another company only began actively pursuing sustainability efforts in 2020s (Interviewee 2).

Currently, all the companies have a designated sustainability director or manager responsible for sustainability matters. However, the organizational placement of these positions varies, reflecting where each company deems the sustainability function to be most relevant. They either belong or are combined with sourcing, logistic, communications, research, and development (R&D) or Environment, Health, Safety, and Quality (EHSQ). For example, in a company where the sustainability is part of R&D, it plays a central role in the company's strategy:

From strategic perspective we have sustainability in all what we do - that's a target and a goal. In every function it has to be reflected. (Interviewee 3)

Sustainability is viewed as future-oriented and is therefore integrated into R&D, where product development occurs.

In addition to the sustainability directors or managers, responsibility for sustainability is often distributed among various employees, although the way to organize differs across companies. For example, one company has a separate employee for indirect procurements and supporting subsidiaries in their sustainability work. Additionally, there is separate personnel responsible for social and governance topics (interviewee 2). In another company, in addition of sustainability manager, there is a separate group of employees overseeing sustainability topics, such as environment, circularity and climate change) (interviewee 5).

The sustainability goals and targets for the subsidiary companies are defined at the group level. However, two subsidiaries have more detailed reporting on country level. One subsidiary company has also its own country level goals and targets.

We have local goals... we have set goals for ourselves, try to concretize them and implement them into practical actions... So, at the local level, we will go through how you can... influence this entity and calculation with your own choices. So, we aim to localize the goals and break them into clear, to understandable targets. (Interviewee 2)

Well, of course, if you think about it, for instance, if the Group's goal is to reduce emission, then our report will naturally include more detailed waste tracking and so on... (Interviewee 1)

6.3.2 CSRD and preparation for changes

All companies acknowledged that the CSRD will impact their sustainability reporting. As Legrand Group interviewee stated:

CSRD changes everything because CSRD is the new rule on how we need to do our sustainability reporting.

The companies are at different stages in preparing for these requirements.

Interviewees from two subsidiaries expressed uncertainty about the specific implications of the CSRD. For one of these two companies, preparation – including double materiality analysis – is conducted at the group level. This company contributed to the group's double materiality analysis by responding to pre-defined questions about risks and opportunities:

We only analyzed our own operations, while the group is expected to involve, or likely involve, suppliers and so on... (Interviewee 1)

In the other subsidiary, the double materiality process was still in its early stages:

We have, so to speak, held the kick-off, and now in November, we're rolling up our sleeves and getting to work. It's still quite new to us, so we're currently more in the identification phase, figuring out what is expected of us and what kind of regulations and directives apply to this. (Interviewee 2)

In contrast, the other three companies have been preparing for the CSRD for several years. They have progressively aligned their sustainability reporting with the directive's requirements:

We wanted to be really early on the understanding... we started already years back, since 2021. (Interviewee 3)

As we've been somewhat aware of the requirements, we've taken small steps at a time... step by step, we're gradually moving in that direction, so it has perhaps been more of a preparatory process. (Interviewee 5)

We have started working on a trial version... so that we would know how it should be done and how much different information would be needed for it... We are working closely with the auditor... everything that is done is then reviewed by them (auditors), and they provide guidance and give some frameworks, pointing out if something is missing. (Interviewee 4)

For all three companies, preparation for the CSRD has involved acquiring a significant amount of new information, as well as training and capacity building. In addition to the training provided to the sustainability director or manager, these efforts have included the training of management, board members, and other staff members involved in the process. All three interviewees emphasized that the process requires time.

We have known about the CSRD requirement for years... ..The way we initially prepared was information gathering... ..The management team has gone through the content... ..You need to be early with this. (Interviewee 4)

It meant a lot of learning. We had mandatory trainings for our employees (Interviewee 3)

Even though we had a multi-hour training organized by an external party (for the management), it still isn't enough to really handle the double materiality analysis properly. So, I would recommend that it's gradually worked on, little by little, all the time. They (management) still have to make those decisions. (Interviewee 5)

What surprised me in that process was that it really takes time. (Interviewee 5)

In addition to information and training, one interviewee mentioned the importance of establishing a data collection system prior to conducting the double materiality analysis:

Main part was to set up a system to collect all the data - that's the first driver. And after that... ..second Requirements around CSRD includes double materiality analysis, which is at the end a risk analysis - it is a part of strategy process to run risks. (Interviewee 3)

All three companies had either completed or were in the process of conducting a double materiality analysis (DMA) in accordance with ESRS requirements. The total duration of the process varied between two and six months. At least two companies had engaged external consultants to support their DMA efforts. In all companies, internal stakeholders – board, management and employees actively participated in the process. The analysis typically began with key personnel, with additional staff involved as needed, while board was responsible for making the final decisions. The process included workshops, interviews, and training sessions related to the topic.

We have done the DMA in a workshop-style, and we have a consultant who helps with the DMA, primarily because I believe that if materiality is misunderstood, or if it's too narrow or too broad, the entire reporting is based on the results of the analysis... (Interviewee 4)

Only one company of the three companies had involved external stakeholders in the DMA process, while the had not reached that stage of the process.

The company that engaged external stakeholders in the DMA process aims to be at the forefront of integrating sustainability into business practices:

For us it (sustainability) is particularly important - all what we are doing is improving sustainability of our customers - so we need to lead, we need to show that what is this all about. (Interviewee 3)

They organized various workshops related to the topic:

We run many partner network workshop on that topic to show how important it (sustainability) is... .. If people is seeing this as a necessary evil, they miss the point. (Interviewee 3)

Another company is also planning to involve external stakeholders in the DMA process but remains unsure about the most effective approach to do so. The interviewee was skeptical about the functionality of surveys.

Stakeholder requirements must be heard, but it (ESRS) doesn't comment on how... I wouldn't initiate such surveys because they are a bit... we'll see what kind of answers we get... ..As for other (external) stakeholders, I still don't know how they will be considered. (Interviewee 4)

As previously discussed, LGR Group has already implemented DMA internally and plans to deepen the analysis in the upcoming years. While subsidiaries are not required to conduct their own DMA, the reporting systems could be developed to provide country-specific information, if necessary:

We don't expect subsidiaries to develop IRO (Impacts, risks, and opportunities). Subsidiaries will be part of Group's annual report... ..I think that we could think not next year but year after that, it could be something that our systems allow... ..you could on top of our group report to have a kind of short local report that just gives the key data points on Finland so that the customers can have it. (Legrand Group Interviewee)

Nevertheless, there were differing opinions on the importance of the double materiality analysis. One interviewee emphasized its significance, particularly for companies with their own production, without forgetting the need to consider group-level analysis and information.

...wherever you would have production, wherever you would have a larger impact, positive or negative, to society, I would do it (DMA) separately... ..put it into correlation to what is the global view. (Interviewee 3)

Challenges and possibilities of sustainability reporting

The interviewees highlighted various challenges related to sustainability reporting and its development in accordance with CSRD requirements.

An interviewee from Finnish companies, as well as the LGR group representative, identified data, or lack of it, as the most significant challenge:

Biggest challenge is the different data. (Legrand Group Interviewee)

The Finnish company representative also emphasized the financial part of data collection:

The biggest challenges is “...the lack of baseline data and that costs. Yes, it costs. It’s not a cheap exercise to do. (Interviewee 2)

Additionally, increased value chain reporting requirements, including difficulties in obtaining data and ensuring transparency, were significant concerns:

I worry about the other in our value chain and what information we are lacking from them, and the handling of certain issues and the reporting on that. We won’t be able to get everything. (Interviewee 4)

What’s big for all companies right now is Scope 3. That’s the biggest task we have ahead of us, practically. Clarifying things and increasing transparency throughout the entire value chain. (Interviewee 2)

As a group, we to prove that the whole value chain is sustainable, and this is not an easy discussion. (Legrand Group Interviewee)

One interviewee expressed concerned about the needed resources and time required to organize sustainability efforts and sustainability reporting within the organization, as well as how to integrate sustainability responsibilities in existing job descriptions.

At the grassroots level, it’s about how the roles and responsibilities are defined. How the additional percentages, which almost everyone in the organizations gets, fit in. For example, for some company, everyone has at least 20% of their role sustainability related duties. What happens to the 20% that was previously there? (Interviewee 5)

Concerns were also raised regarding the data management system, automatization, and data verification.

How our databases adapt, whether certain information can be found, whether we can get it automatically... how do you verify that it’s actually correct... we have tried to find help for these from the IT department. (Interviewee 4)

Although there were numerous challenges and concerns related to sustainability reporting, the interviewees also recognized several opportunities that it provides.

The interviewees identified various opportunities associated with CSRD -based sustainability reporting. The most frequently mentioned opportunities included increased transparency and comparability of the sustainability efforts, as well as potential business opportunities and differentiation from competitors. However, concerns were also raised about the comparability of between companies, as the data points may vary.

The ultimate aim is that companies can be compared between themselves especially in a similar industry and the ones that are doing the best job get the best points at sustainability. The green financing is directed towards the companies that are doing the best job in sustainability... ...The whole CSRD will allow us to showcase much more obviously that we are getting in sustainability. (Legrand Group Interviewee)

In 5 years, everyone will be able to do sustainability, and it will be business as usual. But at this point, we do want to profile ourselves and differentiate specifically at the customer interface... So, for us, it's definitely a clear business opportunity. (Interviewee 2)

I see it as possible that now, actually, we companies that -- have things in good shape and have been implementing them sustainably, can now show that for real. It's easier to argue when you have official numbers behind it. (Interviewee 4)

The goal is to achieve comparability and ensure that the reports are of the same scope. It will be interesting to see how that holds up in practice because the data points could, on the other hand, be different. (Interviewee 1)

In addition to the business opportunities, one interviewee highlighted the impact of the CSRD impact on the planet and emphasized the potential of improved standardization:

We have only one planet.. ...this should be.. ..better standardized and pushed in the same format as profit-loss statements. (Interviewee 3)

Although many interviewees found the increased value chain requirements challenging, these challenges may create new opportunities for cooperation among companies:

...if you think about audits of supply chains with competitors, or other different types of collaborations. (Interviewee 5)

An interviewee also highlighted the opportunities for employees:

From an employee's perspective, learning and expertise create your market value as an employee. (Interviewee 5)

6.3.3 Report format and content

The format and content of the report were discussed in some interviews. A representative from the LGR Group recommended not preparing a report but instead focusing on localizing on group-level topics and engaging in marketing activities.

We must be very cautious if we do that is that then it's not taken by authorities as a sustainability report and ask you to have an external auditor... ... if you are going to call it report you're going to open the way to external auditors to the authorities asking you every year to do it. So my advice would be unless the authorities tell you have to do it as a Finnish entity, it is more to do as a marketing - how can I translate a local level all the things and commitments from group level to showcase of what you are doing locally in Finland and make it much more nice marketed CSR promotion. (Legrand Group Interviewee)

From a group perspective, this approach to subsidiary sustainability reporting is understandable. However, alternative options may also be considered. For instance, as demonstrated by the example of a Finnish company, it is possible to do a separate

sustainability “report” or “recital” which provides different sustainability information compared to the official CSRD -based sustainability report.

We created a light, narrative-style corporate responsibility report that does not meet the requirements of the standard. It includes key figures that are our cornerstones—what we aim for, what we want to be, and how this relates to the SDGs and what we have identified from them. We prepared the narrative with certain indicators already in place, and it will be incorporated into the official sustainability report, which will fully comply with the directive's required data points and information. (Interviewee 4)

When asking companies preferences for the content of LGR Finland’s sustainability report, the suggestions focused on suppliers and the origins of materials, information on greenhouse gas emissions, and the inclusion of all ESG aspects, including business ethics:

Suppliers and the origins of materials... and how they meet requirements and legislation. (Interviewee 1).

The primary goal is to determine the GWP (Global Warming Potential) total value for as many products as possible from A1 to A3. (Interviewee 2).

The significance of business ethics is very important, so (it is important) that the ESG balance is as good as possible. (Interviewee 2).

In addition to these wishes, the third interviewee expressed ambitious expectations for LGR Finland—not regarding the company’s reporting, but rather in terms of collaboration to catalyze sustainable change.

If we make it more clear for the industry that this is a way to catalyze efforts.. ..if we have a fair competition around what we have achieved for example with our hand print or in our reductions, that’s a win-win-win for every one. (Interviewee 3)

6.3.4 Reflections

The interviews with the representatives from other companies provided diverse insights into the organization of sustainability practices, concrete examples on how to align reporting with CSRD requirements, challenges, lessons learnt, and thoughts on the potential of sustainability reporting.

Several key themes emerged across the interviews. Firstly, all participating companies had established a dedicated sustainability manager or director position, which was viewed as essential for effectively coordinating sustainability initiatives. Secondly, the interviewees consistently emphasized that developing the sustainability reporting to meet CSRD obligations and conducting a double materiality analysis demands significant time and human resources. Notably, a company with more ambitious sustainability goals undertook more rigorous double materiality analysis process. Thirdly, the interviewees highlighted the importance the staff

training, encompassing sustainability personnel, management teams, and board. Additionally, external partners were also trained on relevant topics.

The primary challenges were related around concerns about the required data and its availability, particularly regarding value chains. Thus, an interesting opportunity identified for future was the potential cooperation possibilities to enhance value chain data availability. Almost all companies recognized the business opportunities linked to sustainability efforts, which remain underutilized by LGR Finland.

Differences in attitude toward double materiality analysis and sustainability report format were observed between the Legrand Group and some representatives of Finnish companies. These differences may reflect the organizational context: Legrand, as a global company entity with numerous subsidiaries worldwide, whereas the interviewed companies are smaller and less geographically dispersed organizations. Thus, for instance, conducting a more comprehensive double materiality analysis may be easier for smaller groups and companies.

7 Outcome - a sustainability reporting development plan

In this chapter, both theory and findings from research questions are integrated to formulate a sustainability reporting development plan for LGR Finland. The initial need for this development research was to enhance general understanding of the importance of sustainability and sustainability reporting at LGR Finland, and to address the growing customer demand on sustainability information at the company level, rather than exclusively relying on Group-level sustainability information. These needs also form the foundation for the sustainability reporting development plan.

The sustainability reporting development plan below is based on the three sustainability reporting processes discussed in Chapter 2.5. However, given that LGR Finland's reporting development process has distinct characteristics and needs, the plan has been adapted from these processes and does not purely represent any one of them. In formulating the sustainability reporting development plan, the following aspects were considered:

1. As LGR Finland is part of a larger Group, the Group-level sustainability targets and goals serve as the starting point for LGR Finland's sustainability initiatives and reporting. Maintaining a Group-level perspective is crucial to throughout the entire sustainability reporting development process. Nevertheless, the localization is necessary; for example, it is important to define what Group-level goal and targets, including associated SDGs, mean for LGR Finland, as well as any potential differences.

2. An important consideration is whether to conduct a double materiality analysis. According to the results of Research Question 1, LGR Finland is exempt from sustainability reporting in accordance with CSRD requirements if it is included in the Group's sustainability reporting. Consequently, LGR Finland is not required to conduct its own double materiality analysis, nor it's expected by the Group. However, this is not a straightforward issue. As clarified in the Group -level interview, the Group has not included and likely will not include all subsidiaries in its double material analysis, focusing only the most significant and largest ones. Thus, the analysis does may not provide company-specific information that LGR Finland needs to communicate with its own customers and other stakeholders. Furthermore, the interviewees emphasized the advantages of increased transparency and comparability of sustainability information. They also highlighted the increased business opportunities what the double materiality analysis brings, along with CSRD -reporting. In this context, a double materiality analysis could serve as a tool for LGR Finland to better analyze its business opportunities and risks related to the sustainability, given that the company currently lacks a comprehensive business strategy analysis in this area, and to increase its transparency and justification regarding its sustainability efforts to clients and other stakeholders, as well as. This idea is supported by Khan et al. (2021, according to Correa-Mejía, Correa-García and García-Benau 2023, 303-304) who highlight that double materiality provides additional motivations for companies, as voluntary reporting can serve to demonstrate a company's dedication to sustainability and green innovation. Importantly, one interviewee underscored the necessity of conducting double materiality analysis and assessing its own sustainability impacts, particularly if a company has its own production, as LGR Finland does. Therefore, although LGR Finland is not obligated to conduct a double materiality analysis, doing so would offer several advantages for the company. Consequently, this analysis has incorporated into the sustainability reporting development plan. The steps of double materiality analysis have been synthesized from Silvola et al. (2024) and Niskala and Palmuaro (2023), as presented in Chapter 3.5.2.
3. As the sustainability reporting development plan is closely aligned with the CSRD and ESRS through double materiality analysis, and its primary focus is to address the current needs of the company, other sustainability reporting frameworks discussed in this study are not included in the plan. Once reporting practices have been further developed, it would be worthwhile to assess whether other reporting standards and formats could add value to LGR Finland's reporting. After three years, there will likely to be more information and advanced practices available for integrating different frameworks. Nevertheless, at this stage of the reporting development process, it is beneficial to be of these frameworks, but attempting to incorporate all of them simultaneously may impose an unnecessary burden.

4. This work focuses on the process of developing sustainability reporting, rather than the report format itself. Although this thesis offers some insights from both Group - level and company-specific interviews regarding the format of reporting, it does not take stand on how the report should be structured or whether the company should communicate its sustainability efforts solely without a formal report. The decision regarding the final format of reporting will be made during the development of sustainability reporting process.
5. The interviewees emphasized the need for continuous training when developing the reporting and conducting the double materiality analysis. The necessity for training on sustainability topics was clearly articulated during the sessions with LGR Finland personnel. This aligns with the perspective of Heidenmark Cook and Wirén (2024, 236-251), who emphasize the role of learning throughout the reporting process. This approach has been utilized in developing the plan, and the training and learning aspect are a cross-cutting themes throughout the plan. In addition, actions related to training have been incorporated into the steps.
6. To develop the sustainability reporting process, both financial and human resources are required – a topic which was most prominently highlighted in the LGR Finland session. Without adequate resources, the development is not feasible. Therefore, it is crucial for the company to allocate sufficient resources for the process, as this forms basis for the entire sustainability reporting process. The need for sufficient time and financial resources became evident also in the interviews.
7. In addition to the aforementioned aspects, it is essential to note that sustainability reporting to the LGR Group will continue as usual during the sustainability reporting development process. The subsequent plan does not present or include these reporting activities. However, they are considered in the actions outlined, such as when assessing current reporting processes or developing the processes.

Development of the company's sustainability due diligence processes and potential classification of environmentally sustainable activities under the EU Taxonomy are not included in the plan. As the Legrand Group is obligated to report under CSRD requirements, the Group is responsible for advancing activities related to these obligations. Therefore, it is advisable for LGR Finland to monitor the Group's actions in this regard and align any necessary measures accordingly. Furthermore, the Group's due diligence processes related to sustainability may provide valuable support for LGR Finland in analyzing its own sustainability risks, as proposed in the step three of the plan.

The figure 10 presents the main steps of the sustainability reporting development plan.



Figure 8: Main steps of the sustainability reporting development plan

In the following table 8, the plan is presented more in detail, including a description of each step, needed actions, schedule, and additional comments if any.

Table 8: Sustainability reporting development plan for LGR Finland

<u>Sustainability Reporting Development Plan for LGR Finland</u>
<p>Step 1: Organization of Work for Sustainability Reporting Development</p> <p>Aim: To define responsibilities for the sustainability reporting development process and secure sufficient resources.</p> <p>Actions:</p> <ul style="list-style-type: none"> • Define roles and responsibilities. • Allocate budget for the process. • Assign or recruit person in charge. • Assign a project team. <p>Schedule: January - February 2025</p> <p>Comments: It is recommended to analyze the possibility of establishing a new sustainability position within the company, as there may exist challenges to integrate sustainability responsibilities into existing job descriptions. Often, a separate position for sustainability manager or director exists, as the interviews demonstrated. Additionally, the company personnel lack sufficient knowledge on the topic.</p>
<p>Step 2: Increase Understanding of the Reporting Landscape</p> <p>Aim: To secure the sufficient knowhow in the company on sustainability reporting, and its standards and practices.</p>

Actions:

- Familiarize personnel with various sustainability topics and materials, such as Group level sustainability documents, SDGs, CSRD and ESRS.
- Provide staff training.

Schedule: February - April 2025, ongoing

Comments: Although this step is emphasized at the beginning of the process, it is continuous, as different regulations and standards are constantly evolving.

Step 3: Analysis of Sustainability Issues Related to Strategy

Aim: To analyze the impact of sustainability matters on business, including potential risks and opportunities.

Actions:

- Conduct management training on the topic.
- Identify sustainability-related business risks and opportunities for LGR Finland.

Schedule: March 2025

Comment: In this work, it is recommended to become more familiar with ISO 14001 and utilize the related materials regarding environmental risks.

Step 4: Stakeholder Analysis

- **Aim:** To identify the relevant stakeholder groups for sustainability reporting and for double materiality analysis.
- **Actions:**
 - Conduct stakeholder analysis.
- **Schedule:** April 2025

Step 5. Double Materiality Analysis

- **Aim:** To define the most material sustainability topics, including impacts on society and financial materiality for the company, as well as identify potential discrepancies with LGR Group's materiality topics.
- **Needed actions:**
 - Plan DMA process, including detailed timetable and data collection system.
 - Provide staff training on the topic.
 - Conduct value chain analysis
 - The aim is to determine the most essential value chains from sustainability perspective (e.g. geographical location, different risk elements)-
 - "Desktop work", utilizing internal materials (e.g. Group and company -level risk assessments, processes, and surveys) and external materials (e.g. research papers and publications for international organizations).
 - Identify impact and financial materiality:
 - Conduct Internal workshops, surveys and/or sessions.
 - Carry out external surveys, thematic interviews, workshops and/or sessions (including the most relevant stakeholders).
 - Evaluate the impact and financial materiality through internal sessions and workshops.
 - Assess possible materiality differences between LGR Finland and the Group.
 - Present and verify the results.
 - Collect feedback from the stakeholders.
 - Obtain feedback and verification from the management.

<p>Schedule: May - October 2025</p> <ul style="list-style-type: none"> • Comments: The duration of this step depends on the depth of the analysis, including the participants involved and the numbers of stakeholder groups are engaged. According to the interviews, the length of the process has varied between 2 to 6 months.
<p>Step 6: LGR Finland Country-Specific Goal and Target Setting</p> <ul style="list-style-type: none"> • Aim: To define localized sustainability goals and targets. • Actions: <ul style="list-style-type: none"> • Identify sustainability focus areas, local goals and targets for Finland, based on double materiality analysis and aligned with LGR Group level goals and targets. • Localize Group-level goals and targets. • Schedule: November • Comments: Clearly defined and localized goals and targets facilitates the realization of subsequent steps in the process. Additionally, as analyzed in LGR session, they enhance the communication and commercialization on sustainability topics.
<p>Step 7: Define Necessary Data</p> <ul style="list-style-type: none"> • Aim: To define datapoints related to material topics and evaluate them. • Actions: <ul style="list-style-type: none"> • Define datapoints for the material topics which differ Group-level material topics. • Evaluate potential differences in data points between LGR Finland and the Group, even if the materiality topics are the same. • Schedule: November - December 2025
<p>Step 8: Organization of Work for Sustainability Reporting</p> <ul style="list-style-type: none"> • Aim: To establish clear roles and responsibilities for the sustainability reporting process • Actions: <ul style="list-style-type: none"> • Define the localization of sustainability within the organization (if not completed during Step 1.) • Define roles, responsibilities, and tasks for all relevant staff members. • Provide staff training, including own and group -level trainings. • Localize group-level policies, guidelines, and related processes. • Develop a systematic approach to due diligence. • Schedule: January 2026 • Comments: Although responsibilities for the reporting development process were defined at the beginning, it is crucial to revisit this in the current phase, after double material analysis and localized goals and targets. This step should focus on designing a long-term sustainability reporting process, rather than just the development phase. During this step, (if not earlier), it is crucial to decide where sustainability fits into the company's organizational structure. Interviews indicated that this may vary depending on the company's priorities and where the sustainability function aligns most effectively.
<p>Step 9: Assess the Current State</p> <ul style="list-style-type: none"> • Aim: To evaluate the status of sustainability reporting and develop on action plan for enhancing reporting practices and processes. • Actions:

<ul style="list-style-type: none"> • Conduct a gap analysis to identify existing versus needed data, processes, tools, IT-solutions, operational models, and documentation. • Create an action to address identified gaps. • Schedule: February 2026 • Comments: Although an initial gap analysis was conducted during sessions with LGR Finland, a more thorough analysis is necessary after potential material differences are identified local goals and targets are established.
<p>Step 10: Enhance Existing Sustainability Reporting Practices and Tools</p> <ul style="list-style-type: none"> • Aim: To improve current practices, processes, tools and actions and establish new measures to support smooth reporting process and easily accessible sustainability data. • Actions: <ul style="list-style-type: none"> • Enhance data collection processes • Clarify measurement descriptions, including definition of calculation inclusions and exclusions. • Improve the readability of reports. • Schedule: March - December 2026 • Comments: These actions were initially defined during the third session with LGR personnel. However, they must be updated following the completion of step 9, alongside with the schedule.
<p>Step 11: Data Collection</p> <ul style="list-style-type: none"> • Aim: To compile the sustainability data from different sources effectively. • Actions: <ul style="list-style-type: none"> • Collect the data on ESG -related sustainability topics. • Prepare the data for decision-making and communication purposes. <p>Schedule: General sustainability data collection is continuous, aligned with on the Group data collection cycle. Data collection based on renewed processes and practices from January 2026 onwards.</p>
<p>Step 12: Analysis and Evaluation of Progress and Learnings</p> <ul style="list-style-type: none"> • Aim: To evaluate the company's performance against its goals and targets, and use insights gained to drive improvements • Actions: <ul style="list-style-type: none"> • Analyze the collected data. • Interpret the results. • Share the findings internally. • Identify lessons learnt. • Develop an improvement plan. • Schedule: Regular intervals, in sync with the data collection cycle, starting in 2027.
<p>Step 13: Communication on the Sustainability Efforts and Results</p> <ul style="list-style-type: none"> • Aim: To enhance transparency and to communicate on the company's sustainability efforts to a broader audience. This will contribute to improving the company's brand reputation, product commercialization, and employee image. • Actions <ul style="list-style-type: none"> • Integrate sustainability topics into LGR Finland's communication strategy, plans, and timetable. • Define the format of communicating for sustainability efforts and results. • Disseminate information on sustainability efforts and results.

- Feedback collection from stakeholders, including tailoring Customer Satisfaction Surveys to local context and encouraging participation.
- **Schedule:** Continuous, aligned with the communication plan.

As Lozano, Nummert and Ceulemans (2016, 180.) point out, sustainability reporting plays a pivotal role as a starting point for planning organizational change for sustainability. Conversely, organizational changes also enhance the reporting process. This reciprocal relationship positively impacts the company's sustainability performance, reputation, and company's sustainability awareness, and fosters behavioral change.

While the developed plan is primarily aimed at improving LGR Finland's sustainability reporting process and practices, it is closely tied to the overall development of sustainability initiatives within the company. For example, double materiality analysis helps define the focus of sustainability efforts and integrates sustainability into business operations. The recommended improvements of the organization of reporting practices are closely linked to the overall structuring of sustainability within the company and the broader transition becoming a more sustainable company.

When enhancing the sustainability of the company, LGR Finland benefits the work done by the Group. LGR group provides a solid foundation for its subsidiaries to develop their sustainability initiatives, by using the SDGs as a general framework, specifying key action areas, and setting objectives and indicators. Additionally, LGR Group has built its CSR work based on the ISO 26 000 standard. Researchers (Ronalter, Portronieri and Gerolamo 2023, 266, 271 and 291) emphasize that ISO 26 00 provides support for governance and leaderships functions related to social responsibility. Thus, it would be valuable to evaluate whether the ISO 26 000 framework could serve as a tool for further developing LGR Finland' sustainability initiatives.

8 Conclusions

The need for this study arose from LGR Finland's necessity to better understand its sustainability reporting obligations under the CSRD and to address increasing demands from customers and other stakeholders for country-specific sustainability data. This study examined whether LGR Finland is required to prepare sustainability reports in accordance with CSRD requirements and how existing sustainability reporting could be enhanced.

According to Silvola et al. (2024, 199-200), when initiating a reporting process, it is advisable to begin with what you already have, and then continue to define the target level of reporting and identifying strengths and weaknesses. This approach was applied in this study

through focus group discussions with LGR personnel. During sessions with LGR personnel, a gap analysis was conducted to evaluate the current state of LGR Finland's sustainability reporting, including its strengths and weaknesses. A target level for sustainability reporting was set, and necessary steps were defined to achieve this target. Additionally, interviews were conducted to gather insights on sustainability reporting practices from other companies and the LGR Group, providing a broader perspective on the field.

Given that the demand for the study was driven by the organizational need to develop existing practices, research-based development work was deemed appropriate. The iterative nature of this methodology supported the study's implementation, allowing moving back and forth between the different phases of the study. The chosen data collection method, collaborative research method, facilitated strong participation by LGR personnel, enhancing their understanding of sustainability reporting and fostering internal discussion on the importance of sustainability within the company. Consequently, the selected data collection method was successful, generating a wider impact beyond the immediate scope of this study. Additionally, interviews further enriched the data by offering a broader perspective on sustainability reporting practices.

The data collection, and the study in general, was conducted by following the Ethical Recommendations for Thesis Writing at Universities of Applied Sciences (2020) by Arene and considered throughout the process, and special focus was given to the ethical principles for research on people during sessions with LGR personnel and interviews with other companies' representatives.

The findings revealed that LGR Finland is not required to report in accordance with the CSRD if the company's information is included in the LGR group level sustainability report and complies with defined conditions (Directive 2022/2464/EU, art. 25 and 26). However, the issue is more complex than it appears. This controversy has been addressed in the study, leading to a recommendation to conduct a double materiality analysis, even though it is not mandated, as it offers several benefits for the company. An assessment of LGR Finland's current sustainability reporting practices revealed that these efforts primarily serve the Group's purposes, providing limited added value to the company itself. Despite generating sustainability information for the Group and implementing various processes and practices, the data is scattered, and there is no comprehensive understanding of the sustainability - related activities. Consequently, reporting processes and practices need to be systematized. Overall, there is a need for improved organization of sustainability reporting within the company, which necessitates the allocation of both financial and human resources.

The sustainability reporting development plan aims to support LGR Finland by offering a step-by-step plan for improving sustainability reporting practices, beginning with better

organization of work. Additionally, enhanced sustainability reporting will improve communications and increase company value. Based on the study by Friske, Hoelscher and Nikolov (2023, 372), and as highlighted by the interviewees, sustainability reporting is initially a costly process. However, over time, it contributes increased company value by enabling better communication of sustainability efforts to stakeholders. For LGR Finland, which aims to improve stakeholder communication regarding sustainability initiatives, this represents a critical advantage of investing in reporting, despite the significant initial cost. Furthermore, the development of sustainability reporting practices can serve as a starting point for a broader organizational change in sustainability, creating a more significant impact than merely producing a sustainability report or communication materials. The ambition level and commitment of management, alongside the allocated resources, will determine the pace and direction of this change.

Although this study was conducted for a specific company, its findings are applicable to other companies in similar situations and with similar challenges. Even each company has their unique starting point for the sustainability reporting, as Silvola et al. (2024, 199-200) reminds us, the developed plan can offer concrete examples and ideas on how to develop sustainability reporting, along with lessons learnt from the experiences of various companies.

Some challenges and limitations were identified in this study. First, the information on sustainability reporting provided to LGR Finland's personnel was limited to one session. The time available for the sessions was also constrained. As a result, the sessions provided only a general overview of the company's sustainability reporting rather than an in-depth analysis. In addition, as stated in the session, the overall understanding on sustainability topics is not sufficient among LGR personnel. These limitations were addressed in the development plan, which emphasizes the need for deeper internal understanding to sustainability topics. Another limitation was the initial uncertainty surrounding the possibility of interviewing an LGR Group representative. Although the interview was eventually conducted, it occurred after the workshops with LGR personnel and interviews with other companies, preventing the integration of its findings into earlier research phases. Additionally, there was a lack of research on best practices in sustainability reporting under CSRD requirements and experiences with the directive, as it only came into effect in January 2024, with the first mandatory reports yet to be published. Similarly, while materiality analysis is well-researched, studies on double materiality analysis specific to CSRD requirements and its implications remain scarce.

These challenges highlight opportunities for further research. For instance, future studies could analyze the impact of developing sustainability reporting practices at LGR Finland, explore how these developments influence broader sustainability efforts, or investigate how changes in LGR Group's sustainability reporting affect its subsidiaries, including required

sustainability information from the subsidiaries and how possible differences in sustainability materiality of different subsidiaries are considered in their sustainability reporting. From a broader perspective, as the implementation of the CSRD is still recent, there is a need for research on the practical application of the directive, its implications for companies, its challenges and limitations, and the variations in how companies conduct double materiality analyses. Additionally, such research could explore how these differences influence companies' sustainability reporting specifically, as well as their broader sustainability efforts. On the whole, the introduction of the CSRD opens a wide range of research opportunities.

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ChatGPT has been used to edit the language of this text.

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Appendix 1: Interview questions for representatives of Finnish companies

Topic 1: Sustainability reporting at your company

How are the sustainability issues organized at your company?

How is the sustainability reporting process organized at your company?

How is the parent company coordinating and supporting its subsidiaries?

Topic 2: CSRD & double materiality analysis

What kind of changes does the CSRD bring to your sustainability reporting?

What is your timetable for these changes?

How are/were you preparing for the changes - how is/was the development process?

Have you conducted (double)materiality analysis? If yes, how?

Topic 3: Possibilities and challenges of sustainability reporting

What challenges have you had when developing sustainability reporting?

How have you solved these challenges?

What strengths and/or opportunities are there related to development of sustainability reporting?

Topic 4: Other topics

What do you consider the most important future topics that will influence on sustainability reporting, and which should be considered?

Do you or your company have any expectations or wishes for LGR Finland's sustainability reporting? If yes, what are they?

What advice would you give to develop sustainability reporting?

Is there anything else you would like to mention on sustainability reporting and its development?

Appendix 2: Interview questions for the representative of Legrand Group

Topic 1: General & new roadmap

How do you instruct your subsidiaries on sustainability reporting?

Please describe your new roadmap: are the changes compared to the current one?

What are the reasons behind these changes?

Topic 2: CSRD

What kind of changes does CSRD bring for Legrand Group?

Are you planning to create a group-level sustainability report based on CSRD and ESRS requirements, or do you expect each subsidiary to develop its own report independently?

If you are planning to create a group-level sustainability report, how do you prepare for the changes? What is the process and timetable?

How do you instruct your subsidiaries on the reporting process based on CSRD requirements? What is your timetable for this?

Are you planning to organize training for your subsidiaries on CSRD, ESRS, and the reporting process? If yes, what kind of training? and when?

Topic 3: Double materiality analysis

What is your timetable for the analysis?

Please describe the planned process - what are different stages?

How do you plan to define potential materiality differences of your subsidiaries and their value chains?

How do you plan to involve subsidiaries in the process? In what extent?

How do you plan to regularly collect information on potential materiality differences between subsidiaries in the future?

Topic 4: Other topics

What challenges have you had in group level sustainability reporting with many subsidiaries in different countries?

What opportunities are there related to sustainability reporting from group level perspective?

What do you consider the most important future topics that will influence on sustainability reporting, and which should be considered?

What advice would you like to give to develop LGR Finland's sustainability reporting?

Is there anything else you would like to mention on sustainability reporting and its development?